



**Finance & Audit Committee  
Regular Meeting  
April 19, 2018**



## Marin Healthcare District

100B Drakes Landing Road, Suite 250, Greenbrae, CA 94904

Telephone: 415-464-2090 Fax: 415-464-2094

Website: [www.marinhealthcare.org](http://www.marinhealthcare.org) / Email: [info@marinhealthcare.org](mailto:info@marinhealthcare.org)

### FINANCE AND AUDIT COMMITTEE

#### Closed Session & Regular Meeting

**Members:**

**Chair:**

**Members:**

**Staff:**

Larry Bedard, MD  
Jennifer Rienks, PhD  
Jim McManus, CFO  
Jean Noonan, Controller  
Michael Lighthawk, EA

**Location:**

MGH Conference Room at Drakes Landing  
100B Drakes Landing Road, Suite 167  
Greenbrae, CA 94904

### REGULAR MEETING AGENDA - 5:10pm

- |                                                                                                                                                                                                                                                         |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>I. Call to Order</b>                                                                                                                                                                                                                                 | Bedard     |
| A. Roll Call                                                                                                                                                                                                                                            |            |
| B. Approval of Agenda (Action)                                                                                                                                                                                                                          |            |
| C. Approval of Minutes of Regular Meeting: February 22, 2017 (Action)                                                                                                                                                                                   |            |
| D. General Public Comment - <i>Any member of the public audience may make statements regarding any items NOT on the agenda. Statements are limited to a maximum of three minutes. Please state your name if you wish to be recorded in the minutes.</i> |            |
| <b>II. Review/Recommend Approval of Items Discussed in Closed Session (Action)</b>                                                                                                                                                                      | Bedard     |
| <b>III. Audit – Marin Healthcare District</b>                                                                                                                                                                                                           | Moss Adams |
| A. Review Report of Independent Auditors and Financial Statements<br>December 31, 2017-2016 (Action)                                                                                                                                                    |            |
| <b>IV. Finance</b>                                                                                                                                                                                                                                      | McManus    |
| A. Revenue Bond Financial Review (Action)                                                                                                                                                                                                               |            |
| 1. Document Summary                                                                                                                                                                                                                                     |            |
| 2. Plan of Finance                                                                                                                                                                                                                                      |            |
| 3. Corporate Resolution                                                                                                                                                                                                                                 |            |
| 4. Master Trust Indenture                                                                                                                                                                                                                               |            |
| 5. Supplemental Master Indenture                                                                                                                                                                                                                        |            |
| 6. Bond Indenture                                                                                                                                                                                                                                       |            |
| 7. CSCDA Loan Agreement                                                                                                                                                                                                                                 |            |
| 8. Bond Purchase Agreement                                                                                                                                                                                                                              |            |
| 9. Continuing Disclosure Agreement                                                                                                                                                                                                                      |            |
| 10. Preliminary Official Statement                                                                                                                                                                                                                      |            |
| 11. Appendix A                                                                                                                                                                                                                                          |            |
| 12. MADS Coverage                                                                                                                                                                                                                                       |            |
| B. Financial Report – February 28, 2018                                                                                                                                                                                                                 | Noonan     |
| <b>V. Agenda Items for Next Meeting</b>                                                                                                                                                                                                                 | Bedard     |
| <b>VI. Adjournment</b>                                                                                                                                                                                                                                  | Bedard     |



**Previous Meeting Minutes  
February 27, 2018**



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### FINANCE AND AUDIT COMMITTEE

#### Closed Session & Regular Meeting

February 27, 2018, 5:30pm

#### Regular Meeting Minutes

#### I. Call to Order & Roll Call

- A. Call to Order - Following adjournment of the Closed Session, Chair Bedard called the Regular Meeting to order at 5:40pm.
- B. Roll Call - Committee Members Present: Larry Bedard, MD (Chair); Jennifer Rienks, PhD.  
Staff Members Present: Jean Noonan (Controller), Michael Lighthawk (EA).
- C. Approval of Agenda. **Agenda Approved.**
- D. Approval of Minutes of the Special Study Session of the full Board of Directors with the Finance and Audit Committee of November 28, 2017. **Minutes approved.**
- E. General Public Comment – **No public.**

#### II. Review / Recommend Approval of Items Discussed in Closed Session (Action)

- A. Recommendation for the MHD Board of Directors to approve of 1<sup>st</sup> Amendment & Extension to assign Napa Valley Urology Associates Lease to 3250 Beard LLC on behalf of Dr. James Yu on condition of verifying details discussed in closed session.  
So moved by Chair Bedard. Seconded by Member Rienks. All ayes. **Motion passes.**
- B. Recommendation for the MHD Board of Directors to approve the sublease of office space/services at Cardiovascular Associates of Marin, 2 Bon Air Road, by The Regents of the University of California, San Francisco ("UCSF") (for Dr. Scot Merrick).  
Chair Bedard tabled the agenda item to the MHD Board of Directors due to a conflict of interest with Member Rienks. **Agenda item tabled to the full board.**

#### III. Finance

##### A. Financial Report – December 31, 2017

Balance Sheet - Jean Noonan highlighted significant changes in the Balance Sheet. Tax Revenues Receivable was down \$7M in December due to receipt of Property Tax Assessments from County of Marin. Assets Limited to Use - Bond Funds went up \$6.8M offsetting the property tax expenses. Hospital Construction Costs are up \$24M as expected. There is also a corresponding increase in accrued expenses incurred due to assets booked but not yet paid. The District is currently undergoing the 2017 Audit early as planned to accommodate the issuance of Revenue Bonds. Committee Review and Board approval of the 2017 Independent Audit are being held in special meetings on April 19 and 24 respectively.

Income Statement - The District incurred a loss of \$101K against a budget of \$129K for December. Member Rienks asked what Accounting Fees are for. Ms. Noonan stated those fees are for the Audit and a corresponding expansion of the balance sheet because of the extra costs associated with



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hospital construction. For these reasons we authorized the fees to go up to \$30K. Advertising fees were for the Annual Report to the community. Member Rienks asked if we can call the advertising fees "Communications" instead. Controller Noonan agreed to make that change.

Clinic Summary – For the month of December we were off budget by \$380K against a budget of \$739K and actual of \$1.1M. Variances were due to lower volume in December. West Marin Medical Center will be disaffiliated in August but we will still see income from West Marin due to previous AR before disaffiliation.

### B. Financial Report – January 31, 2018

Balance Sheet – Changes in cash payouts for expenses fluctuates month to month due to timing of payments and reimbursements. Hospital construction costs continue to rise as incurred. Changes in Assets Limited to Use - Bond Funds since December are due to construction requisitions being paid. Discussion ensued regarding effectiveness of the new vendor for the clinics, CHMB (California Healthcare Medical Billing). Ms. Noonan responded by saying we have more than monthly calls with them looking at collection and charge activities, metrics, and appointments that yield data points that we can analyze and use to increase efficiency in clinic operations.

Clinic Summary – January's Total Clinics' variance of (\$1.1M) was under budget by (\$60K). Work RVU's were down a little and CHMB is looking into possible missed charges.

## IV. MGH Audit Committee Update

### Internal Audit

Payroll Practices Findings – One of the initial audit findings was that documented payroll practices were not being enforced. Finance has been working with HR now for over a year to determine the best way to strengthen the enforcement of time keeping policies. We are encountering more of a culture change than anything else so, we are documenting non-compliance, disciplining where necessary, increasing education and reinforcing policy in the New Employee Orientations.

HIPAA Privacy Audit – One finding was a need to update policies with the current HIPPA Regulations. Another was the HIPPA Privacy Notice not posted in the right place. We are currently in the process of finalizing the findings and management's action plan. The Contracting & Payer Relations Department is updating all of their forms and templates. Additionally, we are now examining all high-risk contracts to make sure the proper BAA is in place.

Billing and Collections – As of December 1, 2017, the credentialed billing staff and front office employees moved over to CHMB and Prima from MMPC. Ms. Noonan stated we are engaged with looking at what Prima Management and CHMB are doing to oversee the denials process and billing workflow. So far, there are no patient complaints about the transition or change in agency. Prima payroll and accounting has been integrated with the MGH Finance Department.



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Regarding the ongoing Moss Adams Internal Audit & Risk Assessment, Ms. Noonan pointed out that the previously audited areas of risk (Physician Payments, Construction, HIPAA, etc.) are now in a 3 year plan for assessment as risk parameters are changing and we may need Moss Adams to revisit their previous assessment in these areas.

### V. Investment Sub-Committee Report

Noonan

The MGH Investment Sub-Committee met with Canterbury Consulting on February 13, 2018. For 2017, our net investment earnings was \$56K on a \$1M portfolio (not Bond funds). These are very conservative parameters. Overall, the District portfolios made 3.6% better than the policy index as stated in the Investment Policy.

### VI. Agenda Items for Next Meeting

Bedard

- Travel Policy Review

### VII. Adjournment

Bedard



**Report of Independent Auditors &  
Financial Statements  
December 31, 2017**

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*Report of Independent Auditors  
and Financial Statements*

**Marin Healthcare District**

*December 31, 2017 and 2016*

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## **Management's Discussion and Analysis**

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# **Marin Healthcare District Management's Discussion and Analysis For the Years Ended December 31, 2017 and 2016**

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This section of Marin Healthcare District's (the District) financial statements presents management's discussion and analysis of the financial activities of the District for fiscal year ended December 31, 2017 and 2016. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

## **INTRODUCTION TO THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

The required financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Notes to Financial Statements, and this summary, provide support to these statements. All information must be considered together to obtain a complete understanding of the financial picture of the District.

### Statement of Net Position

This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Position;" this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the District as a whole.

### Statement of Revenues, Expenses, and Changes in Net Position

This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under the accrual basis, all increases or decreases in net position are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently, revenues and/or expenditures reported during this fiscal year may result in changes to cash flows in a future period.

### Statement of Cash Flow

This statement reflects inflows and outflows of cash, summarized by operating, capital and non-capital and related financing, and investing activities. The direct method was used to prepare this information, which means gross rather than net amounts were presented for the year's activities.

### Notes to Financial Statements

This additional information is essential to a full understanding of the data reported in the financial statements. The District is a political sub-division of the state of California. It is the sole member of MGH and is governed by a publicly-elected Board of Directors.

**Marin Healthcare District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2017 and 2016**

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**ANALYTICAL REVIEW**

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position present a summary of the District's activities.

Condensed Statements of Net Position

	DECEMBER 31,	
	2017	2016
Current and other assets	\$ 286,030,967	\$ 106,970,585
Capital assets, net of accumulated depreciation	191,722,405	98,097,972
Total assets	477,753,372	205,068,557
Current portion of bond payable	6,050,000	2,645,000
Other current liabilities	33,393,091	12,508,667
Bond payable, net of current portion	400,179,342	163,093,475
Long-term debt and other long-term liabilities	1,039,635	1,053,996
Total liabilities	440,662,068	179,301,138
Net position		
Net investment in capital assets	57,755,403	29,024,571
Unrestricted deficit	(20,664,099)	(3,257,152)
Total net position	37,091,304	25,767,419
Total liabilities and net position	\$ 477,753,372	\$ 205,068,557

Total assets increased by 133% or \$272,684,815 as of December 31, 2017 compared to December 31, 2016, primarily as a result of the sale of bonds and expenditures for construction costs related to the hospital facility.

Liabilities increased by 146% or \$261,360,930 as of December 31, 2017 compared to December 31, 2016, as a result of the sale of bonds.

The overall changes to net assets is an increase of \$11,323,885, resulting in a December 31, 2017 balance of \$37,091,304. An unrestricted deficit of \$20,644,099 exists for the year ended December 31, 2017 as a result of the timing of construction payments.

**Marin Healthcare District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2017 and 2016**

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Condensed Statement of Revenue, Expenses, and Changes in Net Position

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 23,073,923	\$ 20,193,105
Operating expenses	<u>35,648,816</u>	<u>28,835,201</u>
Operating loss	<u>(12,574,893)</u>	<u>(8,642,096)</u>
Support from Marin General Hospital (MGH)	11,401,720	8,072,571
Bond issuance costs	(583,641)	(15,597)
Tax revenue	13,012,474	562,573
Interest expense	(652)	(11,440)
Other revenue	<u>68,877</u>	<u>20,145</u>
Total non-operating revenues, net	<u>23,898,778</u>	<u>8,628,252</u>
Increase/(decrease) in net position	<u>\$ 11,323,885</u>	<u>\$ (13,844)</u>

*Operating Revenues and Expenses*

Operating losses are primarily due to the losses incurred from the 1206(b) Clinics. The 1206(b) Clinic operating deficits are funded by MGH.

*Non-Operating Revenues and Expenses*

Under terms of an agreement with the District, MGH provides support to the District equal to the losses incurred by the 1206(b) Clinics.

Tax revenue represents property tax assessments by Marin County on District property owners, which will be used to make bond interest and principal payments in the future. Property tax assessments are based upon expected debt service for the following year and vary depending on scheduled bond principal and interest payment amounts.

**ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

*The Hospital Facilities Seismic Upgrade Act (SB 1953)*

The District has assumed responsibility for compliance with the Hospital Facilities Seismic Upgrade Act (SB 1953) classification SPC2 and through Hazus 2010. The District has received an extension to 2030.

*Payments from Federal and State Health Care Programs*

Entities doing business with governmental payors, including Medicare and Medi-Cal, are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments. Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees received.

*Measure F*

On November 5, 2013, the voters of the District passed Measure F, which authorized the District to issue \$394,000,000 in bonds to improve the Marin General Hospital facility and related facilities with new construction, acquisitions, and renovations.

In November 2015, the District issued \$170,000,000 of bonds, at a premium, resulting in total proceeds of \$178,687,120. A portion of those proceeds were used to reimburse MGH for the construction of a parking structure and for design and site improvements preparatory to the commencement of construction of the new hospital facility.

In September 2017, the District issued \$224,000,000 of bonds, at a premium, resulting in total proceeds of \$243,612,033. The proceeds will be used for the construction of the new hospital facility.

**Marin Healthcare District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2017 and 2016**

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**BUDGET RESULTS**

The Board of Directors approves the operating budget of the District. The budget remains in effect the entire period, but is updated as needed for internal management use to reflect changes in activity and approved variances. A budget comparison and analysis for the year ended December 31, 2017 is presented below.

	DECEMBER 31, 2017	
	Actual	Budget
Operating revenues	\$ 23,073,923	\$ 25,516,669
Operating expenses	35,648,816	35,917,220
Operating loss	<u>(12,574,893)</u>	<u>(10,400,551)</u>
Support from Marin General Hospital (MGH)	11,401,720	8,874,072
Bond issuance costs	(583,641)	-
Tax revenue	13,012,474	-
Interest expense	(652)	(23,605)
Other revenue	<u>68,877</u>	<u>3,000</u>
Non-operating revenues	<u>23,898,778</u>	<u>8,853,467</u>
Change in net position	<u>\$ 11,323,885</u>	<u>\$ (1,547,084)</u>

The budget above is a combination of the budget for the operations of the 1206(b) Clinics and the budget for the operations of the District, which includes bond related revenue and expenses.

**Operating revenues** – When new Clinic physicians are projected to be added, assumptions are made as to how quickly they will be able to increase the volume of patients treated. The actual timing of these “ramp-ups” leads to variations in revenue. As with any medical practice, the precise payer mix of patients seen is difficult to predict and often leads to variances. Clinic operating revenues were \$2,443,246 in deficit of budget and District operating revenues were \$500 in excess of budget.

**Operating expenses** – In addition to budgeting for Clinic activity, the District also conducts programs outside of the Clinics such as community healthcare education and support for hospital programs. Clinic expenses were \$119,932 in excess of budget.

**Support from Marin General Hospital** – By agreement, MGH provides support to the District equal to the net losses incurred by the Clinics. As a result, the amount of support provided varies directly with the Clinic operating losses.

**Other revenue** – The District earned interest income from the accounts in which the investments are held, and notes receivable.

**Marin Healthcare District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2017 and 2016**

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**CAPITAL ASSETS**

As of December 31, 2017, the District had \$191,722,405 invested in a variety of capital assets, as reflected in the following schedule, which represent a net increase (additions less depreciation) of \$93,624,433 from December 31, 2016. The increases in year ended December 31, 2017 is the result of the construction of the new hospital facility.

	Balance at	
	December 31, 2017	December 31, 2016
Land and improvements	\$ 2,498,287	\$ 2,498,287
Construction in progress	161,419,900	68,351,311
Building	51,695,531	49,820,735
Equipment	21,138,561	21,018,545
Less accumulated depreciation	(45,029,874)	(43,590,906)
Capital assets, net of accumulated depreciation	\$ 191,722,405	\$ 98,097,972

**Construction in progress** – Expenditures continue to be made from the bond proceeds for the construction of the new hospital facility.

**LONG-TERM DEBT**

The increase in long-term debt from December 31, 2016 to December 31, 2017 is primarily due to the issuance of Series 2017 bonds. As of December 31, 2017, \$6,050,000 is to be repaid in 2018 and is included in current liabilities.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to Marin Healthcare District to the attention of the Chief Financial Officer or the Chair of the Finance and Audit Committee at 415-464-2090.

# **Report of Independent Auditors**

To the Board of Directors  
Marin Healthcare District

## **Report on Financial Statements**

We have audited the accompanying financial statements of Marin Healthcare District (the District), which comprise the statements of net position as of December 31, 2017 and 2016, 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the 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 District'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 financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Healthcare District as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sacramento, California

**[REDACTED], 2018**

## **Financial Statements**

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**Marin Healthcare District**  
**Statements of Net Position**  
**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,651,515	\$ 1,791,964
Investments	1,063,851	1,011,164
Current portion of bond assets held in trust	20,377,616	9,234,350
Patient accounts receivable, net of allowance for doubtful accounts of \$299,238 and \$30,386 as of December 31, 2017 and 2016, respectively	3,279,764	2,298,666
Tax revenue receivable	5,296,212	1,776,393
Other receivables	649,111	1,494,729
Prepaid expenses	224,782	51,252
Inventory	15,692	15,692
	<u>33,558,543</u>	<u>17,674,210</u>
Total current assets	33,558,543	17,674,210
Deposits	72,633	1,072,633
Capital assets, net of accumulated depreciation	191,722,405	98,097,972
Bond assets held in trust	251,884,724	87,651,435
Intangible assets, net of accumulated amortization	515,067	572,307
	<u>477,753,372</u>	<u>205,068,557</u>
Total assets	\$ 477,753,372	\$ 205,068,557
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 2,331,285	\$ 2,475,913
Accrued expenses	877,094	578,418
Accrued construction costs	25,001,092	6,484,725
Accrued interest expense	5,149,259	2,745,563
Current portion of notes payable	34,361	224,048
Current portion of bonds payable	6,050,000	2,645,000
	<u>-</u>	<u>-</u>
Total current liabilities	39,443,091	15,153,667
Notes payable, net of current portion	1,039,635	1,053,996
Bonds payable, net of current portion	400,179,342	163,093,475
	<u>440,662,068</u>	<u>179,301,138</u>
Total liabilities	440,662,068	179,301,138
<b>NET POSITION</b>		
Net investment in capital assets	57,755,403	29,024,571
Unrestricted deficit	(20,664,099)	(3,257,152)
	<u>37,091,304</u>	<u>25,767,419</u>
Total net position	37,091,304	25,767,419
Total liabilities and net position	\$ 477,753,372	\$ 205,068,557

**Marin Healthcare District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>OPERATING REVENUE</b>		
Net patient service revenue	\$ 22,563,423	\$ 19,692,230
Lease income	510,500	500,875
	23,073,923	20,193,105
<b>OPERATING EXPENSES</b>		
Salaries and benefits	26,095,604	20,724,488
Rent	2,392,671	1,781,370
Purchased services	3,069,331	2,450,719
Depreciation and amortization	1,496,208	1,017,132
Supplies	1,433,281	1,188,876
Insurance	158,577	127,230
Other	1,003,144	1,545,386
	35,648,816	28,835,201
<b>OPERATING LOSS</b>	(12,574,893)	(8,642,096)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Support from Marin General Hospital (MGH)	11,401,720	8,072,571
Bond issuance costs	(583,641)	(15,597)
Tax revenue	13,012,474	562,573
Interest expense	(652)	(11,440)
Other revenue	68,877	20,145
	23,898,778	8,628,252
<b>INCREASE/(DECREASE) IN NET POSITION</b>	11,323,885	(13,844)
<b>NET POSITION, beginning of year</b>	25,767,419	25,781,263
<b>NET POSITION, end of year</b>	\$ 37,091,304	\$ 25,767,419

**Marin Healthcare District**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from tenants	\$ 510,500	\$ 500,875
Receipts from patients	21,582,325	19,278,255
Payments to employees and physicians	(25,893,508)	(20,489,596)
Payments to suppliers and others	(7,278,582)	(8,217,732)
Net cash from operating activities	<u>(11,079,265)</u>	<u>(8,928,198)</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from MGH for operations	12,021,338	7,148,569
Proceeds from loan for MMPC retainer	-	500,000
Net cash from non-capital and related financing activities	<u>12,021,338</u>	<u>7,648,569</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of bonds	243,612,033	-
Purchases of capital assets	(68,376,129)	(46,254,362)
Principal payments on bonds payable	(2,645,000)	(12,615,000)
Tax revenue related to general obligation bonds	9,492,655	9,228,439
Bond issuance costs	(583,641)	(15,597)
Principal payments for Cardiovascular Associates of Marin and San Francisco Medical Group, Inc. (CAMSF)-related note payable	-	(200,000)
Proceeds from loan for CAMSF asset acquisition	-	200,000
Payment of notes payable to physicians	(8,048)	-
Proceeds from MGH loan for physician	30,000	20,711
Interest payments on bonds payable, net	(6,749,468)	(4,813,862)
Interest payments on notes payable	(652)	(11,440)
Net cash from (used in) from capital and related financing activities	<u>174,771,750</u>	<u>(54,461,111)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(1,000,000)
Purchase of bond assets held in trust	(976,373,613)	(220,956,269)
Proceeds from sales and maturities of bond assets held in trust	801,503,151	275,369,305
Interest gain	16,190	8,981
Net cash from (used in) investing activities	<u>(174,854,272)</u>	<u>53,422,017</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>859,551</b>	<b>(2,318,723)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>1,791,964</b>	<b>4,110,687</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 2,651,515</u></b>	<b><u>\$ 1,791,964</u></b>

**Marin Healthcare District**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (12,574,893)	\$ (8,642,096)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,496,208	1,017,132
Provision for bad debts	72,708	121,466
Changes in certain assets and liabilities:		
Patient accounts receivable	(1,053,806)	(535,441)
Deposits	1,000,000	(487,161)
Prepaid expenses	(173,530)	(31,332)
Accounts payable	(144,628)	(158,413)
Accrued expenses	298,676	(212,353)
	<u>\$ (11,079,265)</u>	<u>\$ (8,928,198)</u>
<b>SUPPLEMENTAL NON-CASH ACTIVITIES INFORMATION</b>		
Loan forgiveness from MGH	<u>\$ (226,000)</u>	<u>\$ (582,667)</u>

# Marin Healthcare District

## Notes to Financial Statements

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### NOTE 1 – BASIS OF PRESENTATION AND ACCOUNTING POLICIES

**Reporting entity** – Marin Healthcare District (the District) is a political subdivision of the state of California. District directors are elected officials whose sole mission is to promote the health and welfare of the residents of the communities served by the District. The District operated the Marin General Hospital facility (the Hospital Facility) until 1985, when it reorganized in compliance with local hospital district law of the state of California.

The District's principal asset is hospital property, plant, and equipment. The Hospital Facility is a general acute-care facility located in Marin County, California, and provides inpatient and outpatient healthcare services. Inpatient facilities consist of medical-surgical, pediatrics, maternity, nursery, intensive care, coronary, psychology, radiology, and laboratory services. The Hospital Facility is leased to MGH. The financial information of MGH is not included in these financial statements.

Effective June 30, 2010, the District became the sole member of MGH and appointed its initial Board of Directors. The MGH Board is responsible for oversight of the operations of MGH and the District has certain ongoing reserve powers and governance oversight responsibilities.

The District is also a forum for discussion of local healthcare issues, promotes healthcare services within the community, and acts on behalf of the public as an advocate of high quality, reasonably priced healthcare services.

The financial statements of the District include the accounts of the District and healthcare clinics (the Clinics) formed pursuant to California Health and Safety Code Section 1206(b). The Clinics contract with physicians to provide health care services within the communities served by the District.

It is in the District's nature to continue to expand its clinic network to contract with physicians and provide healthcare services within the communities served by the District. Until August 2017, Marin Medical Practice Concepts (MMPC), a management company, provided billing and collection services for the 1206(b) clinics of the District. MMPC also provided the District with management and administrative services for the clinics pursuant to a management services agreement until December 2017, at which point, the District assumed all management and administrative services for the clinics. In August 2017, California Healthcare Medical Billing, Inc. (CHMB) assumed the billing and collection services for the 1206(b) clinics of the District. There were two new clinics added and one closed in 2017. As of December 31, 2017 and 2016, there were thirteen and twelve clinics operating, respectively.

**Proprietary fund accounting** – The activities of the District are accounted for as an Enterprise Fund. Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under the method, revenues are recorded when earned and expenses are recorded at the time obligations are incurred. Tax revenue is recognized in the period in which the property tax is levied. Tax revenue is collected by the County for payment, when due, of the principal and interest on the bonds.

**Accounting standards** – Pursuant to Government Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (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 1131.2, State Controller's Minimum Audit Requirements for California Special Districts and the State Controller's Office prescribed reporting guidelines.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, property tax revenue, and investment earnings, result from non-exchange transactions or ancillary activities.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net positions may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.

In February 2015, the GASB issued Statement No. 72 (GASB 72), Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for the current fiscal year. See Fair Value Measurements in Note 3.

**Use of estimates** – The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**Net position** – Net position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three components. These captions apply only to net position, which is determined only at the government-wide level and are described below:

*Net investment in capital assets:* The portion of the net position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted:* The portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions, which the District cannot unilaterally alter. The District has no restricted net positions.

*Unrestricted:* The portion of net position that is not restricted to use. The District is in a deficit position for the years ended December 31, 2017 and 2016.

**Cash and cash equivalents** – Cash and cash equivalents include cash in bank checking, money market funds, and investments in highly liquid debt instruments with a maturity of three months or less when purchased.

**Investments** – Investments consist of mutual funds and are stated at fair value. Realized, unrealized gains and losses, and interests are included in the statements of revenue, expenses, and changes in net position as other revenue. Interest of \$35,362 and \$23,531, and realized and unrealized gains of \$52,687 and \$11,164 for the years ended December 31, 2017 and 2016, respectively, are included in other revenue on the statement of revenues, expenses and change in net position.

**Bond assets held in trust** – The District reports all investments at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers. Realized and unrealized gains/(losses) of \$1,412,823 and (\$264,196) offset capitalized interest which is included in capital assets on the statement of net position as of December 31, 2017 and 2016, respectively.

## Marin Healthcare District Notes to Financial Statements

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**Capital assets** – Capital assets are recorded at cost. Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets. The capitalization threshold is \$5,000.

Capital assets are considered impaired when their service utility declines significantly and unexpectedly. An impairment loss is recognized for the difference between the carrying value of the asset and its fair value or adjusted depreciated value, depending on the nature of the impairment. No impairment was recorded for the year ended December 31, 2017 and 2016.

**Asset impairment** – The District also evaluates the carrying value of its long-lived assets other than capital assets for potential impairment. The evaluations address the estimated recoverability of the assets' carrying value. When events or changes in circumstances indicate that the carrying value may not be recoverable, the excess of the carrying value over the fair value is recorded as impairment. No impairment was recorded for the year ended December 31, 2017 and 2016.

**Note receivable** – The District entered into a note receivable with an individual physician for \$80,000 in July 2015. The note has an interest rate of 6.5% and is secured by residential property. The District is to receive monthly payments of principal and interest of \$1,565 until maturity in 2020. In accordance with the agreement between the District and the physician, the entire monthly amount, including principal and accrued interest, shall be forgiven each month.

The District entered into a note receivable with an individual physician for \$40,000 in February 2016. The note has an interest rate of 5.0% and is secured by interest in accounts receivable arising out of the physician's medical practice. The District is to receive monthly payments of principal and interest varying from \$300 to \$1,220 until maturity in 2020. In accordance with the agreement between the District and the physician, the entire monthly amount, including principal and accrued interest, shall be forgiven each month.

The District entered into a note receivable with an individual physician for \$70,000 in June 2016. The note has an interest rate of 5.0% and is secured by interest in accounts receivable arising out of the physician's medical practice. The District is to receive monthly payments of principal and interest of \$2,098 until maturity in 2019. In accordance with the agreement between the District and the physician, the entire monthly amount, including principal and accrued interest, shall be forgiven each month.

The District entered into a note receivable with an individual physician for \$60,000 in October 2016. The note has an interest rate of 5.0% and is secured by interest in accounts receivable arising out of the physician's medical practice. The District is to receive monthly payments of principal and interest of \$1,132 until maturity in 2021. In accordance with the agreement between the District and the physician, the entire monthly amount, including principal and accrued interest, shall be forgiven each month.

The District entered into a note receivable with an individual physician for \$40,000 in January 2017. The note has an interest rate of 6.0% and is secured by interest in accounts receivable arising out of the physician's medical practice. The District is to receive monthly payments of principal and interest of \$1,217 until maturity in 2020. In accordance with the agreement between the District and the physician, the entire monthly amount, including principal and accrued interest, shall be forgiven each month.

**Risk management** – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

## Marin Healthcare District Notes to Financial Statements

The Clinics, while operated by the District, are insured under MGH's insurance policy. MGH is insured for professional and general liability. The professional and general liability coverage is for a claims-made policy, which limits coverage to claims that are reported to the insurance company during the policy year.

**Lease income** – The District recognizes lease income and reimbursement of operating expenses when earned. The District derives substantially all of its lease income from MGH (see Note 6).

**Net patient service revenue and credit concentrations** – The District's patient service revenues are recognized when health care services are provided to patients at the Clinics. Net patient service revenue is reported at the estimated net realizable amount from patients, governmental programs, health maintenance, and preferred provider organizations and insurance contracts under applicable laws, regulations, and program instructions. Net realizable amounts are generally less than the District's established rates.

The District provides estimated losses on patient accounts receivable based on prior bad debt experience. No interest is charged on past due balances. Past due status is based on the date of services provided. Recoveries from previously charged-off accounts are recorded when received. Amounts written off to bad debt expense included in net patient service revenue totaled approximately \$72,708 and \$121,466 for the years ended December 31, 2017 and 2016, respectively.

The mix of gross receivables from patients and third-party payors is as follows:

	2017	2016
Medicare	35%	38%
Medi-Cal	11%	18%
Commercial	29%	28%
Self-pay	16%	13%
Other	9%	3%
	100%	100%

**Charity care** – The District provides medically-necessary care to all patients regardless of the patient's ability to pay. Certain patients may meet eligibility criteria under its charity care policy, and no payment is collected from those patients. During the year ended December 31, 2017 and 2016, the District provided approximately \$14,644 and \$1,304, respectively, in free services for the poor and underserved. This includes services provided to persons who cannot afford healthcare because of inadequate resources and/or are uninsured or underinsured. Costs are computed based on a relationship of costs to charges similar to a Medicare cost to charge ratio.

**Operating revenues and expenses** – The District's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from leasing the Hospital Facility to MGH and providing health care services to patients at the Clinics. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred in order to lease the Hospital Facility and to provide health care services, other than financing costs.

# Marin Healthcare District

## Notes to Financial Statements

**Grants and contributions** – The District may periodically receive grants and contributions from other governmental entities, individuals, or private organizations; revenues from grants and contributions (including contributions of capital assets) 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

**Amortization of bond premiums** – Premiums arising from the issuance of bonds are capitalized and amortized using the straight line amortization method, which approximates the effective interest method.

### NOTE 2 – CASH, CASH EQUIVALENTS, INVESTMENTS, AND BOND ASSETS HELD IN TRUST

The District’s cash, cash equivalents, investments, and bond assets held in trust as of December 31, were as follows:

	2017	2016
Cash in bank	\$ 2,345,717	\$ 1,489,192
State of California's Local Agency Investment Fund (LAIF)	305,798	302,772
	<u>2,651,515</u>	<u>1,791,964</u>
Cash and cash equivalents		
Investments		
Mutual funds	1,063,851	1,011,164
	<u>1,063,851</u>	<u>1,011,164</u>
Bond assets held in trust		
Cash	2,929,024	-
Money market funds	28,668,685	9,922,628
U.S. treasury obligations	53,330,659	4,885,559
Commercial papers	-	3,339,199
Government agency securities	187,333,972	78,738,399
	<u>272,262,340</u>	<u>96,885,785</u>
	<u>272,262,340</u>	<u>96,885,785</u>
<b>Total</b>	<u><u>\$ 275,977,706</u></u>	<u><u>\$ 99,688,913</u></u>

Cash balances from all funds are combined and invested to the extent possible pursuant to the District Board approved Investment Policy and Guidelines and Statement Government Code. The District’s investments are carried at fair value.

**Cash in bank** – Cash in the bank represents amounts held in the District’s general operating accounts.

**LAIF** – The District places certain funds with the LAIF. The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California and the Pooled Money Investment Board. The state Treasurer’s office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District’s investment in this pool is reported in the accompanying financial statements based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and transferable to the master account with 24 hours’ notice. Financial statements for LAIF can be obtained from the California State Treasurer’s Office, 915 Capitol Mall, Suite 110, Sacramento, California, 95814.

The management of the state of California Pooled Money Investment Account has indicated to the District that as of December 31, 2017 and 2016, the estimated market value of the pool (including accrued interest) was \$28,038,411 and \$27,801,689, respectively. The District’s proportionate share of that value is \$305,798 and \$302,772 as of December 31, 2017 and 2016, respectively.

**Mutual funds** – the District’s mutual funds are primarily invested in government and corporate debt, asset backed securities, and global debt. The objective of these funds is to provide steady cash flow to investors.

**Bond assets held in trust** – Investments from proceeds of bond issuances are restricted by applicable California law and the various bond resolutions associated with each issuance, generally, to certain types of investments. These investments include obligations of the United States of America, Federal Housing Administration debentures, obligations of government-sponsored agencies, unsecured certificates of deposits, demand deposits, time deposits and bankers’ acceptances, deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation in banks, commercial paper, money market funds, state obligations, the Marin County Investment Pool, and LAIF.

The District’s investments include amounts held in trust by the Paying Agent. The District currently invests in cash, money market funds, US Treasury obligations, mutual funds, and government agency securities issued by highly rated investment companies, and management regularly monitors the credit rating of the investment companies issuing the investments as part of monitoring the District’s exposure to credit risk.

**Investment risk factors** – Many factors can affect the value of investments such as credit risk, custodial credit risk, and concentration of credit risk.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy requires that, to be eligible for investment, the investments shall be rated “AAm” or “AAm-G” by S & P or better and the investment pool maintained by the county in which the District is located or other investment pools, in either case, so long as such pool is rated in one of the two highest rating categories by S&P and Moody’s. As of December 31, 2017, the investments held are all considered investment grade and are rated equal to or greater than AAm or AAm-G by S&P and Moody’s.

# Marin Healthcare District

## Notes to Financial Statements

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**Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California law requires banks and savings and loan associations to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California law, this collateral is held in the District's name and places the District ahead of general creditors of the institution.

**Concentration of credit risk** – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the District to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. The securities the District is invested in as of December 31, 2017 are subject to the quality, diversification, and other requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended and other rules of the Securities and Exchange Commission. The District will only purchase securities that present minimal credit risk.

### NOTE 3 – FAIR VALUE OF MEASUREMENTS

GASB 72, Fair Value Measurement and Application, defines fair value 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. GASB 72 also establishes a fair value hierarchy that 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

**Level 2** – Observable inputs other than Level 1 prices, such as 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.

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

## Marin Healthcare District Notes to Financial Statements

The following tables present information about the District's assets measured at fair value on a recurring basis as of December 31, 2017 and 2016:

2017	Fair Value at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash	\$ 2,929,024	\$ -	\$ -	\$ 2,929,024
Money market funds	28,668,685	-	-	28,668,685
U.S. treasury obligations	53,330,659	-	-	53,330,659
Mutual funds				
Asset backed securities	156,443	-	-	156,443
Global debt	325,183	-	-	325,183
Govt/Corp intermediate	470,859	-	-	470,859
Other mutual funds	111,366	-	-	111,366
	<u>1,063,851</u>	<u>-</u>	<u>-</u>	<u>1,063,851</u>
Government agency securities				
Sovereign related finance	-	187,333,972	-	187,333,972
	<u>-</u>	<u>187,333,972</u>	<u>-</u>	<u>187,333,972</u>
Total	<u>\$ 85,992,219</u>	<u>\$ 187,333,972</u>	<u>\$ -</u>	<u>\$ 273,326,191</u>

2016	Fair Value at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 9,922,628	\$ -	\$ -	\$ 9,922,628
U.S. treasury obligations	4,885,559	-	-	4,885,559
Commercial papers	3,339,199	-	-	3,339,199
Mutual funds				
Asset backed securities	150,725	-	-	150,725
Global debt	302,495	-	-	302,495
Govt/Corp intermediate	451,531	-	-	451,531
Other mutual funds	106,413	-	-	106,413
	<u>1,011,164</u>	<u>-</u>	<u>-</u>	<u>1,011,164</u>
Government agency securities				
Sovereign related finance	-	78,738,399	-	78,738,399
	<u>-</u>	<u>78,738,399</u>	<u>-</u>	<u>78,738,399</u>
Total	<u>\$ 19,158,550</u>	<u>\$ 78,738,399</u>	<u>\$ -</u>	<u>\$ 97,896,949</u>

During 2017 and 2016, there was no activity in level 3 investments.

# Marin Healthcare District

## Notes to Financial Statements

GASB Statement No. 40 requires the District to disclose the maturities of its investments (other than U.S. government obligations or obligations guaranteed by the U.S. government). A summary of scheduled maturities by investment type as of December 31, 2017 and 2016 follows:

2017	Investment maturities (in years)			
	Fair Value	Less than 1	1 - 5	More than 5
Cash	\$ 2,929,024	\$ 2,929,024	\$ -	\$ -
Money market funds	28,668,685	28,668,685	-	-
U.S. treasury obligations	53,330,659	53,330,659	-	-
Government agency securities	187,333,972	187,333,972	-	-
	<u>\$ 272,262,340</u>	<u>\$ 272,262,340</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual Funds	1,063,851			
	<u>\$ 273,326,191</u>			
2016	Investment maturities (in years)			
	Fair Value	Less than 1	1 - 5	More than 5
Money market funds	\$ 9,922,628	\$ 9,922,628	\$ -	\$ -
U.S. treasury obligations	4,885,559	4,885,559	-	-
Commercial Papers	3,339,199	3,339,199	-	-
Government agency securities	78,738,399	78,738,399	-	-
	<u>\$ 96,885,785</u>	<u>\$ 96,885,785</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual Funds	1,011,164			
	<u>\$ 97,896,949</u>			

## Marin Healthcare District Notes to Financial Statements

### NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the years ended December 31, 2017 and 2016:

	Life (Years)	Balance December 31, 2016	Additions	Deletions	Transfers	Balance December 31, 2017
<b>Non-depreciable</b>						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Construction in progress	N/A	68,351,311	94,943,385	-	(1,874,796)	161,419,900
<b>Total non-depreciable</b>		<b>69,217,012</b>	<b>94,943,385</b>	<b>-</b>	<b>(1,874,796)</b>	<b>162,285,601</b>
<b>Depreciable</b>						
Equipment	3 – 20	18,784,416	-	-	-	18,784,416
Hospital buildings	40	49,715,786	-	-	1,874,796	51,590,582
Parking structure	40	2,324	-	-	-	2,324
Phase 1 building	40	102,625	-	-	-	102,625
Other improvements	40	851,182	-	-	-	851,182
Parking improvements	40	781,404	-	-	-	781,404
Moveable equipment	3 – 20	2,234,129	120,016	-	-	2,354,145
<b>Total depreciable</b>		<b>72,471,866</b>	<b>120,016</b>	<b>-</b>	<b>1,874,796</b>	<b>74,466,678</b>
<b>Accumulated depreciation</b>						
Hospital buildings	N/A	(21,168,850)	(1,343,036)	-	-	(22,511,886)
Fixed equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
Major moveable equipment	N/A	(1,090,730)	(15,028)	-	-	(1,105,758)
Minor equipment	N/A	(10,343)	(6,469)	-	-	(16,812)
1206B Clinic equipment	N/A	(1,122,733)	(74,435)	-	-	(1,197,168)
1206B Leasehold improvements	N/A	(35,939)	-	-	-	(35,939)
<b>Total accumulated depreciation</b>		<b>(43,590,906)</b>	<b>(1,438,968)</b>	<b>-</b>	<b>-</b>	<b>(45,029,874)</b>
<b>Total depreciable, net</b>		<b>28,880,960</b>	<b>(1,318,952)</b>	<b>-</b>	<b>1,874,796</b>	<b>29,436,804</b>
<b>Total capital assets, net</b>		<b>\$ 98,097,972</b>	<b>\$ 93,624,433</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 191,722,405</b>

## Marin Healthcare District Notes to Financial Statements

	Life (Years)	Balance December 31, 2015	Additions	Deletions	Transfers	Balance December 31, 2016
<b>Non-depreciable</b>						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Construction in progress	N/A	41,505,721	51,587,292	-	(24,741,702)	68,351,311
Total non-depreciable		42,371,422	51,587,292	-	(24,741,702)	69,217,012
<b>Depreciable</b>						
Equipment	3 – 20	18,784,416	-	-	-	18,784,416
Hospital buildings	40	24,974,084	-	-	24,741,702	49,715,786
Parking structure	40	2,324	-	-	-	2,324
Phase 1 building	40	102,625	-	-	-	102,625
Other improvements	40	851,182	-	-	-	851,182
Parking improvements	40	781,404	-	-	-	781,404
Moveable equipment	3 – 20	2,176,728	57,401	-	-	2,234,129
Total depreciable		47,672,763	57,401	-	24,741,702	72,471,866
<b>Accumulated depreciation</b>						
Hospital buildings	N/A	(20,409,764)	(759,086)	-	-	(21,168,850)
Fixed equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
Major moveable equipment	N/A	(1,090,730)	-	-	-	(1,090,730)
Minor equipment	N/A	(10,343)	-	-	-	(10,343)
1206B Clinic equipment	N/A	(924,455)	(198,278)	-	-	(1,122,733)
1206B Leasehold improvements	N/A	(33,411)	(2,528)	-	-	(35,939)
Total accumulated depreciation		(42,631,014)	(959,892)	-	-	(43,590,906)
Total depreciable, net		5,041,749	(902,491)	-	24,741,702	28,880,960
Total capital assets, net		\$ 47,413,171	\$ 50,684,801	\$ -	\$ -	\$ 98,097,972

**Construction and other capital commitments** – As of December 31, 2017 and 2016, the District has spent \$132,327,382 and \$45,554,900, respectively, related to various construction and other capital projects in progress. The District estimates an additional \$198,468,982 will be required in 2018 for ongoing projects. As of December 31, 2017, the District has outstanding commitments with contractors for approximately \$25,001,092 and \$6,484,725 related to these projects.

**NOTE 5 – INTANGIBLE ASSETS**

The District acquired intangible assets as part of the acquisition of assets from CAMSF (see Note 7).

The following is a summary of changes in intangible assets during the year ended December 31:

	Life (Years)	December 31, 2016	Additions	Deletions	December 31, 2017
Intangible assets:					
Other intangible assets	15	\$ 675,660	\$ -	\$ -	\$ 675,660
Medical records – CAM	15	182,844	-	-	182,844
Total intangible assets		858,504	-	-	858,504
Less accumulated amortization		(286,197)	(57,240)	-	(343,437)
Intangibles, net of accumulated amortization		<u>\$ 572,307</u>	<u>\$ (57,240)</u>	<u>\$ -</u>	<u>\$ 515,067</u>

	Life (Years)	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Intangible assets:					
Other intangible assets	15	\$ 675,660	\$ -	\$ -	\$ 675,660
Medical records – CAM	15	182,844	-	-	182,844
Total intangible assets		858,504	-	-	858,504
Less accumulated amortization		(228,957)	(57,240)	-	(286,197)
Intangibles, net of accumulated amortization		<u>\$ 629,547</u>	<u>\$ (57,240)</u>	<u>\$ -</u>	<u>\$ 572,307</u>

**NOTE 6 – LEASE OF MARIN HEALTHCARE DISTRICT FACILITY**

**Annual rental payments** – Effective December 1, 1985, the District leased the Marin General Hospital facility to MGH for a term of 30 years pursuant to Section 32126 of the Local Hospital District Law. Per the amended lease agreement dated August 25, 1987, as further amended by the subsequent agreements, the annual rent payments comprise of capital expenditures made by MGH and quarterly payments of approximately \$97,000 for the year ended December 31, 2015. The minimum cash payment, which is payable in quarterly installments, increases annually by 5% throughout the lease term. The lease matured on December 1, 2015 and a new lease commenced on December 2, 2015.

**Marin Healthcare District  
Notes to Financial Statements**

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In August 2014, a new lease was executed, effective December 2, 2015. The District leased the Marin General Hospital facility to MGH for a term of 30 years. The base rent is \$500,000 annually, plus an annual CPI increase. Additional rent is conditional on MGH achieving certain financial benchmarks. The total rent received for the years ended December 31, 2017 and 2016 was \$510,500 and \$500,875, respectively.

The minimum future rental income under the agreement, exclusive of any increases related to the CPI, is as follows:

<u>Years Ending December 31,</u>	
2018	\$ 500,000
2019	500,000
2020	500,000
2021	500,000
2022	500,000
Thereafter	<u>11,458,333</u>
	<u>\$ 13,958,333</u>

**NOTE 7– NOTES PAYABLE AND ACQUISITION**

In January 2012, the District and MGH entered into an affiliation and co-management arrangement (CMMA) with CAMSF. The District has thereupon established 1206(b) Clinics for cardiology and vascular surgery services, in conjunction with MGH, by entering into professional services agreements (PSA) with CAMSF and Laura K. Pak, M.D., Inc. for physician services to Clinic patients. As a part of that transaction, the District acquired an outpatient diagnostic services business from CAMSF on terms described in an Asset Purchase Agreement dated January 1, 2012. The Asset Purchase Agreement provided for the District to purchase most of CAMSF practice assets (with the exception of accounts receivable) in the amount of \$1,750,000. This has been implemented in the form of an initial payment of \$750,000 on closing and \$200,000 per year for each of five subsequent years with interest at the prime rate of interest plus 2% per year on the unpaid principal balance.

In accordance with an agreement between the District and MGH, MGH loaned \$750,000 to cover the District’s payment to CAMSF as described above. As part of the acquisition of CAMSF, MGH agreed to fund the District’s financial obligations to CAMSF. A portion of the loan will be forgiven each month over the five-year term of the contract with CAMSF.

In July 2015, in accordance with the agreement between the District and MGH, MGH loaned \$80,000 to cover the District’s payment to a physician who is associated with the Marin Urology Center Clinic. A portion of the loan will be forgiven each month over the five-year term of the contract with the physician.

In January 2017, in accordance with the agreement between the District and MGH, MGH loaned \$30,000 to cover the District’s payment to a physician who is associated with the Marin Endocrinology Group. A portion of the loan will be forgiven each month over the three-year term of the contract with the physician.

## Marin Healthcare District Notes to Financial Statements

In April 2012, MGH loaned the District \$500,000 as an advance to fund the monthly outside billing and management services company service fee. The vendor pays the administrative overhead of the Clinics and then bills the District for reimbursement. The advance is meant to ensure that the vendor has adequate cash on hand to meet its obligations. In August 2016, the agreement was amended to increase the amount of the current advance from \$500,000 to \$1,000,000. The agreement for management services terminated in December 2017 and the vendor repaid the outstanding balance of \$1,000,000. This balance remains payable to MGH and has been classified as non-current as of December 31, 2017.

The activity for notes payable for the year ended December 31, 2017 and 2016 is as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017	Due Within One Year
Note payable to MGH	\$ 1,257,333	\$ 30,000	\$ (226,000)	\$ 1,061,333	\$ 26,000
Note payable to Olympus	20,711	-	(8,048)	12,663	8,361
	<u>\$ 1,278,044</u>	<u>\$ 30,000</u>	<u>\$ (234,048)</u>	<u>\$ 1,073,996</u>	<u>\$ 34,361</u>

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016	Due Within One Year
Note payable to CAMSF	\$ 200,000	\$ -	\$ (200,000)	\$ -	\$ -
Note payable to MGH	1,140,000	700,000	(582,667)	1,257,333	216,000
Note payable to Olympus	-	20,711	-	20,711	8,048
	<u>\$ 1,340,000</u>	<u>\$ 720,711</u>	<u>\$ (782,667)</u>	<u>\$ 1,278,044</u>	<u>\$ 224,048</u>

Debt service requirements for notes payable are as follows:

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 34,361	\$ -
2019	30,302	-
2020	9,333	-
2021	-	-
2022	-	-
Thereafter	1,000,000	-
	<u>\$ 1,073,996</u>	<u>\$ -</u>

## Marin Healthcare District Notes to Financial Statements

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### NOTE 8 – BONDS PAYABLE

On November 10, 2015, the District issued \$157,385,000 of Marin Healthcare District General Obligation Bonds, Election of 2013, Series 2015A, and \$12,615,000 of Marin Healthcare District General Obligation Bonds, Election 2013, Series 2015B. The 2015A and 2015B bonds bear interest at rates of 2.00% to 5.00% and 0.40%, respectively. Interest on the bonds will accrue from the date of delivery and is payable semiannually on February 1 and August 1 each year, commencing on February 1, 2016. Principal amounts will be paid on August 1.

On September 7, 2017, the District issued \$224,000,000 of Marin Healthcare District General Obligation Bonds, Election of 2013, Series 2017A. The 2017A bonds bear interest at rates of 2.00% to 5.00%. Interest on the bonds will accrue from the date of delivery and is payable semiannually on February 1 and August 1 each year, commencing on February 1, 2018. Principal amounts will be paid on August 1.

The bonds were authorized at an election held in the District on November 5, 2013, at which more than two-thirds of the qualified electors voting on the proposition voted to authorize the issuance and sale of up to \$394,000,000 principal amount of general obligation bonds of the District (Measure F). The bond proceeds are authorized to be used to make seismic upgrades to MGH to meet stricter California earthquake standards; to expand and enhance emergency and other medical facilities; to provide the latest lifesaving medical facilities for treatment of heart, stroke, and other diseases, to reduce emergency room wait times; to improve MGH and related facilities with new construction, acquisitions, and renovations; pay all necessary legal, financial, engineering, and contingent costs in connection therewith.

The Series 2015A Bonds maturing on or before August 1, 2025 are not subject to redemption prior to their respective stated maturity dates. The Series 2015A Bonds maturing on or after August 1, 2026 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, in whole or in part, on August 1, 2025 or on any date thereafter at par amount thereof, without premium, together with interest accrued thereon to the date of redemption. The Series 2015A Bonds maturing on August 1, 2040 and on August 1, 2045 shall be subject to redemption prior to maturity, without a redemption premium, in part by lot, from mandatory sinking fund payments, beginning August 1, 2036 and August 1, 2041, respectively. The Series 2015B Bonds are not subject to redemption prior to maturity.

The Series 2017A Bonds maturing on or before August 1, 2027 are not subject to redemption prior to their respective stated maturity dates. The Series 2017A Bonds maturing on or after August 1, 2028 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, in whole or in part, on August 1, 2027 or on any date thereafter at par amount thereof, without premium, together with interest accrued thereon to the date of redemption.

The District incurred interest costs related to the General Obligation Bonds of \$8,519,891 and \$6,413,351 for the years ended December 31, 2017 and 2016, respectively. In accordance with GASB 62, the District capitalized \$8,170,905 and \$5,237,363 in interest for the years ended December 31, 2017 and 2016, respectively, due to the ongoing construction.

The general obligation bonds represent the general obligation of the District. The Board of Supervisors of the County has the power and is obligated to cause annual ad valorem taxes to be levied upon all property within the District, subject to taxation by the District, and collected by the County for payment, when due, of the principal and interest on the bonds.

## Marin Healthcare District Notes to Financial Statements

The activity for bonds payable for the year ended December 31, 2017 and 2016 is as follows:

	Outstanding December 31, 2016	Issued	Matured / Redeemed During Year	Outstanding December 31, 2017	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 157,385,000	\$ -	\$ (2,645,000)	\$ 154,740,000	\$ -
Series 2017 bonds	-	224,000,000	-	224,000,000	6,050,000
Plus					
Series 2015 premium	8,353,475	-	(296,573)	8,056,902	-
Series 2017 premium	-	19,612,033	(179,593)	19,432,440	-
Total	<u>\$ 165,738,475</u>	<u>\$ 243,612,033</u>	<u>\$ (3,121,166)</u>	<u>\$ 406,229,342</u>	<u>\$ 6,050,000</u>
	Outstanding December 31, 2015	Issued	Matured / Redeemed During Year	Outstanding December 31, 2016	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 170,000,000	\$ -	\$ (12,615,000)	\$ 157,385,000	\$ 2,645,000
Plus					
Series 2015 premium	8,650,045	-	(296,570)	8,353,475	-
Total	<u>\$ 178,650,045</u>	<u>\$ -</u>	<u>\$ (12,911,570)</u>	<u>\$ 165,738,475</u>	<u>\$ 2,645,000</u>

A summary of debt service requirements for the next five years and to maturity as of December 31, 2017 is as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 6,050,000	\$ 14,327,616
2019	6,645,000	15,555,850
2020	190,000	15,290,050
2021	430,000	15,286,250
2022	680,000	15,275,500
2023 – 2027	8,990,000	75,742,500
2028 – 2032	29,280,000	72,134,300
2033 – 2037	60,915,000	62,471,400
2038 – 2042	103,435,000	46,690,500
2043 – 2047	162,125,000	20,524,600
Total	<u>\$ 378,740,000</u>	<u>\$ 353,298,566</u>

### NOTE 9 – COMMITMENTS AND CONTINGENCIES

**Compliance with the Hospital Facilities Seismic Upgrade Act** – The District has assumed responsibility for compliance with the Hospital Facilities Seismic Upgrade Act (SB 1953) classification SPC2 and through Hazus 2010. The District has received an extension to 2030.

**Marin Healthcare District  
Notes to Financial Statements**

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**Regulatory environment** – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to periodic government review, interpretation, and audits, as well as regulatory actions unknown and unasserted at this time.

**Litigation** – The District is party to various claims and legal actions in the normal course of business. In the opinion of management, the District has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the District’s financial statements.

**Professional and clinic management services agreements** – MHD has entered into various Professional and Clinic Management Services Agreements with the 1206(b) Clinics. In general, the agreements provide for compensation and benefits allowance for the physicians as well as a compensation level guaranty for new physicians. The agreements also include a cap on total payments the physicians can receive for services.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The following transactions are conducted with affiliated entities:

Effective December 2, 2015, the District and MGH entered into a new 30-year lease (Note 6). The lease agreement requires that MGH provide financial support to the District relating to the operation of the Clinics. MGH provided \$11,401,720 and \$8,072,571 to the District for the operation of the Clinics during the year ended December 31, 2017 and 2016, respectively. Additionally, the lease agreement also requires MGH to reimburse a portion of the District’s administrative, rent, and non-clinic expenses.

The District has a receivable of \$359,809 and \$1,142,733 due from MGH, as of December 31, 2017 and 2016, respectively, included in the statements of net position.

**NOTE 11 – OPERATING LEASES**

The District leases office facilities under a non-cancelable operating lease. The total cost for the leases were \$2,236,520 and \$1,554,377 for the years ended December 31, 2017 and 2016, respectively. The future minimum lease payments were as follows:

<u>Years Ending December 31,</u>	
2018	\$ 2,393,494
2019	2,213,296
2020	2,250,252
2021	2,096,048
2022	1,601,369
2023-2027	5,877,319
	\$ 16,431,778



## **Revenue Bonds Financial Review**

### **➤ Documents:**

- 1. Document Summary**
- 2. Plan of Finance**
- 3. Corporate Resolution**
- 4. Master Trust Indenture**
- 5. Supplemental Master Indenture**
- 6. Bond Indenture**
- 7. CSCDA Loan Agreement**
- 8. Bond Purchase Agreement**
- 9. Continuing Disclosure Agreement**
- 10. Preliminary Official Statement**
- 11. Appendix A**
- 12. MADS Coverage**



# **1. Document Summary**

**Master Trust Indenture.** The master trust indenture establishes an Obligated Group comprising Marin General Hospital (MGH) and Prima Medical Foundation (PMF), as Obligated Group Members. MGH and Prima enter into this document with U.S. Bank National Association, as master trustee. Under the master trust indenture, MGH and PMF each pledge their gross revenues as security for the obligations issued under the master trust indenture, and obligations can be issued under the master trust indenture to secure debt of MGH and PMF. The master trust indenture also contains financial covenants.

**Supplemental Master Indenture.** The supplemental master indenture provides for the issuance of specific obligations to support particular financings.

**Bond Indenture.** The bond indenture is between the Authority and the bond trustee. It contains the security provisions and describes the terms of the bonds, for example, principal and interest payment mechanics and dates, redemption provisions, the events that constitute a default, and the remedies in an event of default. It is pursuant to the bond indenture that the bond trustee sets up various funds and accounts, to hold and administer the bond proceeds, and to deposit principal and payment dates.

**Loan Agreement.** The loan agreement is between the Authority and MGH. In the loan agreement, the Authority agrees to loan to MGH the proceeds of the bonds and MGH agrees to make loan repayments sufficient to pay principal and interest on the bonds. MGH also agrees in the loan agreement to indemnify the Authority against certain liabilities that may arise relating to the Bonds. The loan agreement also contains certain representations and covenants made by MGH to the Authority.

**Bond Purchase Agreement.** The Bond Purchase Agreement will specify the purchase price of the bonds to be paid by the underwriters, the interest rates, maturity dates and principal amounts of each maturity of the bonds, the date, time and place of the closing of the bond issue, the allocation of the expenses incurred in connection with the bond issue, the parties' representations to and agreements with each other and the conditions which MGH must satisfy before the underwriters become obligated to purchase the bonds.

**Continuing Disclosure Agreement.** Federal securities laws indirectly require obligors of bonds to disclose and annually update certain financial and operating information relevant to the security and repayment of bonds. The Continuing Disclosure Agreement contains the undertakings of the MGH to provide the ongoing disclosure in the form of annual and quarterly reports and event notices.

**Official Statement and Appendix A.** The Official Statement (in its preliminary and final form) is used to provide information to investors and prospective investors about MGH and the bonds. The bonds constitute securities for purposes of state and federal securities laws and, therefore, the offering and sale of the bonds through the Official Statement is subject to certain provisions of such laws, including, importantly, the anti-fraud laws. The Official Statement sets forth information about the terms of the bonds, the security for the bonds, the sources and uses of the proceeds of the bonds, the risks associated with investing in the bonds, the documents under which the bonds are issued, and the tax-exemption of interest on the bonds. Appendix A, which

is part of the Official Statement, more particularly describes MGH and PMF, as Obligated Group Members, including the financial conditions and revenues of the Obligated Group.



## **2. Plan of Finance**



# Plan of Finance Overview and Preliminary Sources & Uses Detail

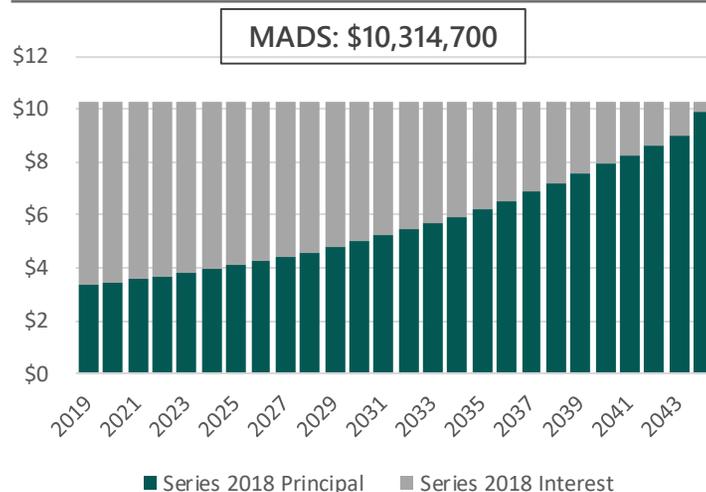
## Sources & Uses

Preliminary Sources	2018A	2018B	Total
Series 2018 Par Amount	94,075,000	64,815,000	158,890,000
Premium	6,904,845	-	6,904,845
<b>Total Sources</b>	<b>\$100,979,845</b>	<b>\$64,815,000</b>	<b>\$165,794,845</b>
Preliminary Uses	2018A	2018B	Total
MGH 2.0 Project Fund	84,583,727	-	84,583,727
MGH Reimbursement	6,416,273	-	6,416,273
Other New Money	6,800,000	-	6,800,000
Working Capital	2,000,000	-	2,000,000
Union Bank Facilities	-	64,000,000	64,000,000
Cost of Issuance	1,179,845	815,000	1,994,845
<b>Total Uses</b>	<b>\$100,979,845</b>	<b>\$64,815,000</b>	<b>\$165,794,845</b>

## Overview

- Marin General Hospital is planning to bond for
  - MGH 2.0 construction costs that are not already covered by the previously issued G.O. Bonds or philanthropy
  - Refinance Union Bank Facilities
  - Working capital and other new money
- The 2018A Revenue Bonds will be long-term tax-exempt fixed rate bonds
- The 2018B Bonds will be long-term taxable fixed rate bonds

## Series 2018 Debt Service Schedule (\$ in millions)



## Series 2018 Statistics

Par	Interest Rate Mode	Next Call Date
\$158,890,000	Fixed	8/1/2028
Final Maturity	Average Life	All-in TIC
8/1/2045	16.8 years	4.22%

Note: Preliminary Subject to Change



### **3. Corporate Resolution**



**RESOLUTION OF  
THE BOARD OF DIRECTORS OF  
MARIN HEALTHCARE DISTRICT**

**April 24, 2018**

WHEREAS, Marin Healthcare District (“District”) owns a 235-bed tertiary hospital (the “Hospital”) in Greenbrae, Marin County, California, that it leases to, and is operated by, Marin General Hospital (“MGH”), a California nonprofit public benefit corporation (“MGH”), pursuant to a Hospital Lease dated December 2, 2015 (the “Lease”); and

WHEREAS, the District is the sole corporate member of MGH; and

WHEREAS, MGH desires to request the California Statewide Communities Development Authority (the “Authority”) to issue its Revenue Bonds (Marin General Hospital), Series 2018, in one or more series, as federally tax-exempt or federally taxable bonds (collectively, the “Bonds”), to (i) finance and refinance the acquisition, construction, improvement and equipping, including working capital costs, of certain health care facilities operated by MGH and located at or near 250 Bon Air Road, Greenbrae, California, including the Hospital, (ii) refinance a term loan and revolving credit facility from Union Bank, N.A. to MGH (the “Union Bank Loan”), and (iii) pay certain costs associated with the issuance of the Bonds; and

WHEREAS, concurrently with the issuance of the bonds MGH will establish an obligated group with Prima Medical Foundation , a California nonprofit public benefit corporation (“Prima”) of which MGH is the sole corporate member, (collectively, the “Obligated Group Members” or “Obligated Group” and, each individually, an “Obligated Group Member”) pursuant to a Master Trust Indenture (the “Master Trust Indenture”) among MGH, Prima and U.S. Bank National Association, as master trustee (the “Master Trustee”); and

WHEREAS, the Master Trust Indenture shall provide for the issuance of Master Indenture Obligations and their execution and delivery by the Obligated Group Representative, and the payments of such Master Indenture Obligations shall be the joint and several obligations of each Obligated Group Member ; and

WHEREAS, the Master Trust Indenture also includes the grant of a security interest of Gross Revenues (as defined in the Master Trust Indenture) of the Obligated Group; and

WHEREAS, the transactions described above are collectively referred to herein as the “Financing”; and

WHEREAS, there has been presented at this meeting and is on file with the Secretary of this Board a summary of the terms of the Financing, and draft copies of the Master Trust Indenture, Supplemental Master Indenture between MGH and the Master Trustee, Bond Indenture between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee, Loan Agreement between the Authority and MGH, Bond Purchase Agreement among the Authority, MGH and Morgan Stanley & Co. LLC, as underwriter and representative of the other underwriters named therein, Continuing Disclosure Agreement between MGH and a dissemination agent as defined therein, Preliminary Official Statement, and Appendix A thereto, (collectively, the “Bond Documents”) are available to the District Board members; and



WHEREAS, pursuant to the Lease, the written consent of the District is required for MGH to enter into and consummate the Financing, including the making of certain capital expenditures at the Hospital; and

WHEREAS, pursuant to the bylaws of MGH, the approval of the District is required to enter into and consummate the Financing; and

WHEREAS, MGH seeks the consent and approval of the District for the Financing; and

WHEREAS, it is consistent with the purposes of, and in the best interests of, the District for MGH to enter into the Master Trust Indenture and the Bond Documents and other related Financing agreements and documents, and to obtain the proceeds from the Bonds and use them to (i) finance and refinance the acquisition, construction, improvement and equipping, including working capital costs, of certain health care facilities operated by MGH as provided above, including the Hospital, (ii) refinance the Union Bank Loan, and (iii) and pay certain costs associated with the issuance of the Bonds; and

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

1. Approval of the Financing. The Board hereby consents to and approves the Financing described in the preambles to this Resolution. This Resolution shall constitute written consent to and evidence of approval of the Board to the Financing for purposes of the Lease and MGH's bylaws.

2. Appointment of and Delegation of Authority to Authorized Representatives and Other Acts. The Board hereby appoints the Chief Executive Officer, Lee Domanico, and the Chief Financial Officer, James McManus, of District and each of them (the "Authorized Representatives"), as the authorized representatives of District to execute and deliver such certificates and other documents which any of them may deem necessary or advisable in order to constitute further evidence of this Board's approval of the Financing.

3. Ratification. The Board hereby ratifies, confirms and readopts each resolution, motion and other action heretofore taken by it and by any of its Authorized Representatives and agents in connection with the Financing, and any prior resolution or other action of this Board which conflicts with the provisions of this Resolution is hereby repealed and rescinded to the extent of such conflict. All of the acts of such officers and agents of District which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be, and the same are, hereby ratified, confirmed and approved in all aspects.

4. Effective Date. This Resolution shall take effect and be in full force immediately after its adoption by this Board.

PASSED AND ADOPTED by the Board of Directors of Marin Healthcare District on this 24th day of April, 2018.

By

\_\_\_\_\_  
Jennifer Hershon, RN, MSN  
Secretary, Board of Directors



## **4. Master Trust Indenture**

MASTER TRUST INDENTURE

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MARIN GENERAL HOSPITAL,  
PRIMA MEDICAL FOUNDATION

and

U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee

Dated as of [May 1, 2018]

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APPENDIX A      EXISTING PERMITTED LIENS      A-1

## MASTER TRUST INDENTURE

THIS MASTER TRUST INDENTURE, dated as of [May 1, 2018] (the “Master Indenture”), by and among MARIN GENERAL HOSPITAL, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), PRIMA MEDICAL FOUNDATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (“Prima” and, together with the Corporation, the “Initial Members”) and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America and being qualified to accept and administer the trusts hereby created (as more specifically defined herein, the “Master Trustee”),

### WITNESSETH:

WHEREAS, the Initial Members are authorized and deem it necessary and desirable to enter into this Master Indenture for the purpose of providing for the issuance from time to time of obligations hereunder to provide for the financing or refinancing of the acquisition, construction, equipping or improvement of health care or other facilities, or for other lawful and proper corporate purposes; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created 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 obligations issued hereunder by the holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which such obligations are to be issued, authenticated, delivered and accepted by all persons who shall from time to time be or become holders thereof, the Initial Members covenant and agree with the Master Trustee for the equal and proportionate benefit of the respective holders from time to time of Obligations issued hereunder, as follows:

### ARTICLE I

#### DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Master Indenture and of any supplemental indenture issued hereafter and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, equally applicable to both singular and plural forms of any of the terms herein defined.

#### Accountant

“Accountant” means any independent certified public accountant or firm of such accountants selected by the Obligated Group Representative.

### Additional Indebtedness

“Additional Indebtedness” means any Indebtedness (including all Master Indenture Obligations) incurred subsequent to the execution and delivery of Obligation No. 1, dated May [ ], 2018, in the aggregate principal amount of \$[ ] and the Loan Agreement secured thereby, and [Union Bank obligation].

### Affiliated Corporation

“Affiliated Corporation” means any corporation which, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with an Obligated Group Member.

### Annual Debt Service

“Annual Debt Service” means for each Fiscal Year the sum (without duplication) of the aggregate amount of principal and interest scheduled to become due and payable in such Fiscal Year on all Long-Term Indebtedness of the Obligated Group then Outstanding (by scheduled maturity, acceleration, mandatory redemption or otherwise, but not including purchase price becoming due as a result of mandatory or optional tender or put), less (1) any amounts of such principal or interest to be paid during such Fiscal Year from (a) the proceeds of Indebtedness or (b) moneys or Government Obligations deposited in trust for the purpose of paying such principal or interest and (2) any Debt Service Subsidy payable in such Fiscal Year; provided that if an Identified Financial Product Agreement has been entered into by any Obligated Group Member with respect to Long-Term Indebtedness, interest on such Long-Term Indebtedness shall be included in the calculation of Annual Debt Service by including for each Fiscal Year an amount equal to the amount of interest payable on such Long-Term Indebtedness in such Fiscal Year at the rate or rates stated in such Long-Term Indebtedness plus any Financial Product Payments under an Identified Financial Product Agreement payable in such Fiscal Year minus any Financial Product Receipts under an Identified Financial Product Agreement receivable in such Fiscal Year; provided that in no event shall any calculation made pursuant to this clause result in a number less than zero being included in the calculation of Annual Debt Service.

### Annual Debt Service Coverage Ratio

“Annual Debt Service Coverage Ratio” means for any Fiscal Year, the ratio determined by dividing Income Available for Debt Service for that Fiscal Year by the Annual Debt Service for such Fiscal Year.

### Authorized Representative

“Authorized Representative” means with respect to each Obligated Group Member, its chairman or vice chairman of the board, president, chief executive officer, chief financial officer, or any other person designated as an Authorized Representative of such Obligated Group Member by a Certificate of that Obligated Group Member signed by its chairman or vice chairman of the board, president, chief executive officer, or chief financial officer and filed with the Master Trustee.

### Balloon Indebtedness

“Balloon Indebtedness” means Long-Term Indebtedness, fifteen percent (15%) or more of the principal of which (calculated as of the date of issuance) becomes due during any period of twelve (12) consecutive months if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption prior to such 12-month period.

### Book Value

“Book Value” means, when used in connection with Property, Plant and Equipment or other Property of any Obligated Group Member, the value of such property, net of accumulated depreciation, as it is carried on the books of the Obligated Group Member and in conformity with GAAP, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property of each Obligated Group Member determined in such a way that no portion of such value of Property of any Obligated Group Member is included more than once. For purposes of performing certain calculations under this Master Indenture, the Obligated Group Representative may treat “total assets” as shown on the Obligated Group Financial Statements as the Book Value of the Obligated Group’s Property.

### Capitalization

“Capitalization” means, as of any date of calculation, the principal amount of all Long-Term Indebtedness then Outstanding plus the unrestricted net assets (including any shareholder equity) of the Obligated Group for the most recent Fiscal Year for which Obligated Group Financial Statements have been delivered.

### Certificate, Statement, Request, Consent or Order

“Certificate,” “Statement,” “Request,” “Consent” or “Order” of any Obligated Group Member or of the Master Trustee means, respectively, a written certificate, statement, request, consent or order signed in the name of such Obligated Group Member by its Authorized Representative or in the name of the Master Trustee by its Responsible Officer. Any such instrument and supporting opinions or certificates, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or certificate and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.04, each such instrument shall include the statements provided for in Section 1.04.

### Code

“Code” means the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

### Completion Indebtedness

“Completion Indebtedness” means any Long-Term Indebtedness incurred for the purpose of financing the completion of construction or equipping of any project for which Long-Term Indebtedness or Interim Indebtedness has theretofore been incurred in accordance with the

provisions hereof, to the extent necessary to provide a completed and fully equipped facility of the type and scope contemplated at the time said Long-Term Indebtedness or Interim Indebtedness was incurred, and in accordance with the general plans and specifications for such facility as originally prepared in connection with said Long-Term Indebtedness or Interim Indebtedness as certified by an Officer's Certificate.

#### Corporate Trust Office

“Corporate Trust Office” means the office of the Master Trustee at which its corporate trust business is conducted, which at the date hereof is located at [\_\_\_\_].

#### Corporation

“Corporation” means Marin General Hospital, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under this Master Indenture.

#### Debt Service Coverage Ratio

“Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

#### Debt Service Subsidy

“Debt Service Subsidy” means direct subsidy payments payable to an Obligated Group Member (or a Related Bond Issuer on behalf of an Obligated Group Member) pursuant to Section 54AA of the Code with respect to Indebtedness of such Obligated Group Member or Related Bonds, or any similar federal or state program providing for payment to an Obligated Group Member (or a Related Bond Issuer on behalf of an Obligated Group Member) of all or a portion of debt service on Indebtedness of an Obligated Group Member.

#### Default

“Default” means an event that, with the passage of time or the giving of notice or both, would become an Event of Default.

#### Event of Default

“Event of Default” means any of the events specified in Section 4.01.

#### Fair Market Value

“Fair Market Value,” when used in connection with Property, means the fair market value of such Property as determined by either:

(a) an appraisal of the portion of such Property which is real property made within five years of the date of determination by a “Member of the Appraisal Institute” and by an

appraisal of the portion of such Property which is not real property made within five years of the date of determination by any expert qualified in relation to the subject matter, provided that any such appraisal shall be performed by an Independent Consultant, adjusted for the period, not in excess of five years, from the date of the last such appraisal for changes in the implicit price deflator for the gross national product as reported by the United States Department of Commerce or its successor agency, or if such index is no longer published, such other index certified to be comparable and appropriate in an Officer's Certificate delivered to the Master Trustee;

(b) a bona fide offer for the purchase of such Property made on an arm's-length basis within six months of the date of determination, as established by an Officer's Certificate; or

(c) an officer of the Obligated Group Representative (whose determination shall be made in good faith and set forth in an Officer's Certificate filed with the Trustee) if the fair market value of such Property as set forth in such Officer's Certificate is less than or equal to the greater of \$5,000,000 or 2.5% of cash and equivalents as shown on the Obligated Group Financial Statements.

#### Financial Product Agreement

"Financial Product Agreement" means any interest rate exchange agreement, hedge or similar arrangement, including, *inter alia*, an interest rate swap, asset swap, a constant maturity swap, a forward or futures contract, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, direct funding transaction or other derivative, however denominated and whether entered into on a current or forward basis.

#### Financial Product Extraordinary Payments

"Financial Product Extraordinary Payments" means any payments required to be paid to a counterparty by an Obligated Group Member pursuant to a Financial Product Agreement in connection with the termination thereof, tax gross-up payments, expenses, default interest, and any other payments or indemnification obligations to be paid to a counterparty by an Obligated Group Member under a Financial Product Agreement, which payments are not Financial Product Payments.

#### Financial Product Payments

"Financial Product Payments" means regularly scheduled payments required to be paid to a counterparty by an Obligated Group Member pursuant to a Financial Product Agreement.

#### Financial Product Receipts

"Financial Product Receipts" means regularly scheduled payments required to be paid to an Obligated Group Member by a counterparty pursuant to a Financial Product Agreement.

### Fiscal Year

“Fiscal Year” means the period beginning on January 1 of each year and ending on the next succeeding December 31, or any other twelve-month period hereafter designated by the Obligated Group Representative as the fiscal year of the Obligated Group.

### GAAP

“GAAP” means generally accepted accounting principles in the United States of America, consistently applied.

### Governing Body

“Governing Body” means, when used with respect to any Obligated Group Member, its board of directors or other board or group of individuals in which all of the powers of such Obligated Group Member are vested, except for those powers reserved to the corporate membership of such Obligated Group Member by the articles of incorporation or bylaws of such Obligated Group Member.

### Government Issuer

“Government Issuer” means any municipal corporation, political subdivision, state, territory or possession of the United States, or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, which obligations would constitute Related Bonds hereunder.

### Government Obligations

“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 the principal of and interest on which are fully and unconditionally guaranteed by the United States of America; (2) obligations issued or guaranteed by any agency, department or instrumentality of the United States of America if the obligations issued or guaranteed by such entity are rated in one of the two highest Rating Categories of a Rating Agency; (3) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (1) and/or (2), 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 (4) obligations the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Code, and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust of cash and/or obligations described in clauses (1), (2) and/or (3).

### Government Restriction

“Government Restriction” means federal, state or other applicable governmental laws or regulations affecting any Obligated Group Member and its health care facilities or other licensed

facilities placing restrictions and limitations on the (i) fees and charges to be fixed, charged or collected by any Obligated Group Member or (ii) the timing of the receipt of such revenues.

### Gross Revenue Fund

“Gross Revenue Fund” means the fund so designated and established pursuant to Section 3.03(a).

### Gross Revenues

“Gross Revenues” means all revenues, rents, profits, receipts, benefits, royalties, money and income for any Obligated Group Member from any source, including, without limitation, (i) the Obligated Group Members’ rights under agreements with insurance companies, Medicare, Medi-Cal, governmental units and prepaid health organizations, including rights to Medicare and Medi-Cal loss recapture under applicable regulations and (ii) gifts, grants, bequests, donations, contributions and pledges to any Obligated Group Member and (iii) insurance proceeds or any award, or payment in lieu of an award, resulting from condemnation proceedings and (iv) all goods, inventory and other tangible and intangible property, and all rights to receive the foregoing, whether now owned or hereafter acquired by any Obligated Group Member and regardless of whether generated in the form of accounts, accounts receivable, contract rights, chattel paper, documents, instruments, investment property, proceeds of insurance and all proceeds of the foregoing, whether cash or noncash; excluding, however, gifts, grants, bequests, donations, contributions and pledges to any Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under this Master Indenture or on Indebtedness or operating expenses of the Obligated Group Members.

### Guaranty

“Guaranty” means any obligation of any Obligated Group Member guaranteeing, directly or indirectly, any obligation of any other Person which would, if such other Person were an Obligated Group Member, constitute Indebtedness.

### Holder

“Holder” means the registered owner of any Master Indenture Obligation in registered form or the bearer of any Master Indenture Obligation in coupon form which is not registered or is registered to bearer or the party or parties to any contractual obligation designated to be a Master Indenture Obligation set forth in a related Supplement and identified therein as the party to whom payment is due thereunder or the “holder” thereof.

### Identified Financial Product Agreement

“Identified Financial Product Agreement” means a Financial Product Agreement identified to the Master Trustee in a Certificate of the Obligated Group Representative as having been entered into by an Obligated Group Member with a Qualified Provider with respect to Indebtedness (which is either then-Outstanding or to be issued after the date of such Certificate) identified in such Certificate.

## Immaterial Affiliates

“Immaterial Affiliates” means Persons that are not Obligated Group Members, and whose financial results are required to be consolidated or combined with any Obligated Group Member under GAAP.

## Income Available for Debt Service

“Income Available for Debt Service” means, unless the context provides otherwise, with respect to the Obligated Group as to any period of time, net income, or excess of revenues over expenses (excluding income from all Irrevocable Deposits) before depreciation, amortization, and interest expense, as determined in accordance with GAAP and as shown on the Obligated Group Financial Statements; provided, that no determination thereof shall take into account:

(a) any revenue or expense of a Person which is not an Obligated Group Member (and for the avoidance of doubt, revenue or expense of a Person that becomes an Obligated Group Member shall not be included to the extent attributable to the period prior to such Person becoming an Obligated Group Member) ;

(b) gifts, grants, bequests, donations or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses;

(c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards;

(d) any gain or loss resulting from the extinguishment of Indebtedness;

(e) any gain or loss resulting from the sale, exchange or other disposition of capital assets not in the ordinary course of business;

(f) any gain or loss resulting from any discontinued operations;

(g) any gain or loss resulting from pension terminations, settlements or curtailments;

(h) any unusual charges for employee severance;

(i) any loss from impairment of the value of an asset;

(j) adjustments to the value of assets or liabilities resulting from changes in GAAP;

(k) unrealized gains or losses on investments, including “other than temporary” declines in Book Value;

(l) gains or losses resulting from changes in valuation of any hedging, derivative, interest rate exchange or similar contract;

(m) any Financial Product Extraordinary Payments or similar payments on any hedging, derivative, interest rate exchange or similar contract that does not constitute a Financial Product Agreement;

(n) unrealized gains or losses from the write-down, reappraisal or revaluation of assets; or

(o) other nonrecurring items of any extraordinary nature which do not involve the receipt, expenditure or transfer of assets.

### Indebtedness

“Indebtedness” means any Guaranty (other than any Guaranty by any Obligated Group Member of Indebtedness of any other Obligated Group Member) and any obligation of any Obligated Group Member (a) for repayment of borrowed money other than intercompany loans between Obligated Group Members, (b) with respect to finance leases or (c) under installment sale agreements; provided, however, that if more than one Obligated Group Member shall have incurred or assumed a Guaranty of a Person other than an Obligated Group Member, or if more than one Obligated Group Member shall be obligated to pay any obligation, for purposes of any computations or calculations under this Master Indenture, such Guaranty or obligation shall be included only one time. Financial Product Agreements and physician income guaranties shall not constitute Indebtedness.

### Independent Consultant

“Independent Consultant” means a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in any Obligated Group Member (other than the agreement pursuant to which such firm is retained), (3) is not connected with any Obligated Group Member as an officer, employee, promoter, trustee, partner, director or person performing similar functions and (4) is qualified to pass upon questions relating to the financial affairs of organizations similar to the Obligated Group or facilities of the type or types operated by the Obligated Group and having the skill and experience necessary to render the particular opinion or report required by the provision hereof in which such requirement appears.

### Industry Restrictions

“Industry Restrictions” means federal, state or other applicable governmental laws or regulations, including conditions imposed specifically on the Obligated Group Members or the Obligated Group Members’ facilities, or general industry standards or general industry conditions placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected by the Obligated Group Members.

### Interim Indebtedness

“Interim Indebtedness” means Indebtedness with an original maturity not in excess of one year, the proceeds of which are to be used to provide interim financing in anticipation of the issuance of Long-Term Indebtedness. Interim Indebtedness shall be considered Long-Term Indebtedness for purposes of this Master Indenture.

### Irrevocable Deposit

“Irrevocable Deposit” means the irrevocable deposit in trust of cash in an amount, or Government Obligations, or other securities permitted for such purpose pursuant to the terms of the documents governing the payment of or discharge of Indebtedness, the principal of and interest on which will be an amount, and under terms sufficient to pay all or a portion of the principal of, premium, if any, and interest on, as the same shall become due, any such Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit may be the Master Trustee, a Related Bond Trustee or any other trustee or escrow agent authorized to act in such capacity.

### Lien

“Lien” means any mortgage or pledge of, or security interest in, or lien or encumbrance on, any Property of an Obligated Group Member (i) which secures any Indebtedness or any other obligation of such Obligated Group Member or (ii) which secures any obligation of any Person other than an Obligated Group Member, and excluding liens applicable to Property in which an Obligated Group Member has only a leasehold interest unless the lien secures Indebtedness of that Obligated Group Member.

### Long-Term Indebtedness

“Long-Term Indebtedness” means Indebtedness other than Short-Term Indebtedness.

### Master Indenture

“Master Indenture” means this Master Indenture, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms hereof.

### Master Indenture Obligation

“Master Indenture Obligation” means any obligation of the Obligated Group issued pursuant to Section 2.02, as a joint and several obligation of each Obligated Group Member, which may be in any form set forth in a Related Supplement, including, but not limited to, bonds, notes, obligations, debentures, reimbursement agreements, loan agreements, Financial Product Agreements or leases. Reference to a Series of Master Indenture Obligations or to Master Indenture Obligations of a Series means Master Indenture Obligations or Series of Master Indenture Obligations issued pursuant to a single Related Supplement.

Master Trustee

“Master Trustee” means U.S. Bank National Association, a national banking association organized under the laws of the United States of America, and, subject to the limitations contained in Section 5.07, any other corporation or association that may be co-trustee with the Master Trustee, and any successor or successors to said trustee or co-trustee in the trusts created hereunder.

Maximum Annual Debt Service

“Maximum Annual Debt Service” means the greatest amount of Annual Debt Service becoming due and payable in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) with respect to a Guaranty, (i) if the Obligated Group Members have made a payment pursuant to such Guaranty, one hundred percent (100%) of the Annual Debt Service (calculated as if such Person were an Obligated Group Member) guaranteed by the Obligated Group Members under the Guaranty shall be included in the calculation of Annual Debt Service in the year in which such payment was made and for two Fiscal Years thereafter and (ii) otherwise, there shall be included in the calculation of Annual Debt Service a percentage of the Annual Debt Service (calculated as if such Person were an Obligated Group Member) guaranteed by the Obligated Group Members under the Guaranty, based on the ratio of Income Available for Debt Service of the Person whose indebtedness is guaranteed by the Obligated Group Member (calculated as if such Person were an Obligated Group Member), over the Annual Debt Service of such Person (calculated as if such Person were an Obligated Group Member) (the “Ratio”). The applicable percentage of Annual Debt Service on such indebtedness shall be included in the calculation of Annual Debt Service, as follows:

<u>Ratio</u>	<u>Percentage of Annual Debt Service on such Indebtedness to be Included</u>
Less than 2.0	20%
2.0 or greater	0%

(b) if interest on Long-Term Indebtedness is payable pursuant to a variable interest rate formula (or if Financial Product Payments under an Identified Financial Product Agreement or Financial Product Receipts under an Identified Financial Product Agreement are determined pursuant to a variable rate formula), the interest rate on such Long-Term Indebtedness (or the variable rate formula for such Financial Product Payments under an Identified Financial Product Agreement or Financial Product Receipts under an Identified Financial Product Agreement) for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to (i) if such Long-Term Indebtedness (or Identified Financial Product Agreement) was Outstanding during the twelve (12) calendar months immediately preceding the date of calculation, an average of the interest rates per annum which were in effect, and (ii) if such Long-Term Indebtedness (or Identified Financial Product Agreement) was not Outstanding during the twelve

(12) calendar months immediately preceding the date of calculation, at the election of the Obligated Group Representative, either (x) an average of the SIFMA Swap Index during the twelve (12) calendar months immediately preceding the date of calculation or (y) an average of the interest rates per annum which would have been in effect for any twelve (12) consecutive calendar months during the eighteen (18) calendar months immediately preceding the date of calculation, as specified in a Certificate of the Obligated Group Representative or, at the sole option of the Obligated Group Representative, such interest rate as shall be specified in a written statement from an investment banking or financial advisory firm selected by the Obligated Group Representative;

(c) if moneys or Government Obligations have been deposited with a trustee or escrow agent in an amount, together with earnings thereon, sufficient to pay all or a portion of the principal of or interest on Long-Term Indebtedness as it comes due, such principal or interest, as the case may be, to the extent provided for, shall not be included in computations of Maximum Annual Debt Service;

(d) debt service on Long-Term Indebtedness shall be included in the calculation of Maximum Annual Debt Service only in proportion to the amount of interest on such Long-Term Indebtedness which is payable in the then current Fiscal Year from sources other than proceeds of such Long-Term Indebtedness (other than proceeds deposited in debt service reserve funds) held by a trustee or escrow agent for such purpose; and

(e) with respect to Balloon Indebtedness or Interim Indebtedness, such Balloon Indebtedness or Interim Indebtedness shall be treated, at the sole option of the Obligated Group Representative, as Long-Term Indebtedness bearing interest at an interest rate equal to either (i) a fixed rate equal to the Thirty-Year Revenue Bond Index most recently published in *The Bond Buyer* prior to the date of calculation or (ii) such interest rate as shall be specified in a written statement from an investment banking or financial advisory firm selected by the Obligated Group Representative, and with either (x) substantially level debt service over a period of up to thirty (30) years (which period shall be designated by the Obligated Group Representative) from the date of calculation, or (y) such debt service schedule specified in a written statement from an investment banking or financial advisory firm selected by the Obligated Group Representative.

#### Merger Transaction

“Merger Transaction” has the meaning set forth in Section 3.06.

#### Nonrecourse Indebtedness

“Nonrecourse Indebtedness” means any Indebtedness which is not a general obligation and which is secured by a Lien on Property, Plant and Equipment acquired or constructed with the proceeds of such Indebtedness, liability for which is effectively limited to the Property, Plant and Equipment subject to such Lien with no recourse, directly or indirectly, to any other Property of any Obligated Group Member.

#### Obligated Group

“Obligated Group” means all Obligated Group Members.

### Obligated Group Member or Member

“Obligated Group Member” or “Member” means each Person that is obligated hereunder from and after the date upon which such Person joins the Obligated Group, but excluding any Person which withdraws from the Obligated Group to the extent and in accordance with the provisions of Section 3.08, from and after the date of such withdrawal.

### Obligated Group Financial Statements

“Obligated Group Financial Statements” has the meaning set forth in Section 3.11.

### Obligated Group Representative

“Obligated Group Representative” means the Corporation or such other Obligated Group Member (or Obligated Group Members acting jointly) as may have been designated pursuant to written notice to the Master Trustee executed by the Corporation or a successor Obligated Group Representative.

### Officer’s Certificate

“Officer’s Certificate” means a certificate signed by an Authorized Representative of the Obligated Group Representative.

### Operating Assets

“Operating Assets” of any Person means all tangible real and tangible personal property owned by such Person and used in the business of such Person.

### Opinion of Bond Counsel

“Opinion of Bond Counsel” means a written opinion signed by an attorney or firm of attorneys experienced in the field of public finance whose opinions are generally accepted by purchasers of bonds issued by or on behalf of a Government Issuer.

### Opinion of Counsel

“Opinion of Counsel” means a written opinion signed by a reputable and qualified attorney or firm of attorneys who may be counsel for the Obligated Group Representative.

### Outstanding

“Outstanding,” when used with reference to Indebtedness or Master Indenture Obligations, means, as of any date of determination, all Indebtedness or Master Indenture Obligations theretofore issued or incurred and not paid and discharged other than (1) Master Indenture Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation or otherwise deemed paid in accordance with the terms hereof, (2) Master Indenture Obligations in lieu of which other Master Indenture Obligations have been authenticated and delivered or which have been paid pursuant to the provisions of a Related Supplement regarding

mutilated, destroyed, lost or stolen Master Indenture Obligations unless proof satisfactory to the Master Trustee has been received that any such Master Indenture Obligation is held by a bona fide purchaser, (3) any Master Indenture Obligation held by any Obligated Group Member and (4) Indebtedness deemed paid and no longer outstanding pursuant to the terms thereof; provided, however, that if two or more obligations which constitute Indebtedness represent the same underlying obligation (as when a Master Indenture Obligation secures an issue of Related Bonds and another Master Indenture Obligation secures repayment obligations to a bank under a letter of credit which secures such Related Bonds) for purposes of calculating compliance with the various financial covenants contained herein, but only for such purposes, only one of such Master Indenture Obligations shall be deemed Outstanding and the Master Indenture Obligation so deemed to be Outstanding shall be that Master Indenture Obligation which produces the greatest amount of Annual Debt Service to be included in the calculation of such covenants.

#### Parity Financial Product Extraordinary Payments

“Parity Financial Product Extraordinary Payments” means Financial Product Extraordinary Payments that (1) are with respect to a Financial Product Agreement secured or evidenced by an Obligation and (2) have been specified to be payable on a parity with Financial Product Payments in the Related Supplement authorizing the issuance of such Obligation.

#### Permitted Liens

“Permitted Liens” means and include:

(a) Any judgment lien or notice of pending action against any Obligated Group Member so long as the judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(b) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect the Value thereof, or (B) purchase, condemn, appropriate or recapture, or designate a purchase of, such Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not delinquent, or the amount or validity of which are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen and laborers, have been due and payable or which are not delinquent, or the amount or validity of which, are being contested or, with respect to liens of mechanics, materialmen and laborers, have been due for less than sixty (60) days, or the amount or validity of which are being contested; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the Value thereof; and (iv) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property in any manner, or materially and adversely affect the Value thereof;

(c) Any Lien described in **Appendix A** to this Master Indenture which is existing on the date of execution hereof or as **Appendix A** may be supplemented upon addition of an Obligated Group Member with respect to Liens existing on the Property of such additional Obligated Group Member, provided that no such Lien (or the amount of Indebtedness or other obligations secured thereby) may be increased, extended, renewed or modified to apply to any Property of any Obligated Group Member not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(d) Any Lien in favor of the Master Trustee securing all Outstanding Master Indenture Obligations equally and ratably;

(e) Liens arising by reason of good faith deposits with any Obligated Group Member in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Group Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(f) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Obligated Group Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(g) Any Lien arising by reason of any escrow or reserve fund established to pay debt service with respect to Indebtedness;

(h) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(i) Liens on moneys deposited by patients or others with any Obligated Group Member as security for or as prepayment for the cost of patient care;

(j) Liens on Property received by any Obligated Group Member through gifts, grants, bequests or research grants, such Liens being due to restrictions on such gifts, grants, bequests or research grants or the income thereon, up to the Fair Market Value of such Property;

(k) Rights of the United States of America, including, without limitation, the Federal Emergency Management Agency ("FEMA"), or the State, including without limitation the California Emergency Management Agency, by reason of FEMA and other federal and State funds made available to any Obligated Group Member under federal or State statutes;

(l) Liens on Property securing Indebtedness incurred to refinance Indebtedness previously secured by a Lien on such Property, provided that (i) the amount of such new Indebtedness does not exceed the amount of such refinanced Indebtedness, (ii) the Property securing such Indebtedness is not changed, and (iii) the obligor with respect to such Indebtedness,

whether direct or contingent, is not changed unless such Indebtedness is permitted under Section 3.10;

(m) Liens granted by an Obligated Group Member to another Obligated Group Member;

(n) Liens securing Nonrecourse Indebtedness incurred pursuant to the provisions hereof;

(o) Liens consisting of purchase money security interests (as defined in the UCC) and lessors' interest in capitalized leases;

(p) Liens on the Obligated Group Members' accounts receivable securing Indebtedness in an amount not to exceed 30% of the Obligated Group Members' net accounts receivable;

(q) Liens on revenues constituting rentals in connection with any other Lien permitted hereunder on the Property from which such rentals are derived;

(r) the lease or license of the use of a part of the Obligated Group Members' facilities for use in performing professional or other services necessary for the proper and economical operation of such facilities in accordance with customary business practices in the industry;

(s) Liens created on amounts deposited by an Obligated Group Member pursuant to a security annex or similar document to collateralize obligations of such Obligated Group Member under a Financial Product Agreement;

(t) Liens junior to Liens in favor of the Master Trustee;

(u) Liens in favor of banking or other depository institutions arising as a matter of law encumbering the deposits of any Obligated Group Member held in the ordinary course of business by such banking institution (including any right of setoff or statutory bankers' liens) so long as such deposit account is not established or maintained for the purpose of providing such Lien, right of setoff or bankers' lien;

(v) Uniform Commercial Code financing statements filed with the Secretary of State of the State (or such other office maintaining such records) in connection with an operating lease entered into by any Obligated Group Member in the ordinary course of business so long as such financing statement does not evidence the grant of a Lien other than a Permitted Lien;

(w) Rights of tenants under leases or rental agreements pertaining to Property, Plant and Equipment owned by any Obligated Group Member so long as the lease arrangement is in the ordinary course of business of the Obligated Group Member;

(x) deposits of Property by any Obligated Group Member to meet regulatory requirements for a governmental workers' compensation, unemployment insurance or social security program, other than any Lien imposed by ERISA;

(y) deposits to secure the performance of another party with respect to a bid, trade contract, statutory obligation, surety bond, appeal bond, performance bond or lease, and other similar obligations incurred in the ordinary course of business of an Obligated Group Member;

(z) Liens resulting from deposits to secure bids from or the performance of another party with respect to contracts incurred in the ordinary course of business of an Obligated Group Member (other than contracts creating or evidencing an extension of credit to the depositor or otherwise for the payment of Indebtedness);

(aa) present or future zoning laws, ordinances or other laws or regulations restricting the occupancy, use or enjoyment of Property, Plant and Equipment of any Obligated Group Member;

(bb) Any Lien on inventory that does not exceed 25% of the Value thereof;

(cc) Any Lien on Property due to the rights of third-party payors for recoupment of amounts paid to any Obligated Group Member;

(dd) Any Lien existing for not more than 10 days after the Obligated Group Member shall have received notice thereof; and

(ee) Any other Lien on Property provided that the Value of all Property encumbered by all Liens permitted as described in this clause (ee) does not exceed 25% of the sum of the Value of all Property of the Obligated Group Members, calculated at the time of creation of such Lien.

#### Person

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

#### Property

“Property” means any and all rights, titles and interests in and to any and all assets of any Obligated Group Member, whether real or personal, tangible or intangible and wherever situated, other than donor restricted funds as determined in accordance with GAAP. For purposes of performing certain calculations under this Master Indenture, the Obligated Group Representative may treat “total assets” as shown on the Obligated Group’s audited financial statements as the Book Value of the Obligated Group’s Property.

#### Property, Plant and Equipment

“Property, Plant and Equipment” means all Property of any Obligated Group Member which is considered property, plant and equipment of such Obligated Group Member under GAAP.

### Qualified Provider

“Qualified Provider” means any financial institution or insurance company or corporation which is a party to a Financial Product Agreement if (i) the unsecured long-term debt obligations of such provider (or of the parent or a subsidiary of such provider if such parent or subsidiary guarantees or otherwise assures the performance of such provider under such Financial Product Agreement), or (ii) obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such provider (or such guarantor or assuring parent or subsidiary), are rated in one of the three highest Rating Categories of a Rating Agency at the time of the execution and delivery of the Financial Product Agreement.

### Rating Agency

“Rating Agency” means Fitch Inc., doing business as Fitch Ratings, Moody’s Investors Service, Inc., S&P Global Ratings, a business of Standard & Poor’s Financial Services LLC, and any other national rating agency then rating Master Indenture Obligations or Related Bonds.

### Rating Category

“Rating Category” means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier, outlook or otherwise.

### Related Bonds

“Related Bonds” means the revenue bonds or other obligations (including, without limitation, installment sale or lease obligations evidenced by certificates of participation) issued by any Government Issuer, the proceeds of which are loaned or otherwise made available to an Obligated Group Member in consideration of the execution, authentication and delivery of a Master Indenture Obligation or Master Indenture Obligations to or for the order of such Government Issuer.

### Related Bond Indenture

“Related Bond Indenture” means any indenture, bond resolution, trust agreement or other comparable instrument pursuant to which a series of Related Bonds are issued.

### Related Bond Issuer

“Related Bond Issuer” means the Government Issuer of any issue of Related Bonds.

### Related Bond Trustee

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, means the Related Bond Issuer.

### Related Supplement

“Related Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

### Required Payment

“Required Payment” means any payment, whether at maturity, by acceleration, upon proceeding for redemption or otherwise, including without limitation, Financial Product Payments, Financial Product Extraordinary Payments and the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture, required to be made by any Obligated Group Member pursuant to any Related Supplement or any Master Indenture Obligation.

### Responsible Officer

“Responsible Officer” means, with respect to the Master Trustee, any managing director, any vice president, any assistant vice president, any assistant secretary, any assistant treasurer or any other officer of the Master Trustee customarily performing functions similar to those performed by the persons above designated or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Master Indenture.

### Restricted Monies

“Restricted Monies” means the proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds) specifically restricted by the donor or grantor to an object or purpose inconsistent with their use for the payment of Required Payments.

### Short-Term Indebtedness

“Short-Term Indebtedness” means all Indebtedness (other than Interim Indebtedness) having an original maturity less than or equal to one year and not renewable at the option of an Obligated Group Member for a term greater than one year from the date of original incurrence or issuance, or Indebtedness with a maturity greater than one year or renewable at the option of an Obligated Group Member for a term greater than one year, if by the terms of such Indebtedness, for a period of at least twenty (20) consecutive days during each calendar year no Indebtedness is permitted to be Outstanding thereunder. For purposes of this definition, (i) only the stated maturity of Indebtedness (and not any tender or put right of the holder of such Indebtedness) shall be taken into account in determining if such Indebtedness constitutes Short-Term Indebtedness hereunder and (ii) classification of Indebtedness as current or short-term under GAAP shall not be controlling. Interim Indebtedness shall not constitute Short-Term Indebtedness for any purpose under this Master Indenture.

### SIFMA Swap Index

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (“SIFMA”) or any Person acting in cooperation with or under the sponsorship of SIFMA or if such index is no longer available “SIFMA Swap Index” shall refer to an index selected by the Obligated Group Representative, with the advice of an investment banking or financial services firm knowledgeable in health care matters.

### State

“State” means the State of California.

### Subordinated Indebtedness

“Subordinated Indebtedness” means Long-Term Indebtedness specifically subordinated as to payment and security to the payment of all Required Payments and other obligations of the Obligated Group Members under this Master Indenture.

### Surviving Entity

“Surviving Entity” has the meaning set forth in Section 3.06.

### Tax-Exempt Organization

“Tax Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501 (a) of the Code (other than the tax on unrelated business income under Section 511 of the Code), or corresponding provisions of federal income tax laws from time to time in effect.

### Total Revenues

“Total Revenues” means, for the period of calculation in question, the sum of operating revenue (including net patient service revenue, premium revenue and other revenue and nonoperating gains (losses)), as shown on the Obligated Group Financial Statements for the most recent Fiscal Year for which Obligated Group Financial Statements have been delivered.

### Transaction Test

“Transaction Test” means, with respect to any specified transaction, that (i) no Event of Default or Default then exists and (ii) if such transaction had occurred as of the first day of the most recent full Fiscal Year preceding such transaction for which audited Obligated Group Financial Statements are available, the Obligated Group would be able to satisfy the conditions for the issuance of \$1.00 of additional Long-Term Indebtedness set forth in Section 3.10(a) as of the final day of such full Fiscal Year taking into account the Income Available for Debt Service generated for such Fiscal Year.

## UCC

“UCC” means the Uniform Commercial Code of the State, as amended from time to time.

## Value

“Value,” when used with respect to Property, means the aggregate value of all such Property, with each component of such Property valued, at the option of the Obligated Group Representative, at either its Fair Market Value or its Book Value.

### Section 1.02. Interpretation.

(a) Any reference herein to any officer of an Obligated Group Member shall include those succeeding to the functions, duties or responsibilities of such officer pursuant to or by operation of law or who are lawfully performing the functions of such officer.

(b) Unless the context otherwise indicates, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The singular shall include the plural and vice versa.

(c) Headings of Articles and Sections herein and the table of contents hereto are solely for convenience of reference, and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

Section 1.03. References to Master Indenture. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, used in this Master Indenture refer to this Master Indenture.

### Section 1.04. Contents of Certificates and Opinions; Use of GAAP.

(a) Every Certificate or opinion provided for herein with respect to compliance with any provision hereof shall include: (a) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) 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 provide the certificate or express an informed opinion with respect to the subject matter referred to in the instrument to which such Person’s signature is affixed; and (d) a statement as to whether, in the opinion of such Person, such provision has been satisfied.

(b) Any such Certificate or opinion made or given by an officer of an Obligated Group Member or the Master Trustee may be based, insofar as it relates to legal, accounting or health care matters, upon a Certificate or opinion or representation of counsel, an accountant or Independent 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 opinion may be based, as aforesaid, is erroneous. Any such Certificate, opinion or representation made or given by counsel, an accountant or an Independent Consultant, may be

based, insofar as it relates to factual matters (with respect to which information is in the possession of any Obligated Group Member) upon the Certificate or opinion of, or representation by an officer of any Obligated Group Member unless such counsel, accountant or Independent Consultant knows that the Certificate, opinion of or representation by such officer, with respect to the factual matters upon which such Person's Certificate or opinion may be based, is erroneous. The same officer of any Obligated Group Member or the same counsel or accountant or Independent Consultant, as the case may be, need not certify as to all the matters required to be certified under any provision hereof, but different officers, counsel, accountants or Independent Consultants may certify as to different matters.

(c) Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of this Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, such determination or computation shall be done in accordance with GAAP in effect on, at the sole option of the Obligated Group Representative, (i) the date such determination or computation is made for any purpose of this Master Indenture or (ii) the date of execution and delivery of this Master Indenture if the Obligated Group Representative delivers an Officer's Certificate to the Master Trustee describing why then current GAAP is inconsistent with the intent of the parties on the date of execution and delivery of this Master Indenture; provided that intercompany balances and liabilities among the Obligated Group Members shall be disregarded and that the requirements set forth herein shall prevail if inconsistent with GAAP. Anything to the contrary herein notwithstanding, any lease that would be properly classified as an "operating lease" under GAAP as of the date of this Master Indenture or the date the lease is entered into by the parties thereto, shall continue to be treated as an "operating lease" under GAAP in effect at such time for all purposes hereunder notwithstanding any change in treatment of such operating lease under GAAP.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF MASTER INDENTURE OBLIGATIONS

Section 2.01. Authorization of Master Indenture Obligations. Each Obligated Group Member hereby authorizes to be issued from time to time Master Indenture Obligations or Series of Master Indenture Obligations, without limitation as to amount, except as provided herein or as may be limited by law, and subject to the terms, conditions and limitations established herein and in any Related Supplement.

Section 2.02. Issuance of Master Indenture Obligations. From time to time when authorized by this Master Indenture and subject to the terms, limitations and conditions established in this Master Indenture or in a Related Supplement, the Obligated Group Representative may authorize the issuance of a Master Indenture Obligation or a Series of Master Indenture Obligations by entering into a Related Supplement. The Master Indenture Obligation or the Master Indenture Obligations of any such Series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions hereof and of any Related Supplement.

Each Related Supplement authorizing the issuance of a Master Indenture Obligation or a Series of Master Indenture Obligations shall specify the purposes for which such Master Indenture Obligation or Series of Master Indenture Obligations are being issued; the form, title, designation, manner of numbering or denominations, if applicable, of such Master Indenture Obligations; the date or dates of maturity or other final expiration of the term of such Master Indenture Obligations; the date of issuance of such Master Indenture Obligations; and any other provisions deemed advisable or necessary by the Obligated Group Representative. Each Related Supplement authorizing the issuance of a Master Indenture Obligation shall also specify and determine the principal amount of such Master Indenture Obligation (if any) for purposes of calculating the percentage of Holders of Master Indenture Obligations required to take actions or give consents pursuant to this Master Indenture (which, if such Master Indenture Obligation does not evidence or secure Indebtedness, shall be equal to zero, except with respect to any action which requires the consent of all of the Holders of Master Indenture Obligations). The designation of zero as a principal amount of a Master Indenture Obligation shall not in any manner affect the obligation of the Obligated Group Members to make Required Payments with respect to such Master Indenture Obligation.

Section 2.03. Appointment of Obligated Group Representative. Each Obligated Group Member, by becoming an Obligated Group Member, irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants full power and authority to the Obligated Group Representative (a) to do and perform all acts as the Obligated Group Representative hereunder on behalf of each Obligated Group Member, including, without limitation, to execute and deliver Master Indenture Obligations, to execute and deliver Related Supplements authorizing the issuance of Master Indenture Obligations or Series of Master Indenture Obligations and to execute and deliver any other documents or instruments relating to or securing any borrowings, indebtedness, obligation or the like, including, without limitation, notes, bonds, debentures, capital leases, installment sales agreements, Financial Products Agreements, mortgages, deeds of trust, security agreements and financing statements and (b) to take all other actions and execute and deliver all other documents, instruments and the like as may be deemed necessary or desirable by the Obligated Group Representative in connection with any financing, refinancing or other transaction involving any Master Indenture Obligation, Related Supplement, Financial Products Agreement or this Master Indenture and (c) to prepare, or authorize the preparation of, any and all documents, certificates or disclosure and continuing disclosure materials reasonably and ordinarily prepared in connection with the issuance of Master Indenture Obligations hereunder, or Related Bonds associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith.

Section 2.04. Execution and Authentication of Master Indenture Obligations.

(a) All Master Indenture Obligations shall be executed by an Authorized Representative of the Obligated Group Representative for and on behalf of the Obligated Group as provided in the Related Supplement authorizing such Master Indenture Obligation. The signatures of such Authorized Representative may be mechanically or photographically reproduced on the Master Indenture Obligations. If any Authorized Representative whose signature appears on any Master Indenture Obligation ceases to be such Authorized Representative before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such Authorized Representative had remained in office until such delivery. Each Master Indenture

Obligation shall be manually authenticated by an authorized signatory of the Master Trustee, and no Master Indenture Obligation shall be entitled to the benefits hereof without such authentication.

(b) The form of Certificate of Authentication to be printed on each Master Indenture Obligation and manually executed by an authorized signatory of the Master Trustee shall be as follows:

[FORM OF MASTER TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

The undersigned Master Trustee hereby certifies that this Master Indenture Obligation No. \_\_\_ is one of the Master Indenture Obligations described in the within mentioned Master Indenture.

Dated: \_\_\_\_\_

[Name of Master Trustee],  
as Master Trustee

By \_\_\_\_\_  
Authorized Signatory

Section 2.05. Conditions to the Issuance of Master Indenture Obligations. The issuance, authentication and delivery of any Master Indenture Obligation or Series of Master Indenture Obligations to provide for the incurrence of Additional Indebtedness shall be subject to the following specific conditions:

(a) The Obligated Group Representative and the Master Trustee shall have entered into a Related Supplement providing for the terms and conditions of such Master Indenture Obligations and the repayment thereof; and

(b) The Master Trustee receives an Officer's Certificate to the effect that:

(i) each Obligated Group Member is in full compliance with all warranties, covenants and agreements set forth in this Master Indenture and in any Related Supplement; and

(ii) neither an Event of Default nor any event which with the passage of time or the giving of notice or both would become an Event of Default has occurred and is continuing or would occur upon issuance of such Master Indenture Obligations under this Master Indenture or any Related Supplement; and

(iii) all requirements and conditions, if any, to the issuance of such Master Indenture Obligations set forth in the Related Supplement have been satisfied; and

(c) The Master Trustee receives an Opinion of Counsel, subject to customary qualifications and exceptions, to the effect that:

(i) such Master Indenture Obligations and Related Supplement have been duly authorized, executed and delivered by the Obligated Group Representative on behalf of the Obligated Group and constitute valid and binding obligations of the Obligated Group, enforceable in accordance with their terms; and

(ii) such Master Indenture Obligations are not subject to registration under federal or state securities laws and such Related Supplement is not subject to registration under the Trust Indenture Act of 1939, as amended (or that such registration, if required, has occurred);

(d) The Obligated Group Representative shall have delivered or caused to be delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee may (but is not obligated to) reasonably request; and

(e) If such Master Indenture Obligation constitutes or secures Additional Indebtedness, the requirements of Section 3.10 are satisfied.

### ARTICLE III

#### PAYMENTS WITH RESPECT TO MASTER INDENTURE OBLIGATIONS; OBLIGATED GROUP COVENANTS

##### Section 3.01. Payment of Required Payments.

(a) Each Obligated Group Member jointly and severally covenants to promptly pay, or cause to be paid, all Required Payments at the place, on or before the dates and in the manner provided herein or in any Related Supplement or Master Indenture Obligation. Each Obligated Group Member acknowledges that the time of such payment and performance is of the essence of the Master Indenture Obligations hereunder. Each Obligated Group Member further covenants to faithfully observe and perform all of the conditions, covenants and requirements of this Master Indenture, any Related Supplement and any Master Indenture Obligation.

The obligation of each Obligated Group Member with respect to Required Payments shall not be abrogated, prejudiced or affected by:

(i) the granting of any extension, waiver or other concession given to any Obligated Group Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by this Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation; or

(ii) the liability of any other Obligated Group Member under this Master Indenture ceasing for any cause whatsoever, including the release of any other Obligated Group Member pursuant to the provisions of this Master Indenture or any Related Supplement; or

(iii) any Obligated Group Member's failing to become liable as, or losing eligibility to become, an Obligated Group Member with respect to a Master Indenture Obligation.

Subject to the provisions of Section 3.08 permitting withdrawal from the Obligated Group, the obligation of each Obligated Group Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid or deemed paid in full in accordance with Article VII. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce liability on Master Indenture Obligations, whether from or on account of the Obligated Group Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Obligated Group Members to claim the benefit of any moneys so received until the whole of the amounts owing on Master Indenture Obligations has been paid or satisfied and so that in the event of any such Obligated Group Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee shall be entitled to prove up the total indebtedness or other liability on Master Indenture Obligations Outstanding as to which the liability of such Obligated Group Member has become fixed.

Each Master Indenture Obligation shall be a primary obligation of the Obligated Group Members and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the covenants and agreements of each Obligated Group Member hereunder shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of each Obligated Group Member hereunder and to enforce the making of Required Payments. Each Obligated Group Member hereby authorizes each of the Obligated Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant or agreement of the Obligated Group Members hereunder and to make any arrangement or compromise with any Obligated Group Member or Obligated Group Members as the Obligated Group Representative or the Master Trustee may deem appropriate, consistent with this Master Indenture and any Related Supplement. Each Obligated Group Member hereby waives in favor of the Obligated Group Representative and the Master Trustee all rights against the Obligated Group Representative, the Master Trustee and any other Obligated Group Member, insofar as is necessary to give effect to any of the provisions of this Section.

Section 3.02. Covenants of Corporate Existence, Maintenance of Properties, Etc. Each Obligated Group Member agrees:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualification; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business or affairs.

(b) At all times to cause its Property, Plant and Equipment to be maintained, preserved and kept in good repair, working order and condition, reasonable wear and tear excepted,

and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any immaterial portion of its Property, Plant and Equipment, (ii) prevent it from ceasing to operate any material portion of its Property, Plant and Equipment if in its judgment it is advisable not to operate the same, and within a reasonable time endeavors to effect disposition of such material portion of its Property, Plant and Equipment, or (iii) obligate it to retain, preserve, repair, renew or replace any Property, Plant and Equipment no longer used or useful in the conduct of its business.

(c) To procure and maintain all necessary licenses and permits necessary, in the judgment of its Governing Body, to the operation of its health care Property and the status of its health care Property (other than that not currently having such status or not having such status on the date a Person becomes a Member of the Obligated Group) as providers of health care services eligible for payment under those third party payment programs which its Governing Body determines are appropriate; provided, however, that it need not comply with this subsection if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(d) Not take any action, including any action which would result in the alteration or loss of its status as a Tax Exempt Organization, which, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the inclusion of interest on any Related Bond in gross income for purposes of federal income taxation. The foregoing notwithstanding, any Obligated Group Member that is a Tax-Exempt Organization may take actions which could result in the alteration or loss of its status as a Tax Exempt Organization if (i) prior thereto there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that such action would not adversely affect the validity of any Related Bond and would not, in and of itself, result in the inclusion of interest on any Related Bond in gross income for purposes of federal income taxation and (ii) prior thereto there is delivered to the Master Trustee an Opinion of Counsel to the effect that such action would not adversely affect the enforceability in accordance with its terms of this Master Indenture against any Obligated Group Member of the Obligated Group and either (A) an Opinion of Counsel for such Obligated Group Member of the Obligated Group to the effect that such actions would not subject any Related Bond or any Master Indenture Obligation to registration under the Securities Act of 1933, as amended, or any state securities law, or require the qualification of any Related Bond Indenture, loan document or this Master Indenture or any Supplement under the Trust Indenture Act of 1939, as amended, or any state securities law, or (B) an Opinion of Counsel that such Related Bond or Master Indenture Obligation has been so registered and such Related Bond Indenture, loan document or Master Indenture or Supplement has been so qualified.

### Section 3.03. Gross Revenues Pledge.

(a) Each Obligated Group Member covenants and agrees that, so long as any of the Master Indenture Obligations remain Outstanding, all of the Gross Revenues of the Obligated Group shall be deposited as soon as practicable upon receipt in a deposit account or securities account designated as the “Gross Revenue Fund” which the Obligated Group Members shall establish and maintain, subject to the provisions of subsection (b) of this Section, at such

banking institution or securities intermediary as the Obligated Group Members shall from time to time designate in writing to the Master Trustee for such purpose (the “Depository Bank(s)”) and which has entered into a deposit account control agreement (the “Account Control Agreement”) with the Obligated Group Members and the Master Trustee. The Master Trustee acknowledges that one or more accounts can constitute the Gross Revenue Fund. As security for the performance by each of the Obligated Group Members of its obligations under this Master Indenture, each Obligated Group Member hereby pledges and assigns to the Master Trustee, and grants to the Master Trustee a security interest in, all its right, title and interest, whether now owned or hereafter acquired, in and to the Gross Revenues and the Gross Revenue Fund and the proceeds thereof (collectively, the “Collateral”). Each of the Obligated Group Members shall cause to be filed Uniform Commercial Code financing statements, and shall execute and deliver such other documents (including, but not limited to, amendments to such Uniform Commercial Code financing statements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain the perfection of such 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 Obligated Group Member hereby irrevocably authorizes the Master Trustee to execute and file any continuation statements and amendments thereto as may be required to perfect or to continue the perfection of the security interest in the Collateral, including, without limitation, continuation statements that describe the collateral as being of an equal or lesser scope, or with greater or lesser detail, than as set forth in the definition of Collateral. Each Obligated Group Member represents and warrants that it is a nonprofit corporation organized solely under the laws of the State or other duly formed and organized entity under the laws of the state in which such entity was formed and organized and that its complete legal name is as set forth on the signature page of this Master Indenture or Related Supplement, as applicable, executed by such Obligated Group Member. Each Obligated Group Member covenants that it will not change its name or its type or jurisdiction of organization unless (i) it gives thirty (30) days’ notice of such change to the Master Trustee and (ii) before such change occurs it takes all actions as are necessary or advisable to maintain and continue the first priority perfected security interest of the Master Trustee in the Collateral.

(b) Gross Revenues and amounts in the Gross Revenue Fund may be used and withdrawn by any Obligated Group Member at any time for any lawful purpose, except as hereinafter provided. In the event that any Obligated Group Member is delinquent for more than one business day in the payment of any Required Payment with respect to any Master Indenture Obligation issued pursuant to a Related Supplement, the Master Trustee, upon notice from any Obligated Group Member or actual knowledge of such delinquency, shall notify the Corporation and the Depository Bank(s) of such delinquency, and exclusive control over the Gross Revenue Fund shall be exercised by the Master Trustee and as provided in the Account Control Agreement. All Gross Revenues shall continue to be deposited in the Gross Revenue Fund as provided in subsection (a) of this Section 3.03 and the Master Trustee shall continue to exercise exclusive control over the Gross Revenue Fund until the amounts on deposit in said account are sufficient to pay in full (or have been used to pay in full) all Required Payments in default and until all other then-existing Events of Default known to the Master Trustee shall have been made good or cured to the satisfaction of the Master Trustee or provision deemed by the Master Trustee to be adequate shall have been made therefor, whereupon the Gross Revenue Fund (except for Gross Revenues required to make such payments or cure such defaults) shall be returned to the name and credit of the appropriate Member. During any period that the Gross Revenue Fund is subject to the

exclusive control of the Master Trustee, the Master Trustee shall use and withdraw from time to time amounts in said fund, to make Required Payments as such payments become due (whether by maturity, prepayment, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments on Obligations, ratably, without any discrimination or preference, and to such other payments in the order which the Master Trustee, in its discretion, shall determine to be in the best interests of the Holders of the Master Indenture Obligations, without discrimination or preference. During any period that the Gross Revenue Fund is subject to the exclusive control of the Master Trustee, no Member shall be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Master Trustee in its sole discretion so directs for the payment of current or past due operating expenses of such Obligated Group Member; provided, however, that Members shall be entitled to withdraw amounts not constituting Gross Revenues from the Gross Revenue Fund and may submit requests to the Master Trustee as to which expenses to pay out of Gross Revenues and in which order. Each Obligated Group Member agrees to execute and deliver all instruments as may be required to implement this Section. Each Obligated Group Member further agrees that a failure to comply with the terms of this Section shall cause irreparable harm to the Master Trustee or the Holders from time to time of the Obligations, and shall entitle the Master Trustee, with or without notice to the Obligated Group Members, to take immediate action to compel the specific performance of the obligations of each of the Obligated Group Members as provided in this Section.

(c) Upon receipt of Gross Revenues, each Obligated Group Member covenants and agrees: (i) to deposit all Gross Revenues in the Gross Revenue Fund and not in any other fund or account (other than accounts that are subject to instructions requiring that all moneys therein shall on each business day be swept into the Gross Revenue Fund); (ii) that the Gross Revenue Fund shall at all times be subject to an Account Control Agreement with the Depository Bank; and (iii) that the Gross Revenue Fund will not be moved from the Depository Bank without the prior written consent of the Master Trustee, which consent shall not be unreasonably withheld.

Notwithstanding anything to the contrary contained herein, neither the Master Trustee nor any other Person (other than any Obligated Group Member) shall be responsible for any initial filings of any Uniform Commercial Code financing statements or the information contained therein (including the exhibits thereto), the perfection or priority of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code.

#### Section 3.04. Against Encumbrances.

(a) Each Obligated Group Member agrees that it will not, create or suffer to be created or permit the existence of any Lien upon Property now owned or hereafter acquired by it other than Permitted Liens. Each Obligated Group Member, respectively, further covenants and agrees that if such a Lien (other than a Permitted Lien) is nonetheless created by someone other than an Obligated Group Member and is assumed by any Obligated Group Member, the Obligated Group Representative will make or cause to be made effective a provision whereby all Master Indenture Obligations will be secured prior to any such Indebtedness or other obligation secured by such Lien.

(b) Upon written request of the Obligated Group Representative, the Master Trustee shall execute and deliver such releases, subordinations, requests for reconveyance, termination statements or other instruments as may be reasonably requested by the Obligated Group Representative in connection with (1) the disposition of Property in accordance with the provisions of Section 3.09 and the applicable provisions of any Related Supplement, (2) the withdrawal of a Member pursuant to Section 3.08 and the applicable provisions of any Related Supplement and (3) the granting by an Obligated Group Member of any Lien which constitutes a Permitted Lien hereunder, as certified to the Master Trustee in writing by the Obligated Group Representative.

Section 3.05. Debt Service Coverage.

(a) Each Obligated Group Member agrees to manage its business such that the Annual Debt Service Coverage Ratio for each Fiscal Year, commencing with the fiscal year ending [December 31, 2018], will not be less than 1.1 to 1.0, as set forth in the Officer's Certificate delivered pursuant to Section 3.11(b)(iii)(A), except as specifically provided in this Section 3.05.

(b) If for any Fiscal Year the Annual Debt Service Coverage Ratio as set forth in the Officer's Certificate delivered pursuant to Section 3.11(b)(iii)(A) is less than 1.1 to 1.0, the Obligated Group Representative covenants to promptly retain an Independent Consultant to make recommendations to increase Income Available for Debt Service in the following Fiscal Year to the level required or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable. The Obligated Group Representative agrees to transmit a copy thereof to the Master Trustee within twenty (20) days of the receipt of such recommendations. Each Obligated Group Member shall, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law and to a good faith determination by the Governing Body of the Obligated Group Representative that such recommendations are in the best interest of the Obligated Group, take such action as shall be in substantial conformity with such recommendations.

(c) If the Obligated Group substantially complies with the recommendations of the Independent Consultant, the Obligated Group will be deemed to have complied with the covenants set forth in this Section for such Fiscal Year, notwithstanding that the Annual Debt Service Coverage Ratio Service is less than 1.1:1.0; except as provided in subsection (f) hereof.

(d) If a report of an Independent Consultant is delivered to the Master Trustee, which report shall state that Government Restrictions or Industry Restrictions have been imposed which make it impossible for the Annual Debt Service Coverage Ratio to be at least 1.1 to 1.0, then the required amount of Income Available for Debt Service shall be reduced to the maximum coverage permitted by such Government Restrictions or Industry Restrictions; except as provided in subsection (f) hereof.

(e) Notwithstanding the foregoing, an Obligated Group Member may permit the rendering of services or the use of its Property without charge or at reduced charges, at the discretion of the Governing Body of such Obligated Group Member, to the extent necessary for maintaining its tax-exempt status or the tax-exempt status of its Property, Plant and Equipment or its eligibility for grants, loans, subsidies or payments from governmental entities, or in compliance

with any recommendation for free services that may be made by an Independent Consultant; except as provided in subsection (f) hereof.

(f) An Event of Default shall exist if the Annual Debt Service Coverage Ratio as set forth in the Officer's Certificate delivered pursuant to Section 3.11(b)(iii)(A) for any two consecutive Fiscal Years shall be less than 1.0:1.0. Notwithstanding the foregoing, the Obligated Group Members shall not be excused from taking any action or performing any duty required under this Master Indenture and no other Event of Default shall be waived by the operation of the provisions of this subsection (f).

Section 3.06. Merger, Consolidation, Sale or Conveyance. Each Obligated Group Member covenants that it will not merge or consolidate with any other Person that is not an Obligated Group Member or sell or convey all or substantially all of its assets to any Person that is not an Obligated Group Member (a "Merger Transaction") unless:

(a) After giving effect to the Merger Transaction,

(i) the successor or surviving entity (hereinafter, the "Surviving Entity") is an Obligated Group Member, or

(ii) the Surviving Entity shall

(A) be a corporation or other entity organized and existing under the laws of the United States of America or any state thereof, and

(B) become an Obligated Group Member pursuant to Section 3.07 and, pursuant to the Related Supplement required by Section 3.07(b), shall expressly assume in writing the due and punctual payment of all Required Payments of the disappearing Obligated Group Member hereunder;

(b) The Master Trustee receives an Officer's Certificate to the effect that the Transaction Test is satisfied in connection with the Merger Transaction;

(c) So long as any Related Bonds that are tax-exempt obligations are Outstanding, the Master Trustee receives an Opinion of Bond Counsel to the effect that, under then existing law, the consummation of the Merger Transaction would not, in and of itself, result in the inclusion of interest on such Related Bonds in gross income for purposes of federal income taxation;

(d) The Master Trustee receives an Opinion of Counsel to the effect that (i) all conditions in this Section 3.06 relating to the Merger Transaction have been complied with and the Master Trustee is authorized to join in the execution of any instrument required to be executed and delivered; (ii) the Surviving Entity meets the conditions set forth in this Section 3.06 and all Master Indenture Obligations then Outstanding; (iii) the Merger Transaction will not adversely affect the validity of any Master Indenture Obligations then Outstanding and such Master Indenture Obligations then Outstanding are enforceable against the Surviving Entity in accordance with their respective terms; and (iv) the Merger Transaction will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities

laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred); and

(e) The Surviving Entity shall be substituted for its predecessor in interest in all Master Indenture Obligations and agreements then in effect which affect or relate to any Master Indenture Obligation, and the Surviving Entity shall execute and deliver to the Master Trustee appropriate documents in order to effect the substitution.

From and after the effective date of such substitution (as set forth in the above-mentioned documents), the Surviving Entity shall be treated as an Obligated Group Member and shall thereafter have the right to participate in transactions hereunder relating to Master Indenture Obligations to the same extent as the other Obligated Group Members. All Master Indenture Obligations issued hereunder on behalf of a Surviving Entity shall have the same legal rank and benefit under this Master Indenture as Master Indenture Obligations issued on behalf of any other Obligated Group Member.

Section 3.07. Membership in Obligated Group. Additional Obligated Group Members may be added to the Obligated Group from time to time, provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Obligated Group Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of this Master Indenture and take any actions on its behalf that are specified in Section 2.03; and

(b) a Related Supplement executed by the Obligated Group Representative, the new Obligated Group Member and the Master Trustee pursuant to which the proposed new Obligated Group Member

(i) agrees to become an Obligated Group Member, and

(ii) agrees to be bound by the terms of this Master Indenture, the Related Supplements and the Master Indenture Obligations, and

(iii) pursuant to Section 2.03, irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants to the Obligated Group Representative the full power and authority to execute (a) Related Supplements authorizing the issuance of Master Indenture Obligations or Series of Master Indenture Obligations, (b) Master Indenture Obligations and (c) all Certificates, Statements, Requests, Consents or Orders, and

(c) an Opinion of Counsel to the effect that (i) the proposed new Obligated Group Member has taken all necessary action to become an Obligated Group Member, and upon execution of the Related Supplement, such proposed new Obligated Group Member will be bound by the terms of this Master Indenture, (ii) the addition of such Obligated Group Member would not adversely affect the validity of any Master Indenture Obligation then Outstanding and (iii) the addition of such Obligated Group Member will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred); and

(d) an Officer's Certificate to the effect that immediately after the addition of the proposed new Obligated Group Member, the Transaction Test would be satisfied; and

(e) so long as any Related Bonds that are tax-exempt obligations are Outstanding, an Opinion of Bond Counsel to the effect that the addition of the proposed new Obligated Group Member will not, in and of itself, result in the inclusion of interest on any Related Bonds in gross income for purposes of federal income taxation.

Section 3.08. Withdrawal from Obligated Group. Any Obligated Group Member may withdraw from the Obligated Group and be released from further liability or obligation under the provisions of this Master Indenture, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that the Obligated Group Representative has approved the withdrawal of such Obligated Group Member;

(b) an Officer's Certificate to the effect that immediately after the withdrawal of such Obligated Group Member, the Transaction Test would be satisfied; and

(c) an Opinion of Counsel to the effect that (i) the withdrawal of such Obligated Group Member would not adversely affect the validity of any Master Indenture Obligation then Outstanding and (ii) the withdrawal of such Obligated Group Member will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred).

Upon compliance with the conditions contained in this Section 3.08, the Master Trustee shall execute any documents reasonably requested by the withdrawing Obligated Group Member to evidence the termination of such Obligated Group Member's obligations hereunder, under all Related Supplements and under all Master Indenture Obligations.

Section 3.09. Limitation on Disposition of Assets. Each Obligated Group Member covenants that it will not sell, lease or otherwise dispose of any part of its Property in any Fiscal Year (other than (A) in the ordinary course of business, or (B) as part of a disposition of all or substantially all of its assets as permitted by Section 3.06), unless:

(i) prior to said disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that such Property is inadequate, obsolete, unsuitable, undesirable or unnecessary for the operation and functioning of the primary business of the Obligated Group Members; or

(ii) prior to said disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that the disposition is for Fair Market Value and such disposition will not impair the structural soundness of the remaining Property and does not materially adversely affect the operations of the Obligated Group; or

(iii) prior to said disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that such Property is being transferred to a Person

who is not an Obligated Group Member if such Person shall become a Member pursuant to Section 3.07 coincidental to such transfer; or

(iv) prior to said disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that such Property is being transferred to a Governmental Issuer solely to accommodate a sale or lease transaction as described in the definition of "Related Bonds;" or

(v) prior to said disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that the Transaction Test is satisfied; or

(vi) dispositions of Property, Plant and Equipment that is being exchanged for credit against the purchase price of replacement Property, Plant and Equipment or the proceeds of which disposition are applied to the purchase price of such replacement Property, Plant and Equipment within 120 days of such disposition; provided such exchange must be for Fair Market Value of such Property, Plant and Equipment; or

(vii) dispositions of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof, so long as the accounts receivable to be so disposed are aged at least 120-days past due at the time of the applicable disposition; or

(viii) dispositions of Property, Plant and Equipment (x) acquired by any Obligated Group Member pursuant to an acquisition of assets or (y) of any new Obligated Group Member whose equity interests were acquired by an Obligated Group Member which assets were owned by such new Obligated Group Member at the time it was acquired, in each case under the preceding clauses (x) and (y) which disposition occurs within 12 months after the date of the applicable acquisition, so long as the assets to be so disposed are readily identifiable as assets acquired pursuant to or owned as of the time of the subject acquisition (for purposes of this clause (viii), a transaction in which an Obligated Group Member becomes the sole member of a nonprofit corporation shall be deemed to be an acquisition of the equity interests of such nonprofit corporation); or

(ix) any other sale, lease or other disposition of assets within any 12-month period having a Book Value of no more than 15% of the Value of the Property of the Obligated Group, so long as there shall have been delivered to the Master Trustee at or prior to the consummation of such transaction an Officer's Certificate certifying same.

(b) Notwithstanding the foregoing, nothing shall prohibit any disposition of assets among Obligated Group Members nor shall prohibit the Obligated Group Members from: (1) making loans, including, without limitation, employee relocation loans, physician recruitment loans or other credit/funding extensions, provided that such loans or other credit/funding extensions are in writing and the Master Trustee receives an Officer's Certificate to the effect that (x) such loans are in furtherance of the exempt purposes of the Obligated Group Members or (y) the Obligated Group Members reasonably expect such loans to be repaid and such loans bear interest at a reasonable rate of interest and on commercially reasonable terms; or (2) transferring gifts restricted to a purpose inconsistent with their use for the payment of debt service on Master

Indenture Obligations or operating expenses to an Affiliated Corporation which has the purpose to receive and disburse such restricted gifts.

(c) Notwithstanding the foregoing, cash or other non-Operating Assets shall not be sold or otherwise disposed of unless the aggregate amount of cash and Book Value of such other non-Operating Assets transferred pursuant to this subsection (c) within the immediately preceding 12 months does not exceed 5% of the Total Revenues for the most recent 12-month period for which audited financial statements are available. For purposes of this subsection (c) the term disposition does not include disposition of cash or non-Operating Assets where property (tangible and/or intangible) of equivalent value is given in exchange

Section 3.10. Limitation on Additional Indebtedness. Each Obligated Group Member covenants that it will not incur any Additional Indebtedness except that the Obligated Group Members may incur the following Additional Indebtedness:

(a) Long-Term Indebtedness, if prior to the date of incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate to the effect that:

(i) the Debt Service Coverage Ratio for the most recent Fiscal Year for which Obligated Group Financial Statements are available with respect to all Long-Term Indebtedness then Outstanding at the time of such certification and the additional Long-Term Indebtedness to be incurred, but excluding any Long-Term Indebtedness to be refunded with the proceeds of said additional Long-Term Indebtedness to be incurred, was not less than 1.1:1.0; or

(ii) (A) the Debt Service Coverage Ratio for the most recent Fiscal Year (excluding the additional Long-Term Indebtedness to be incurred) was not less than 1.2:1.0 and (B) the Debt Service Coverage Ratio for each of the two Fiscal Years beginning with the Fiscal Year commencing after the estimated completion of the facilities to be financed by the Indebtedness to be incurred with respect to all Long-Term Indebtedness projected to be outstanding (including the additional Long-Term Indebtedness to be incurred but excluding any Long-Term Indebtedness to be refunded with the proceeds of said additional Long-Term Indebtedness to be incurred), is projected to be not less than 1.2:1.0. Notwithstanding the foregoing, if the Master Trustee receives a report of an Independent Consultant to the effect that Government Restrictions or Industry Restrictions prevent the Obligated Group Members from generating the required levels of Income Available for Debt Service sufficient to result in a Debt Service Coverage Ratio of not less than 1.2:1.0, the 1.2:1.0 ratio requirement described in this subsection (a)(ii) shall be reduced to a ratio of not less than 1.0:1.0; or

(iii) the forecasted Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred, for the two complete Fiscal Years succeeding the date on which the proposed Long-Term Indebtedness is to be incurred, is not less than 1.30:1.0, as shown by forecasted statements of revenues and expenses for each such Fiscal Year, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based; or

(iv) after giving effect to the issuance of such additional Long-Term Indebtedness, the principal of Outstanding Long-Term Indebtedness shall not exceed sixty-six and two-thirds percent (66 2/3%) of Capitalization. For purposes of calculating the principal amount of any Outstanding Long-Term Indebtedness, with respect to a Guaranty that is a contingent liability under GAAP, 20% of the principal amount of the obligation being guaranteed shall be considered Indebtedness of the Obligated Group. If any such Guaranty becomes a non-contingent liability, during the period such Guaranty is a non-contingent liability and for two years after such Guaranty again becomes a contingent liability, 100% of the principal amount of the obligation being guaranteed shall be considered Indebtedness of the Obligated Group.

(b) Completion Indebtedness without limitation provided that an Officer's Certificate is delivered to the Master Trustee stating that the Obligated Group Representative reasonably expected the aggregate principal amount of Long-Term or Interim Indebtedness originally issued to finance the construction or equipping of the project for which such Completion Indebtedness is being incurred, together with other funds reasonably anticipated to be available for such purposes, to be fully sufficient to provide a completed and fully equipped facility of the type and scope contemplated at the time said Long-Term Indebtedness or Interim Indebtedness was originally incurred, and in accordance with the general plans and specifications for such facility as originally prepared and approved in connection with the related financing, modified or amended only in conformance with the provisions of the documents pursuant to which the related financing was undertaken.

(c) Short-term Indebtedness provided that:

(i) the total amount of such Short-term Indebtedness shall not exceed twenty-five percent (25%) of Total Revenues; and

(ii) In every Fiscal Year, there shall be at least a consecutive twenty (20) day period when the balances of such Short-term Indebtedness (excluding Short-Term Indebtedness consisting of commercial paper which is intended to be refinanced with additional commercial paper) is reduced to an amount which shall not exceed five percent (5%) of Total Revenues.

(d) Nonrecourse Indebtedness without limitation.

(e) Long-Term Indebtedness, if such Long-Term Indebtedness is issued or incurred to refund Long-Term Indebtedness and the Master Trustee receive an Officer's Certificate to the effect that the issuance of such Long-Term Indebtedness would not increase Maximum Annual Debt Service by more than ten percent (10%).

(f) Subordinated Indebtedness, without limitation.

(g) Any other Indebtedness, provided that an Officer's Certificate is delivered to the Master Trustee stating that the aggregate principal amount of such Indebtedness, together with the aggregate principal amount of Indebtedness incurred pursuant to the provisions of subsection (c) of this Section 3.10, does not, as of the date of incurrence, exceed 25% of Total Revenues.

(h) Reimbursement or other repayment obligations under reimbursement agreements or similar agreements relating to credit facilities and/or liquidity facilities which provide credit support and/or liquidity for Indebtedness or Financial Products Agreements.

(i) Indebtedness consisting of (i) Guarantees incurred in the ordinary course of business with respect to surety and appeal bonds, performance bonds, bid bonds, appeal bonds, completion guarantee and similar obligations and; (ii) Guarantees arising with respect to customary indemnification obligations to purchasers in connection with dispositions of Property.

(j) Indebtedness in respect of bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers acceptances issued for the account of an Obligated Group Member in the ordinary course of business, including Guarantees or obligations of an Obligated Group Member with respect to letters of credit supporting such bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed).

(k) Indebtedness owed to any Person providing property, casualty, liability, or other insurance to the Obligated Group Members, so long as the amount of such Indebtedness is not in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness is outstanding only during such year.

(l) Indebtedness incurred in the ordinary course of business in respect of credit cards, credit card processing services, debit cards, stored value cards, commercial cards (including so-called "purchase cards," "procurement cards" or "p-cards"), or cash management services.

(m) unsecured Indebtedness (subject to customary rights of setoff) incurred in respect of netting services, overdraft protection, and other like services, in each case, incurred in the ordinary course of business.

(n) accrual of interest, accretion or amortization of original issue discount, or the payment of interest in kind, in each case, on Indebtedness that is otherwise permitted hereunder.

(o) assumed Indebtedness secured by a Lien of the type permitted under clause (j) of the definition of Permitted Liens, so long as the amount of such Indebtedness does not exceed the Fair Market Value of the Property subject to such Lien.

(p) Indebtedness incurred in conjunction with any accounts receivable financing, including any Corporation patient loan program, in an amount not to exceed 30% of the Obligated Group's net accounts receivable.

### Section 3.11. Filing of Financial Statements, Certificate of No Default, Other Information.

(a) Each Obligated Group Member covenants and agrees that it will keep adequate records and books of accounts in which complete and correct entries shall be made (said books shall be subject to the inspection of the Master Trustee during regular business hours after reasonable notice and under reasonable circumstances, provided the Master Trustee shall have no duty to so inspect).

(b) The Obligated Group Representative covenants and agrees that it will furnish to the Master Trustee and any Related Bond Issuer that shall request the same in writing:

(i) As soon as practicable, but in no event more than five months after the last day of each Fiscal Year beginning with the Fiscal Year ending December 31, 2018, one or more financial statements which, in the aggregate, shall include the Obligated Group Members. Such financial statements:

(A) may consist of (1) consolidated or combined financial results including one or more Obligated Group Members and one or more Immaterial Affiliates, or (2) special purpose financial statements including only Obligated Group Members;

(B) shall be audited by an Accountant as having been prepared in accordance with GAAP (except, in the case of special purpose financial statements, for required consolidations);

(C) shall include a consolidated or combined balance sheet, statement of operations and changes in net assets; and

(D) if a single financial statement is delivered that includes Immaterial Affiliates, each such financial statement shall contain, as “other financial information,” a combining or consolidating schedule from which financial information solely relating to the Obligated Group Members may be derived.

(ii) (A) If a single financial statement containing information solely related to the Obligated Group Members (which may, but need not, include any Immaterial Affiliates) is delivered pursuant to clause (b)(i) above, such financial statement shall constitute the “Obligated Group Financial Statements.”

(B) If a single financial statement containing information related solely to the Obligated Group Members and, at the option of the Obligated Group Representative, any Immaterial Affiliates, is not delivered pursuant to clause (b)(i) above, the Obligated Group Representative shall prepare an unaudited balance sheet and statement of operations for such Fiscal Year. The unaudited financial statements shall be prepared as soon as practicable, but in no event more than five months after the last day of each Fiscal Year beginning with the Fiscal Year ending December 31, 2018, and shall be based on the accompanying unaudited combining or consolidating schedules delivered with the audited financial statements described in clause (b)(i)(D) above. The unaudited financial statements prepared in accordance with this clause (ii)(B) shall be the “Obligated Group Financial Statements.”

(C) The Obligated Group Financial Statements:

(1) shall include all Obligated Group Members;

(2) at the option of the Obligated Group Representative, may, but need not, include one or more Immaterial Affiliates as provided in subsection (c) below; and

(3) shall exclude all combined or consolidated entities that are neither Obligated Group Members nor Immaterial Affiliates.

(iii) At the time of the delivery of the Obligated Group Financial Statements, an Officer's Certificate (A) setting forth the calculations based upon the Obligated Group Financial Statements for such Fiscal Year of the Annual Debt Service Coverage Ratio for such Fiscal Year and (B) stating that no event which constitutes an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Obligated Group Members to cure such Event of Default.

(c) Notwithstanding the foregoing, the results of operations and financial position of Immaterial Affiliates need not be excluded from financial statements delivered to the Master Trustee pursuant to this Section, and such results of operations and financial position may be considered as if they were a portion of the results of operations and financial position of the Obligated Group Members for all purposes of this Master Indenture notwithstanding the inclusion of the results of operations and financial position of such Immaterial Affiliates, as long as the combined or consolidated unrestricted net assets of the Immaterial Affiliates for their most recently completed fiscal year, were not greater than 20% of the combined or consolidated unrestricted net assets of the Obligated Group as shown in the single financial statement delivered pursuant to Section 3.11(b)(i)(D) plus the unrestricted net assets of such Immaterial Affiliates as if they were Obligated Group Members for such period, for the most recently completed Fiscal Year of the Obligated Group. The Master Trustee shall have no duty to review, verify or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Holders. The Master Trustee shall not be deemed to have notice of any information contained in such financial statements or Event of Default which may be disclosed therein in any manner.

Section 3.12. Replacement of Master Indenture Obligations. At the option of the Obligated Group Representative and without the consent of any Holders, Master Indenture Obligations may be surrendered by their Holders and delivered to the Master Trustee for cancellation upon receipt by the Master Trustee and the Holders of the Master Indenture Obligations of the following:

(a) a Request of the Obligated Group Representative requesting such surrender and delivery and stating that the Obligated Group Representative (and each other Member of the Obligated Group) has become a member of an obligated group (the "New Obligated Group") under a master indenture (other than the Master Indenture) and that an obligation or obligations are being issued to the Holder under such replacement master indenture (the "Replacement Master Indenture"); and

(b) a properly executed obligation (the "Replacement Obligation") for each Master Indenture Obligation issued under the Replacement Master Indenture and registered in the name of the Holder with the same tenor and effect as the previous Master Indenture Obligation of such Holder, duly authenticated by the Master Trustee under the Replacement Master Indenture; and

(c) an Opinion of Counsel to the effect that each Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of the Obligated Group Representative (and each other Member of the Obligated Group) and each other member of the obligated group under the Replacement Master Indenture; and

(d) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture; and

(e) Any of the following:

(i) an Officer's Certificate showing that the New Obligated Group, after giving effect to the Replacement Obligations and assuming that the New Obligated Group constitutes the Obligated Group under this Master Indenture, could have incurred at least one dollar of Long-Term Indebtedness pursuant to Section 3.10(a)(i) or (ii) of this Master Indenture immediately following the execution and delivery of the Replacement Master Indenture; or

(ii) an Officer's Certificate showing that the unrestricted assets of the New Obligated Group will be not less than 70% of the unrestricted net assets of the Obligated Group for the most recent Fiscal Year of the Obligated Group for which audited Obligated Group Financial Statements are available; or

(iii) written notice of such replacement of Master Indenture Obligations shall have been given by the New Obligated Group to each Rating Agency then maintaining a rating on any Master Indenture Obligation or Related Bond, and the then current rating shall not be withdrawn if such withdrawal will result in less than two Rating Agencies remaining or, if the then current rating is below A3 or its equivalent, the then current rating shall not be lowered by any Rating Agency as a result of such replacement of Master Indenture Obligations and delivery of the Replacement Obligations; and

(f) an opinion of Bond Counsel to the effect that the replacement of the Master Indenture Obligation with the Replacement Obligations will not, in and of itself, result in the inclusion of the interest on any Related Bonds in gross income for purposes of federal income taxation.

## ARTICLE IV

### DEFAULTS

Section 4.01. Events of Default. Each of the following events shall be an Event of Default hereunder:

(a) Failure on the part of the Obligated Group Members to make due and punctual payment of the principal of, redemption premium, if any, interest on or any other Required Payment on any Master Indenture Obligation.

(b) The occurrence of an Event of Default as described in Section 3.05(f).

(c) Any Obligated Group Member shall fail to observe or perform any other covenant or agreement under this Master Indenture (including covenants or agreements contained in any Related Supplement or Master Indenture Obligation) and shall not have cured such failure within sixty (60) days after the date on which written notice of such failure, requiring the failure to be remedied, shall have been given to the Obligated Group Representative by the Master Trustee or to the Obligated Group Representative and the Master Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Master Indenture Obligations (provided that if such failure can be remedied but not within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Obligated Group Representative shall diligently proceed to remedy the failure).

(d) Any Obligated Group Member shall default in the payment of Indebtedness (other than Nonrecourse Indebtedness) in an aggregate outstanding principal amount greater than three percent (3%) of the aggregate principal amount of Total Revenues, and any grace period for such payment shall have expired; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if, within sixty (60) days or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, (1) any Obligated Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (2) sufficient moneys are deposited in escrow with a bank or trust company or a bond acceptable to the Master Trustee is posted for the payment of such Indebtedness.

(e) A court having jurisdiction shall enter a decree or order for relief in respect of any Obligated Group Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of any Obligated Group Member or for any substantial part of the Property of any Obligated Group Member, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days.

(f) Any Obligated Group Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of any Obligated Group Member or for any substantial part of its Property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing.

(g) An event of default shall exist under any Related Bond Indenture.

The Obligated Group Representative agrees that, as soon as practicable, and in any event within ten (10) days after such event, the Obligated Group Representative shall notify the Master Trustee of any event which is an Event of Default hereunder which has occurred and is continuing, which notice shall state the nature of such event and the action which the Obligated Group Members propose to take with respect thereto.

Section 4.02. Acceleration; Annulment of Acceleration.

(a) Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations shall, by notice to the Obligated Group Representative, declare all Outstanding Master Indenture Obligations immediately due and payable. Upon such declaration of acceleration, all Outstanding Master Indenture Obligations shall be immediately due and payable. If the terms of any Related Supplement give a Person the right to consent to acceleration of the Master Indenture Obligations issued pursuant to such Related Supplement, the Master Indenture Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In the event of acceleration, an amount equal to the aggregate principal amount of all Outstanding Master Indenture Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, which accrues on such principal and interest to the date of payment, and all other amounts due thereunder, shall be due and payable on the Master Indenture Obligations.

(b) At any time after the Master Indenture Obligations have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default that resulted in the declaration of acceleration, the Master Trustee may annul such declaration and its consequences if:

(i) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all payments then due on all Outstanding Master Indenture Obligations (other than payments then due only because of such declaration); and

(ii) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all fees and expenses of the Master Trustee then due; and

(iii) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all other amounts then payable by the Obligated Group hereunder; and

(iv) every Event of Default (other than a default in the payment of the principal or other payments of such Master Indenture Obligations then due only because of such declaration) has been remedied.

No such annulment shall extend to or affect any subsequent Event of Default or impair any right with respect to any subsequent Event of Default.

Section 4.03. Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations (and upon indemnification of the Master Trustee to its satisfaction by the Obligated Group for any such request), shall, proceed

to protect and enforce its rights and the rights of the Holders hereunder by such proceedings as may be deemed expedient, including but not limited to:

- (i) Enforcement of the right of the Holders to collect amounts due or becoming due under the Master Indenture Obligations;
- (ii) Civil action upon all or any part of the Master Indenture Obligations;
- (iii) Civil action to require any Person holding monies, documents or other property pledged to secure payment of amounts due or to become due on the Master Indenture Obligations to account as if it were the trustee of an express trust for the Holders of Master Indenture Obligations;
- (iv) Civil action to enjoin any acts which may be unlawful or in violation of the rights of the Holders of Master Indenture Obligations;
- (v) Civil action to obtain a writ of mandate against any Obligated Group Member, or against any officer or member of the Governing Body of any Obligated Group Member to compel performance of any act specifically required by this Master Indenture or any Master Indenture Obligation; and
- (vi) Enforcement of any other right or remedy of the Holders conferred by law or hereby.

(b) Regardless of the occurrence of an Event of Default, if requested in writing by the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations (and upon indemnification of the Master Trustee to its satisfaction for such request), the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (1) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (2) to preserve or protect the interests of the Holders. However, the Master Trustee shall not comply with any such request or institute and maintain any such proceeding that is in conflict with any applicable law or the provisions hereof or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not making such request. Nothing herein shall be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Master Indenture Obligations or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

Section 4.04. Application of Moneys After Default. During the continuance of an Event of Default, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article (after payment of the costs of the proceedings resulting in the collection of such moneys and payment of all fees, expenses and other amounts owed to the Master Trustee) shall be applied as follows:

- (a) Unless all Outstanding Master Indenture Obligations have become or have been declared due and payable (or if any such declaration is annulled in accordance with the terms of this Article):

First: To the payment of all Required Payments then due on the Master Indenture Obligations (including Financial Product Payments to the extent made pursuant to a Financial Product Agreement secured or evidenced by a Master Indenture Obligation and Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Required Payments due on the same date, then to the payment thereof ratably, according to the amount Required Payments due on such date, without any discrimination or preference;

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Product Agreement secured or evidenced by a Master Indenture Obligation (other than Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Financial Product Extraordinary Payments due on the same date, then to the payment thereof ratably, according to the amounts of Financial Product Extraordinary Payments due on such date, without any discrimination or preference.

(b) If all Outstanding Master Indenture Obligations have become or have been declared due and payable (and such declaration has not been annulled under the terms of this Article):

First: To the payment of all Required Payments then due on the Master Indenture Obligations (including (i) Financial Product Payments to the extent made pursuant to a Financial Product Agreement secured or evidenced by a Master Indenture Obligation and (ii) Parity Financial Product Extraordinary Payments), and, if the amount available is not sufficient to pay in full the whole amount then due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference; and

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Product Agreement secured or evidenced by a Master Indenture Obligation (other than Parity Financial Product Extraordinary Payments), and, if the amount available is not sufficient to pay in full all such Financial Product Extraordinary Payments, then to the payment thereof ratably, without any discrimination or preference.

Such monies shall be applied at such times as the Master Trustee shall determine, having due regard for the amount of monies available and the likelihood of additional monies becoming available in the future. Upon any date fixed by the Master Trustee for the application of such monies to the payment of principal, interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notices as it may deem appropriate of the deposit with it of such monies or of the fixing of such dates. The Master Trustee shall not be required to make payment to the Holder of any unpaid Master Indenture Obligation until such

Master Indenture Obligation (and all unmatured interest coupons, if any) is presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Master Indenture Obligations have been paid under the terms of this Section and all fees and expenses of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive such balance. If no other Person is entitled thereto, then the balance shall be paid to the Obligated Group Members of the Obligated Group or such Person as a court of competent jurisdiction may direct.

Section 4.05. Remedies Not Exclusive. No remedy granted by the terms of this Master Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity.

Section 4.06. Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Master Indenture Obligations may be enforced by the Master Trustee without the possession of any of the Master Indenture Obligations or the production thereof in any proceeding relating thereto. Any proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining any Holders as plaintiffs or defendants. Subject to the provisions of Section 4.04, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Master Indenture Obligations.

Section 4.07. Master Trustee to Represent Holders. The Master Trustee is hereby irrevocably appointed as trustee and attorney in fact for the Holders for the purpose of exercising on their behalf the rights and remedies available to the Holders under the provisions of this Master Indenture, the Master Indenture Obligations, any Related Supplement and applicable provisions of law, in each case subject to the provisions of Section 4.08. The Holders, by taking and holding the Master Indenture Obligations, shall be conclusively deemed to have so appointed the Master Trustee.

Section 4.08. Holders' Control of Proceedings. If an Event of Default has occurred and is continuing, notwithstanding anything herein to the contrary, the Holders of at least a majority in aggregate principal amount of Outstanding Master Indenture Obligations shall have the right (upon the indemnification of the Master Trustee to its satisfaction) to direct the method and/or place of conducting any proceeding to be taken in connection with the enforcement of the terms hereof. Such direction must be in writing, signed by such Holders and delivered to the Master Trustee. However, the Master Trustee shall not follow any such direction that is in conflict with any applicable law or the provisions hereof or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not joining in such direction. Nothing in this Section shall impair the right of the Master Trustee to take any other action authorized by this Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Section 4.09. Termination of Proceedings. In case any proceeding instituted by the Master Trustee with respect to any Event of Default is discontinued or abandoned for any reason or is determined adversely to the Master Trustee or the Holders, then the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder.

All rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.10. Waiver of Event of Default.

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right with respect to any Event of Default shall impair such right or shall be construed to be a waiver of or acquiescence to such Event of Default. Every right and remedy given by this Article to the Master Trustee and the Holders may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion has been remedied before the entry of a final judgment or decree in any proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Upon the written request of the Holders of at least a majority in aggregate principal amount of Outstanding Master Indenture Obligations, the Master Trustee shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02, the failure to pay the principal of, premium, if any, or interest on any Master Indenture Obligation when due may not be waived without the written consent of the Holders of all Outstanding Master Indenture Obligations.

(d) In case of any waiver by the Master Trustee of an Event of Default, the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights. No waiver shall extend to, or impair any right with respect to, any other Event of Default.

Section 4.11. Appointment of Receiver. Upon the occurrence and continuance of any Event of Default, the Master Trustee shall be entitled (a) without declaring the Master Indenture Obligations to be due and payable, (b) after declaring the Master Indenture Obligations to be due and payable, or (c) upon the commencement of any proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group Members (without the necessity of notice to any Obligated Group Member or any other Person), with such powers as the court making such appointment shall confer. Each Obligated Group Member consents, and will if requested by the Master Trustee, consent at the time of application by the Master Trustee for appointment of a receiver, to the appointment of such receiver and agrees that such receiver may be given the right, to the extent the right may lawfully be given, to take possession of, operate and deal with such Property and the revenues, profits and proceeds therefrom, with the same effect as the Obligated Group Member could, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.12. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law. All the provisions of this Article are intended to be limited to the extent necessary so that they will not render any provision hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.13. Notice of Default. Within ten (10) days after a Responsible Officer of the Master Trustee has actual knowledge or has received written notice of the occurrence of an Event of Default, the Master Trustee shall mail notice of such Event of Default to all Holders, unless such Event of Default has been cured before the giving of such notice (the term “Event of Default” for the purposes of this Section being limited to the events specified in subsections (a)-(g) of Section 4.01, not including any periods of grace provided for in subsections (c), (d) and (e), and regardless of the giving of written notice specified in subsection (c) of Section 4.01). Except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Master Indenture Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the best interest of the Holders.

## ARTICLE V

### THE MASTER TRUSTEE

#### Section 5.01. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenant or obligation shall be read into this Master Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Indenture; but in the case of any Certificate or opinion specifically required by the provisions hereof to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine such Certificate or opinion to determine whether or not it conforms to the requirements of this Master Indenture on its face.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master 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.

(c) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master 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 given in accordance with Section 4.08; and

(iv) no provision of this Master Indenture shall require the Master 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, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured.

The Master Trustee will keep on file at its office a list of the names and addresses of the last known Holders of all Master Indenture Obligations and the serial numbers of such Master Indenture Obligations held by each of such Holders. At reasonable times and under reasonable regulations established by the Master Trustee, said list may be inspected and copied by the Obligated Group Members, any Master Indenture Obligation Holder or the authorized representative thereof, provided that the ownership of such Holder and the authority of any such designated representative shall be evidenced to the satisfaction of the Master Trustee.

(d) Every provision of this Master Indenture relating to the conduct of, affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02. Certain Rights of Master Trustee. Subject to Section 5.01:

(a) The Master Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Obligated Group Representative mentioned herein shall be sufficiently evidenced by an Officer's Certificate. Any action of the Governing Body of any Obligated Group Member shall be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Obligated Group Member to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, allowing or omitting any action hereunder, the Master Trustee may (in the absence of bad faith on its part and unless other evidence is specifically prescribed by this Master Indenture) request and conclusively rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel of its selection, and any opinion of such counsel shall be full and complete authorization and protection with respect to any action taken, allowed or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Master Trustee reasonable security or indemnity

satisfactory to the Master Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Master Trustee shall not be bound to make any investigation into the facts stated in any document delivered to it hereunder, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts as it may see fit. If the Master Trustee determines to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Obligated Group Member (excluding specifically donor records, patient records and personnel records), personally or by agent or attorney, during regular business hours and after reasonable notice.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents. The Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent appointed by it with due care.

(h) The Master Trustee shall not be liable for any action taken, suffered, or omitted to be 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 Master Indenture.

(i) The Master Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Master Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Master Trustee at the Corporate Trust Office of the Master Trustee, and such notice references this Master Indenture.

(j) The Master Trustee agrees to accept and act upon instructions or directions pursuant to this Master Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Master Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Obligated Group Representative elects to give the Master Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Master Trustee in its discretion elects to act upon such instructions, absent gross negligence, bad faith or willful misconduct by the Master Trustee, the Master Trustee's understanding of such instructions shall be deemed controlling. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Obligated Group Representative agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(k) The Master Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the

Master Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(1) The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its gross negligence, bad faith or willful misconduct. The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Section 5.03. Right to Deal in Master Indenture Obligations and Related Bonds. The Master Trustee may buy, sell or hold and deal in any Master Indenture Obligations and Related Bonds with the same effect as if it were not the Master Trustee. The Master Trustee may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with the same effect as if the Master Trustee were not the Master Trustee.

Section 5.04. Removal and Resignation of the Master Trustee.

(a) The Master Trustee may be removed at any time by an instrument or instruments in writing signed by (1) the Holders of not less than a majority of the principal amount of Outstanding Master Indenture Obligations or (2) (unless an Event of Default has occurred and is then continuing) the Obligated Group Representative.

(b) The Master Trustee may at any time resign by giving written notice of such resignation to the Obligated Group Representative.

(c) No such resignation or removal shall become effective unless and until a successor Master Trustee has been appointed and has assumed the trusts created hereby. Written notice of removal of the predecessor Master Trustee and/or appointment of the successor Master Trustee shall be given by the successor Master Trustee within ten (10) days of the successor's acceptance of appointment to the Obligated Group Members and to each Holder at the addresses shown on the books of the Master Trustee. A successor Master Trustee may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations, or, if the Master Trustee has resigned or has been removed by the Obligated Group Representative, by the Obligated Group Representative. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation or removal is given, the Master Trustee, any Obligated Group Member or any Holder may apply at the expense of the Obligated Group Members to any court of competent jurisdiction for the appointment of an interim successor Master Trustee to act until such time as a permanent successor is appointed.

(d) Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

(e) Every successor Master Trustee shall execute and deliver to its predecessor and to each Obligated Group Member a written instrument accepting such appointment. Upon the delivery of such acceptance, the successor Master Trustee shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor. The predecessor shall execute and deliver to the successor Master Trustee a written instrument transferring to the successor Master Trustee all the rights, powers and trusts of the predecessor. The predecessor Master Trustee (upon payment of all amounts owed to it) shall execute any documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Section 5.05. Compensation and Reimbursement. Subject to the provisions of any specific agreement between the Obligated Group Representative and the Master Trustee relating to the compensation of the Master Trustee, each Obligated Group Member agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence, willful misconduct or bad faith.

(c) To indemnify each of the Master Trustee and its officers, directors, agents and employees and any predecessor Master Trustee for, and to hold it and them harmless against, any and all loss, liability, damages, claim or expense, including taxes (other than taxes based on the income of the Master Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including without limitation, legal fees and expenses and the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Master Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 4.01(d) or Section 4.01(e), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Master Indenture and the removal or resignation of the Master Trustee.

Section 5.06. Recitals and Representations. The recitals, statements and representations contained herein or in any Master Indenture Obligation (excluding the Master Trustee's

authentication on the Master Indenture Obligations) shall be taken and construed as made by and on the part of the Obligated Group Members, and not by the Master Trustee. The Master Trustee assumes no responsibility for the correctness of such statements.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency of this Master Indenture or of the Master Indenture Obligations. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any monies which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any Event of Default without actual knowledge of or receipt by the Master Trustee of written notice of an Event of Default from an Obligated Group Member or any Holder.

Section 5.07. Separate or Co-Master Trustee. At any time, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee may appoint one or more Persons either to act as co-master trustee with the Master Trustee, or to act as separate master trustee, and to vest in such Persons or Persons, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-master trustee or separate master trustee shall, to the extent permitted by law, be appointed subject to the following terms:

(a) The Master Indenture Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed as shall be provided in the instrument appointing such co-master trustee or separate master trustee, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee is incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co master trustee or separate master trustee.

(c) Any request in writing by the Master Trustee to any co-master trustee or separate master trustee to take or to refrain from taking any action hereunder shall be sufficient for the taking, or the refraining from taking, of such action by such Person.

(d) Any co-master trustee or separate master trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee may at any time, by an instrument in writing, accept the resignation of or remove any co-master trustee or separate master trustee appointed under this Section. Upon the request of the Master Trustee, the Obligated Group Members shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-master trustee or separate master trustee.

(h) Any monies, papers, securities or other items of personal property received by any such co-master trustee or separate master trustee hereunder shall be turned over to the Master Trustee immediately.

Upon the acceptance in writing of such appointment by any co-master trustee or separate master trustee, such Person shall be vested with such rights, powers, duties or obligations as are specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-master trustee or separate master trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-master trustee or separate master trustee may, at any time by an instrument in writing, constitute the Master Trustee its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name.

In case any co-master trustee or separate master trustee shall become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of such Person shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-master trustee or separate master trustee shall be appointed in the manner herein provided.

Section 5.08. Merger or Consolidation. Any company into which the Master 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 is a party, or any company to which the Master Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under Section 5.04) shall be the successor to the Master Trustee without the execution or filing of any paper or any further act.

## ARTICLE VI

### SUPPLEMENTS AND AMENDMENTS

Section 6.01. Supplements Not Requiring Consent of Holders. The Obligated Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Related Supplements for any of the following purposes:

(a) To correct any ambiguity or formal defect or omission in this Master Indenture;

(b) To correct or supplement any provision which may be inconsistent with any other provision, or to make any other provision with respect to matters or questions arising hereunder and which does not materially and adversely affect the interests of the Holders;

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority, or to add to the covenants of and restrictions on the Obligated Group Members;

(d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect;

(e) To create and provide for the issuance of a Master Indenture Obligation or Series of Master Indenture Obligations as permitted hereunder;

(f) To obligate a successor to any Obligated Group Member as provided in Section 3.05;

(g) To add a new Obligated Group Member as provided in Section 3.06; or

(h) To make any other change which does not materially and adversely affect the interests of the Holders.

In entering into any Related Supplement, the Master Trustee may rely on an Opinion of Counsel as described in Section 6.03(a).

#### Section 6.02. Supplements Requiring Consent of Holders.

(a) Other than Related Supplements referred to in Section 6.01 and subject to the terms contained in this Article, the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations shall have the right to consent to and approve the execution by the Obligated Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee of such Related Supplements as shall be deemed necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding any of the terms contained herein; provided, however, that nothing in this Section shall permit or be construed as permitting a Related Supplement which would:

(i) Extend the stated maturity of or time for paying interest on any Master Indenture Obligation or reduce the principal amount of or the redemption premium or rate of interest or change the method of calculating interest payable on or reduce any other Required Payment on any Master Indenture Obligation without the consent of the Holder of such Master Indenture Obligation;

(ii) Modify, alter, amend, add to or rescind any of the terms or provisions contained in Section 3.01 or Article IV so as to affect the right of the Holders of any Master Indenture Obligations in default to compel the Master Trustee to declare the principal of all Master Indenture Obligations to be due and payable, without the consent of the Holders of all Outstanding Master Indenture Obligations;

(iii) Reduce the aggregate principal amount of Outstanding Master Indenture Obligations the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Master Indenture Obligations then Outstanding; or

(iv) Create any lien or security interest (other than permitted pursuant to Section 3.04 herein) prior to or on parity with the lien and security interest of this Master Indenture or the deprive any Holders of the lien created by this Master Indenture (other than permitted pursuant to Section 3.12 herein), without the consent of the Holders of all the Master Indenture Obligations at the time Outstanding that would be affected by the action to be taken.

(b) The Master Trustee may execute a Related Supplement (in substantially the form delivered to it as described below) without liability or responsibility to any Holder (whether or not such Holder has consented to the execution of such Related Supplement) if the Master Trustee receives:

(i) a Request of the Obligated Group Representative to enter into such Related Supplement; and

(ii) a certified copy of the resolution of the Governing Body of the Obligated Group Representative approving the execution of such Related Supplement; and

(iii) the proposed Related Supplement; and

(iv) an instrument or instruments executed by the Holders of not less than the aggregate principal amount or number of Master Indenture Obligations specified in subsection (a) for the Related Supplement in question which instrument or instruments shall refer to the proposed Related Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee.

(c) Any such consent shall be binding upon the Holder of the Master Indenture Obligation giving such consent and upon any subsequent Holder of such Master Indenture Obligation and of any Master Indenture Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Master Indenture Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Related Supplement, such revocation and, if such Master Indenture Obligation or Master Indenture Obligations are transferable by delivery, proof that such Master Indenture Obligations are held by the signer of such revocation. At any time after the Holders of the required principal amount or number of Master Indenture Obligations shall have filed their consents to the Related Supplement, the Master Trustee shall file a written statement to that effect with the Obligated Group Representative. Such written statement shall be conclusive evidence that such consents have been so filed.

(d) If the Holders of the required principal amount or number of the Outstanding Master Indenture Obligations have consented to the execution of such Related Supplement, no Holder shall have any right to object to the execution thereof, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof or to enjoin or restrain the Master Trustee or the Obligated Group Representative from executing such Related Supplement or from taking any action pursuant to the provisions thereof.

Section 6.03. Execution and Effect of Supplements.

(a) In executing any Related Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Related Supplement is authorized or permitted hereby. The Master Trustee may (but shall not be obligated to) enter into any Related Supplement that materially and adversely affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Related Supplement in accordance with this Article, the provisions of this Master Indenture shall be deemed modified in accordance therewith. Such Related Supplement shall form a part hereof for all purposes and every Holder shall be bound thereby.

(c) Any Master Indenture Obligation authenticated and delivered after the execution and delivery of any Related Supplement in accordance with this Article may, and, if required by the Obligated Group Representative or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Related Supplement. If the Obligated Group Representative or the Master Trustee shall so determine, new Master Indenture Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of the Obligated Group Representative to any such Related Supplement may be prepared and executed by the Obligated Group Representative and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Master Indenture Obligations then Outstanding.

Section 6.04. Amendment of Related Supplements. Any Related Supplement may provide that the provisions thereof may be amended without the consent of or notice to any of the Holders, or pursuant to such terms and conditions as may be specified in such Related Supplement. If a Related Supplement does not contain provisions relating to the amendment thereof, the amendment of such Related Supplement shall be governed by the provisions of Section 6.01 and Section 6.02 hereof.

ARTICLE VII

SATISFACTION AND DISCHARGE

Section 7.01. Satisfaction and Discharge of Master Indenture. This Master Indenture shall cease to be of further effect (except for Section 5.05, which shall survive) if:

(a) all Master Indenture Obligations previously authenticated (other than any Master Indenture Obligations which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in any Related Supplement) and not cancelled are delivered to the Master Trustee for cancellation; or

(b) all Master Indenture Obligations not previously cancelled or delivered to the Master Trustee for cancellation are paid; or

(c) a deposit is made in trust with the Master Trustee (or with one or more banks, national banking associations or trust companies acceptable to the Master Trustee pursuant

to one or more agreements between an Obligated Group Member and such national banking associations or trust companies in form acceptable to the Master Trustee) in cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Master Indenture Obligations not previously cancelled or delivered to the Master Trustee for cancellation, including principal and interest or other payments (including Financial Product Payments and Financial Product Extraordinary Payments) due or to become due to such date of maturity, redemption date or payment date, as the case may be;

and all other sums payable hereunder by the Obligated Group Members are also paid. The Master Trustee, on demand of the Obligated Group Representative and at the cost and expense of the Obligated Group Members, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture and authorizing the Obligated Group Representative to file such terminations and releases as may be necessary to evidence the termination of the Master Trustee's security interest in the Gross Revenues and Gross Revenue Fund. Unless the deposit(s) pursuant to clause (c) above is made solely with cash, the Obligated Group Representative shall cause a report to be prepared by a firm nationally recognized for providing verification services regarding the sufficiency of funds for such discharge and satisfaction provided pursuant to clause (c) above, upon which report the Master Trustee may rely.

The Obligated Group Members shall pay and indemnify the Master Trustee against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to this Section 7.01 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding Master Indenture Obligations.

Section 7.02. Payment of Master Indenture Obligations After Discharge of Lien. Notwithstanding the discharge of the lien of this Master Indenture as provided in this Article, the Master Trustee shall retain such rights, powers and duties as may be necessary and convenient for the payment of amounts due or to become due on the Master Indenture Obligations and for the registration, transfer, exchange and replacement of Master Indenture Obligations. Any monies held by the Master Trustee for the payment of the principal of, premium, if any, or interest or other Required Payment on any Master Indenture Obligation remaining unclaimed for one year after the principal of all Master Indenture Obligations has become due and payable, whether at maturity, upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Obligated Group Members. The Holders of any Master Indenture Obligations or coupons not previously presented for payment shall thereafter be entitled to look only to the Obligated Group Members for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

## ARTICLE VIII

### MISCELLANEOUS PROVISIONS

Section 8.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Master Indenture Obligations is intended or shall be construed to give to any Person other than each Obligated Group Member, the Master Trustee, the Related Bonds Issuers and the Holders

any legal or equitable right, remedy or claim under or with respect to this Master Indenture. This Master Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties mentioned in this Section.

Section 8.02. Severability. If any part of this Master Indenture is for any reason held invalid or unenforceable, no other part shall be invalidated or deemed unenforceable.

Section 8.03. Holidays. Except to the extent a Related Supplement or a Master Indenture Obligation provides otherwise:

(a) Subject to subsection (b), when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the jurisdiction where the Corporate Trust Office is located are authorized by law to remain closed, the action may be done on the next ensuing day that is not a day on which banking institutions in such jurisdiction are authorized by law to remain closed, with the same effect as if done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Master Indenture Obligation is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as if payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 8.04. Credit Enhancer Deemed Holder of Obligation. Except to the extent a Related Supplement or an Obligation provides otherwise, any credit enhancer of Related Bonds shall be deemed the Holder of the related Obligation for purposes of this Master Indenture for so long as the credit enhancement is in effect and the credit enhancer is not in default thereunder. If the credit enhancement is applicable to a portion of Related Bonds, such Related Obligation shall be treated as if such Related Obligation were two Obligations, one in the principal amount of the Related Bonds for which the credit enhancement is applicable and another in the principal amount of the remainder of the Related Bonds.

Section 8.05. Governing Law. This Master Indenture and the Master Indenture Obligations are contracts made under the laws of the State, and shall be governed by and construed in accordance with such laws applicable to contracts made and performed in said State.

Section 8.06. Counterparts. This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 8.07. Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Master Indenture Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of any Obligated Group Member which is a corporation, whether directly or indirectly. All liability of any such individual is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Master Indenture Obligations.

Section 8.08. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon each Obligated Group Member, the Master Trustee and their respective successors and assigns, subject to the limitations contained herein.

Section 8.09. Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or served if given: (i) by facsimile or electronic mail with prompt telephonic confirmation of receipt; (ii) personally by hand; (iii) by overnight delivery service; or (iv) by first class mail, postage prepaid and addressed as follows:

(i) If to the Obligated Group Representative, addressed to it at Marin General Hospital, 100b Drakes Landing Road, Suite 250, Greenbrae, California 94904, Attention: Chief Financial Officer;

(ii) If to the Master Trustee, addressed to it at the Corporate Trust Office; or

(iii) If to the registered Holder of a Master Indenture Obligation, addressed to such Holder at the address shown on the books of the Master Trustee.

(b) The Obligated Group Representative or the Master Trustee may from time to time designate a different address or addresses for notice by notice in writing to the others and to the Holders.

(c) All notices and other communications given hereunder shall be deemed given as of the date received.

IN WITNESS WHEREOF, the Initial Members have caused this Master Indenture to be signed in their respective names by their duly authorized officers, and to evidence its acceptance of the trusts and agreements hereby created U.S. Bank National Association has caused this Master Indenture to be signed in its name by one of its duly authorized officers, all as of the day and year first above written.

MARIN GENERAL HOSPITAL

By \_\_\_\_\_  
James P. McManus

PRIMA MEDICAL FOUNDATION

By \_\_\_\_\_  
Lee Domanico

U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee

By \_\_\_\_\_  
Authorized Representative

**APPENDIX A TO MASTER INDENTURE**  
**EXISTING PERMITTED LIENS**

[list or confirm none]



## **5. Supplemental Master Trust Indenture**

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SUPPLEMENTAL MASTER INDENTURE  
for  
MASTER INDENTURE OBLIGATION NO. 1

between  
MARIN GENERAL HOSPITAL  
and  
U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee

Dated as of [May 1], 2018  
Supplementing the Master Trust Indenture  
Dated as of [May 1], 2018

Relating to  
\$[PAR] of California Statewide Communities Development Authority  
Revenue Bonds  
(Marin General Hospital)  
Series 2018A

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## SUPPLEMENTAL MASTER INDENTURE

This SUPPLEMENTAL MASTER INDENTURE FOR MASTER INDENTURE OBLIGATION NO. 1, dated as of [May 1], 2018 (this “Supplement No. 1”), between MARIN GENERAL HOSPITAL, a California nonprofit public benefit corporation (the “Corporation”), as the Obligated Group Representative appointed under the Master Indenture hereinafter defined, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as master trustee (the “Master Trustee”) under the Master Trust Indenture, dated as of [May 1], 2018 (as it may from time to time be supplemented, modified or amended in accordance to the terms thereof, the “Master Indenture”),

### W I T N E S S E T H:

WHEREAS, the Corporation, Prima Medical Foundation, a California nonprofit public benefit corporation (“Prima”) and the Master Trustee have entered into the Master Indenture which provides for the issuance by the Obligated Group Representative of Master Indenture Obligations, upon the Obligated Group Representative and the Master Trustee entering into an indenture supplemental to the Master Indenture to create such Master Indenture Obligations; and

WHEREAS, the Corporation, as Obligated Group Representative, desires to issue Master Indenture Obligation No. 1 hereunder to secure the Corporation’s obligation arising under the Loan Agreement, dated as of [May 1], 2018 (the “Loan Agreement”), between the Corporation and the California Statewide Communities Development Authority (the “Authority”) relating to the Authority’s Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”); and

WHEREAS, the Corporation has determined that all acts and things necessary to make Master Indenture Obligation No. 1 created by this Supplement No. 1, when executed by the Corporation and authenticated and delivered by the Master Trustee as provided in the Master Indenture and this Supplement No. 1, the valid, binding and legal obligation of the Obligated Group, and to constitute these presents, together with the Master Indenture, a valid indenture and agreement according to its terms and the terms of the Master Indenture, have been done and performed and the execution of this Supplement No. 1 and the issue hereunder and under the Master Indenture of Master Indenture Obligation No. 1 and created by this Supplement No. 1 have in all respects been duly authorized, and the Corporation, as Obligated Group Representative, in the exercise of the legal right and power vested in it, executes this Supplement No. 1 and proposes to make, execute, issue and deliver Master Indenture Obligation No. 1 created hereby:

NOW, THEREFORE, THIS SUPPLEMENT NO. 1 WITNESSETH:

That in order to declare the terms and conditions upon which Master Indenture Obligation No. 1 created hereby is authenticated, issued and delivered, and in consideration of the premises of the acceptance by the Master Trustee of the trusts hereby created, and the purchase and acceptance of Master Indenture Obligation No. 1 created hereby by the holder thereof, the Obligated Group 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 which are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

“Authority” means the California Statewide Communities Development Authority, or its successors and assigns.

“Bond Indenture” means that certain Bond Indenture, dated as of [May 1], 2018, 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” means The Bank of New York Mellon Trust Company, N.A., as bond trustee, together with the Bond Trustee’s permitted successors as bond trustee, under the Bond Indenture.

“Bonds” means the \$[PAR] of California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A, issued under, and at any time Outstanding pursuant to, the Bond Indenture.

“Corporation” means Marin General Hospital, a California nonprofit public benefit corporation duly organized and existing under the laws of the State of California 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.

“Loan Agreement” means that certain Loan Agreement, dated as of [May 1], 2018, between the Corporation and the Authority, 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.

“Master Indenture” means that certain Master Trust Indenture, dated as of [May 1], 2018, among the Corporation, Prima and the Master Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

“Master Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as master trustee under the Master Indenture.

“Master Indenture Obligation No. 1” means the Master Indenture Obligation issued pursuant hereto.

“Supplement No. 1” means this Supplemental Master Indenture pursuant to which Master Indenture Obligation No. 1 is issued, as originally executed and as amended or supplemented from time to time in accordance with the terms hereof and the Master Indenture.

Section 2. Interpretation. 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. 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.

Section 3. Issuance of Master Indenture Obligation No. 1. There is hereby created and authorized to be issued a Master Indenture Obligation of the Obligated Group to be known as and entitled “Marin General Hospital Master Indenture Obligation No. 1” (“Master Indenture Obligation No. 1”). Master Indenture Obligation No. 1 shall be issuable as a single registered Obligation without coupons in the maximum aggregate principal amount of \$[PAR] and shall be registered in the name of the Bond Trustee on behalf of the Authority. Master Indenture Obligation No. 1 shall be dated [May \_\_], 2018. Principal of and interest on Master Indenture Obligation No. 1 shall be payable in such amounts, at such times and in such manner and shall have such other terms and provision as set forth in the form of Master Indenture Obligation No. 1 as provided in Section 4 hereof. Master Indenture Obligation No. 1 shall be executed, authenticated and delivered in accordance with Article II of the Master Indenture.

The aggregate principal amount of Master Indenture Obligation No. 1 is limited to [PAR IN WORDS] dollars except for any Master Indenture Obligation No. 1 authenticated and delivered in lieu of another as provided in Section 8 hereof, with respect to any Master Indenture Obligation No. 1 mutilated, destroyed, lost or stolen or, subject to the provisions of Section 7 hereof, upon transfer of registration of Master Indenture Obligation No. 1.

Section 4. Form of Master Indenture Obligation No. 1. Master Indenture Obligation No. 1 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 the officer executing such Master Indenture Obligation No. 1 on behalf of the Corporation and execution thereof by such officer shall constitute conclusive evidence of such approval.

[Form of Master Indenture Obligation No. 1]

THIS MASTER INDENTURE OBLIGATION HAS NOT BEEN REGISTERED UNDER  
THE SECURITIES ACT OF 1933

[\$[PAR]]

MARIN GENERAL HOSPITAL  
MASTER INDENTURE OBLIGATION NO. 1

MARIN GENERAL HOSPITAL (the “Corporation”), a California nonprofit public benefit corporation, for value received, as Obligated Group Representative acting for itself and on behalf of the Obligated Group under the Master Indenture (as defined below), hereby promises to pay to The Bank of New York Mellon Trust Company, N.A. (the “Bond Trustee”) for and on behalf of the California Statewide Communities Development Authority (the “Authority”), under that certain Bond Indenture, dated as of [May 1], 2018, 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, the “Bond Indenture”), between the Authority and the Bond Trustee, and any successor bond trustee under the Bond Indenture, or registered assigns, up to the maximum aggregate 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.

The Obligated Group Representative shall make payments on Master Indenture Obligation No. 1 at the times, in the amounts and in the manner necessary to satisfy the requirements under the Loan Agreement and the Bond Indenture.

Principal hereof and interest hereon are payable in any coin or currency of the United States of America which, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts. All such payments shall be made in immediately available funds by the Obligated Group Representative depositing 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 and payable (or the next succeeding Business Day (as defined in the Bond Indenture) if such date is not a Business Day), and giving notice of payment to the Bond Trustee and the Master Trustee as provided in the hereinafter described Master Indenture. The Obligated Group shall receive credit for payments of principal of or interest on Master Indenture Obligation No. 1 as provided in the Loan Agreement, dated as of [May 1], 2018, between the Corporation and the Authority (as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof, the “Loan Agreement”), which is incorporated herein by reference and made a part hereof.

This Master Indenture Obligation No. 1 is a duly authorized Master Indenture Obligation of the Obligated Group designated as “Marin General Hospital Master Indenture Obligation No. 1” (“Master Indenture Obligation No. 1,” and together with all other Master Indenture Obligations issued under the Master Indenture, the “Master Indenture Obligations”), issued under and pursuant to the Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May 1], 2018 (the “Supplement No. 1”), supplementing the Master Trust Indenture,

dated as of [May 1], 2018 (as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof, “Master Indenture”), among the Corporation, Prima Medical Foundation, a California nonprofit public corporation (together with the Corporation, the “Obligated Group” and each individually, an “Obligated Group Member”), and U.S. Bank National Association, as master trustee (the “Master Trustee”).

Master Indenture Obligation No. 1 is issued for the purpose of paying the principal or redemption price and interest on the Authority’s Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”).

Copies of the Master Indenture and the Loan Agreement are on file at the principal corporate trust office of the Master Trustee and reference is hereby made to the Master Indenture and the Loan Agreement for the provisions, among others, with respect to the nature and extent of the rights of the owner of Master Indenture Obligation No. 1 and holders of other Master Indenture Obligations to be issued under the Master Indenture, the terms and conditions of which, and the purposes for which, Master Indenture Obligation No. 1 is issued and the rights, duties and obligations of each Obligated Group Member and the Master Trustee under the Master Indenture, to all of which the owner hereof, by acceptance of this Master Indenture Obligation No. 1, assents.

The Master Indenture permits the issuance of additional Master Indenture Obligations under the Master Indenture to be secured by the provisions of the Master Indenture. All Master Indenture Obligations issued under the Master Indenture, regardless of the time of issue or maturity, are to be of equal rank without preference, priority or distinction in payment or security of any Master Indenture Obligation over any other Master Indenture Obligation except as expressly provided or permitted in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications or changes of the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group, of each Obligated Group Member and of the holders of the Master Indenture 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 additions or changes, as set forth in the Master Indenture, which affect the rights of the owner of this Master Indenture Obligation No. 1 may be made only with the consent of the Holders of not less than a majority in aggregate principal amount of the Master Indenture Obligations then Outstanding (as defined in 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 Master Indenture 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 Master Indenture Obligation without the consent of the Holder of such Master Indenture Obligation; (ii) modify, alter, amend, add to or rescind any of the terms or provisions contained in Section 3.01 or Article IV of the Master Indenture so as to affect the right of the Holders of any Master Indenture Obligations in default to compel the Master Trustee to declare the principal of all Master Indenture Obligations to be due and payable, without the consent of the Holders of all Outstanding Master Indenture Obligations; (iii) reduce the aggregate principal amount of Master Indenture Obligations then Outstanding the consent of the Holders of which is required to authorize such modifications or changes without the consent of the Holders of all Master

Indenture Obligations then Outstanding; or (iv) create any lien or security interest (other than permitted pursuant to Section 3.04 of the Master Indenture) prior to or on parity with the lien and security interest of the Master Indenture or deprive any Holders of the lien created by the Master Indenture, without the consent of the Holders of all the Master Indenture Obligations at the time Outstanding that would be affected by the action to be taken. Any such consent by the holder of this Master Indenture Obligation No. 1 shall be conclusive and binding upon such Holder and all future Holders and Holders of any Master Indenture Obligation issued in exchange herefor (whether or not such subsequent Holder has notice thereof) and irrespective of whether or not any notation of such consent is made upon this Master Indenture Obligation No. 1.

In the manner and with the effect provided in the Supplement No. 1, Master Indenture Obligation No. 1 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 of or prepayments on this Master Indenture Obligation No. 1, either in whole or in part, shall be made upon notice thereof in the manner and upon the terms and conditions provided in the Supplement No. 1. If this Master Indenture Obligation No. 1 shall have been duly called for redemption in whole 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 Supplement No. 1, interest on this Master Indenture Obligation No. 1 shall cease to accrue from the date fixed for redemption, and from and after such date, this Master Indenture Obligation No. 1 shall be deemed not to be Outstanding (as defined in the Master Indenture) 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 Master Indenture Obligation No. 1 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” (as defined in the Master Indenture), the principal of all Master Indenture Obligations then Outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

Master Indenture Obligation No. 1 is issuable only as a registered Master Indenture Obligation without coupons.

This Master Indenture Obligation No. 1 shall be registered on the register to be maintained by the Master Trustee for that purpose at the principal corporate trust office of the Master Trustee, and this Master Indenture Obligation No. 1 shall be transferable, subject to the terms of the Supplement No. 1, only upon said register at said office by the registered owner or by such owner’s duly authorized agent. Such transfer shall be without charge to the owner hereof. Upon any such transfer, the Obligated Group Representative shall execute and the Master Trustee shall authenticate and deliver in exchange for this Master Indenture Obligation No. 1 a new registered Master Indenture Obligation or Master Indenture Obligations without coupons, registered in the name of the transferee.

Prior to due presentment hereof and registration of transfer, the Obligated Group Representative, the Master Trustee, any paying agent and any Master Indenture Obligation registrar may deem and treat the person in whose name this Master Indenture Obligation No. 1 is registered as the absolute owner hereof for all purposes; and neither the Obligated Group

Representative, any paying agent, the Master Trustee nor any Master Indenture Obligation registrar shall be affected by any notice to the contrary. All payments made to the person in whose name this Master Indenture Obligation No. 1 is registered 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 Master Indenture Obligation No. 1.

No covenant or agreement contained in this Master Indenture Obligation No. 1 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of the Obligated Group Representative, any other Obligated Group Member or the Master Trustee in its individual capacity, and no incorporator, member, officer or member of the Board of Directors of the Obligated Group Representative or any other Obligated Group Member shall be liable personally on this Master Indenture Obligation No. 1 or be subject to any personal liability or accountability by reason of the issuance of this Master Indenture Obligation No. 1.

This Master Indenture Obligation No. 1 shall not be entitled to any benefit under the Master Indenture or be valid or become obligatory for any purpose, until this Master Indenture Obligation No. 1 shall have been authenticated by execution by the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, MARIN GENERAL HOSPITAL has caused this Master Indenture Obligation No. 1 to be executed in its name and on its behalf by the manual signature of its authorized officer as set forth below all on [May \_\_], 2018.

MARIN GENERAL HOSPITAL,  
as Obligated Group Representative

By: \_\_\_\_\_  
Authorized Officer

Master Trustee's Certificate of Authentication

This Master Indenture Obligation No. 1 is one of the Obligations described in the within-mentioned Master Indenture.

U.S. BANK NATIONAL ASSOCIATION, as  
Master Trustee

By: \_\_\_\_\_  
Authorized Signatory

Section 5. Payments on Master Indenture Obligation No. 1; Credits.

(a) Principal of and interest and any applicable redemption premium on Master Indenture Obligation No. 1 are payable in any coin or currency of the United States of America which, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts. Except as provided in subsection (b) of this Section with respect to credits, and Section 6 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Master Indenture Obligation No. 1 shall be made at the times and in the amounts specified in Master Indenture Obligation No. 1 by the Obligated Group Representative depositing the same in immediately available funds 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 (or the next succeeding Business Day (as defined in the Bond Indenture) if such date is not a Business Day) and giving notice to the Master Trustee and the Bond Trustee of each payment of principal, interest or premium on Master Indenture Obligation No. 1 specifying the amount paid and identifying such payment as a payment on Master Indenture Obligation No. 1.

(b) The Obligated Group Members shall receive credit for payment on Master Indenture Obligation No. 1, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Master Indenture Obligation No. 1 in an amount equal to moneys deposited in the Interest Account created under the Bond Indenture which amounts are available to pay interest on the Bonds and to the extent such amounts have not previously been credited against payments on Master Indenture Obligation No. 1;

(ii) On installments of principal on Master Indenture Obligation No. 1 in an amount equal to moneys deposited in the Principal Account created under the Bond Indenture which amounts are available to pay principal on to the Bonds and to the extent such amounts have not previously been credited on Master Indenture Obligation No. 1;

(iii) On installments of principal and interest, respectively, on Master Indenture Obligation No. 1 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 on Master Indenture Obligation No. 1, 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 on Master Indenture Obligation No. 1 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

(iv) On installments of principal and interest, respectively, on Master Indenture Obligation No. 1 in an amount equal to the principal amount of Bonds acquired by the Obligated Group or any Obligated Group Member and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee on behalf of the Corporation

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 on Master Indenture Obligation No. 1 which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Section 6. Prepayment of Master Indenture Obligation No. 1. So long as all amounts which have become due under Master Indenture Obligation No. 1 have been paid, the Obligated Group Members shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due and payable under Master Indenture Obligation No. 1 and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered by the Obligated Group Members. Prepayments may be made by payments of cash, deposits of certain Investment Securities, or surrender of Bonds, as contemplated by Sections 5(b)(iii) and (iv) hereof. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the prepayment 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(A) of the Bond Indenture, or (iii) the Special Redemption Account of the Redemption Fund if the Bonds are to be redeemed pursuant to Section 4.01(B) of the Bond Indenture (or in such other Bond Trustee escrow account as may be specified by the Corporation), at the request of and as determined by the Corporation credited against payments due under Master Indenture Obligation No. 1 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 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 the principal amount thereof shall be applied as set forth in Article X of 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 under the Loan Agreement remain unpaid, the Obligated Group shall not be relieved of its obligations hereunder. Prepayments made hereunder shall be credited against amounts to become due on as provided in Section 5 hereof. The Obligated Group may also prepay all of its indebtedness under by providing for the payment of the Bonds in accordance with Article X of the Bond Indenture.

Section 7. Registration, Number, Negotiability and Transfer of Master Indenture Obligation No. 1. Except as provided in subsection (b) of this Section, so long as any Bond remains outstanding, Master Indenture Obligation No. 1 shall consist of a single Master Indenture Obligation without coupons, shall be registered as to principal and interest in the name of the Bond Trustee, and no transfer of Master Indenture Obligation No. 1 shall be registered under the Master Indenture or be recognized by the Obligated Group except for transfers to a successor Bond Trustee.

(b) Upon the principal of all Master Indenture Obligations Outstanding being declared immediately due and payable, Master Indenture Obligation No. 1 may be transferred and such transfer registered if and to the extent the Bond Trustee requests that the restrictions of subsection (a) of this Section on transfers be terminated.

(c) Master Indenture Obligation No. 1 shall be registered on the register to be maintained by the Master Trustee for that purpose at the principal corporate trust office of the Master Trustee, and Master Indenture Obligation No. 1 shall be transferable, subject to the terms of this Supplement No. 1, only upon said register at said office by the registered owner or by such owner's duly authorized agent. Such transfer shall be without charge to the owner hereof. Upon any such transfer, the Obligated Group Representative shall execute and the Master Trustee shall authenticate and deliver in exchange for Master Indenture Obligation No. 1 a new registered Master Indenture Obligation or Master Indenture Obligations without coupons, registered in the name of the transferee.

(d) Prior to due presentment of Master Indenture Obligation No. 1 and registration of transfer, the Obligated Group Representative, the Master Trustee, any paying agent and any Master Indenture Obligation registrar may deem and treat the person in whose name Master Indenture Obligation No. 1 is registered as the absolute owner thereof for all purposes; and neither the Obligated Group Representative, any paying agent, the Master Trustee nor any Master Indenture Obligation registrar shall be affected by any notice to the contrary. All payments made to the person in whose name Master Indenture Obligation No. 1 is registered 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 Master Indenture Obligation No. 1.

Section 8. Mutilation, Destruction, Loss and Theft of Master Indenture Obligation No. 1. If (i) Master Indenture Obligation No. 1 is surrendered to the Master Trustee in a mutilated condition, or the Obligated Group Representative and the Master Trustee receive evidence to their satisfaction of the destruction loss or theft of Master Indenture Obligation No. 1 and (ii) there is delivered to the Obligated 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 Obligated Group Representative and the Master Trustee that such Master Indenture Obligation No. 1 has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Obligated Group Representative and the Master Trustee, the Obligated Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Master Indenture Obligation No. 1 or in lieu of such destroyed, lost or stolen Master Indenture Obligation No. 1, a new Master Indenture Obligation No. 1 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Master Indenture Obligation No. 1 has become or is about to become due and payable, such Master Indenture Obligation No. 1 may be paid when due instead of delivering a new Master Indenture Obligation No. 1.

Section 9. Execution and Authentication of Master Indenture Obligation No. 1. Master Indenture Obligation No. 1 shall be executed for and on behalf of the Obligated Group by an Authorized Representative of the Obligated Group Representative. Such officer shall manually sign Master Indenture Obligation No. 1. If any officer whose signature appears on Master Indenture Obligation No. 1 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. Master Indenture Obligation No. 1 shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication Master Indenture Obligation No. 1 shall not be entitled to the benefits hereof.

Section 10. Right to Redeem Master Indenture Obligation No. 1. Master Indenture Obligation No. 1 shall be subject to redemption, in whole or in part, prior to maturity at the times and in the amounts specified in the Bonds issued under the Bond Indenture and in the manner provided herein; provided that in no event shall Master Indenture Obligation No. 1 be redeemed unless a corresponding amount of Bonds is also redeemed, in accordance with the terms and limitations contained in the Bond Indenture.

Section 11. Partial Redemption of Master Indenture Obligation No. 1. Upon the selection and call for redemption, and the surrender, of Master Indenture Obligation No. 1 for redemption in part only, the Obligated 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 Obligated Group, a new Master Indenture Obligation No. 1 in principal amount equal to the unredeemed portion of Master Indenture Obligation No. 1, which new Master Indenture Obligation No. 1 shall be a fully registered Obligation without coupons.

The Obligated Group Representative may agree with the Holder of Master Indenture Obligation No. 1 that such Holder may, in lieu of surrendering Master Indenture Obligation No. 1 for a new fully registered Master Indenture Obligation without coupons, endorse on Master Indenture Obligation No. 1 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 Master Indenture Obligation No. 1 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 Master Indenture Obligation No. 1 by the Holder thereof and irrespective of any error or omission in such endorsement.

Section 12. Effect of Call for Redemption of Master Indenture Obligation No. 1. On the date designated for redemption by notice given as herein provided, Master Indenture Obligation No. 1 or the part thereof called for redemption shall become and be due and payable at the redemption price provided for redemption of Master Indenture Obligation No. 1 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 Master Indenture Obligation No. 1 or the part thereof called for redemption shall cease to accrue and Master Indenture Obligation No. 1 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 Master Indenture Obligation No. 1 so called for redemption shall be deemed paid and no longer Outstanding.

Section 13. Events of Default; Acceleration.

(a) An Event of Default under the Loan Agreement shall constitute an Event of Default hereunder and under Section 4.01 of the Master Indenture.

(b) Upon the occurrence of an Event of Default under the Master Indenture, the Master Trustee shall, if requested by the Bond Trustee, give notice pursuant to Section 4.02 of

the Master Indenture to the Obligated Group declaring the principal of all Obligations then Outstanding to be due and immediately payable, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Master Indenture or in such Obligations contained to the contrary notwithstanding.

Section 14. Action by the Bond Trustee. Notwithstanding the limitations of Section 4.06 of the Master Indenture, the Bond Trustee shall be entitled to institute a suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture seeking any remedy provided under the Master Indenture after giving the notice specified in Section 13(b) hereof if the Master Trustee shall have neglected or refused to institute any such action, suit or proceeding after receipt from the Bond Trustee, of the written request (but not the offer of indemnity) otherwise required of holders of not less than twenty-five percent (25%) in aggregate principal amount of Master Indenture Obligations then Outstanding.

Section 15. Specification of Purpose of Issue. Master Indenture Obligation No. 1 is being issued to evidence the Obligated Group Members' obligation to ensure performance of the obligations of the Corporation arising under the Loan Agreement in connection with the Bonds executed and delivered pursuant to the Bond Indenture. The proceeds from the delivery of the Bonds under the Bond Indenture shall be used for the purposes described in the Bond Indenture.

Section 16. Ratification of Master Indenture. As amended and supplemented hereby the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so amended and supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 17. Severability. If any provision of this Supplement No. 1 shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and 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.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplement No. 1 shall not affect the remaining portions of this Supplement No. 1 or any part thereof.

Section 18. Counterparts. This Supplement No. 1 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. 1 shall be governed by and construed in accordance with the laws of the State of California.

MARIN GENERAL HOSPITAL, as Obligated  
Group Representative

By: \_\_\_\_\_  
Authorized Representative

U.S. BANK NATIONAL ASSOCIATION, as  
Master Trustee

By: \_\_\_\_\_  
Authorized Signatory



## **6. Bond Indenture**

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Bond Trustee

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**BOND INDENTURE**

Dated as of [May 1, 2018]

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\$(PAR)  
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
REVENUE BONDS  
(MARIN GENERAL HOSPITAL)  
SERIES 2018A

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This BOND INDENTURE, made and entered into and dated as of [May 1, 2018], by and between the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a joint powers agency of the State of California (the “Authority”), and The Bank of New York Mellon Trust Company, N.A., 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 (the “Bond Trustee”);

W I T N E S S E T H:

WHEREAS, Marin General Hospital, a California nonprofit public benefit corporation (the “Corporation”), has applied for the financial assistance of the Authority in the financing and refinancing of the acquisition, construction, improvement and equipping, including working capital costs, of health care facilities (the “Facilities”) operated by the Corporation; and

WHEREAS, the Facilities are located within the territorial limits of the County of Marin, California, being a program participant of the Authority (the “Program Participant”), and a substantial portion of the persons to be utilizing the services to be provided at the Facilities are expected to be residents of the Program Participant and a substantial portion of the persons to be employed by the Corporation at the Facilities are expected to be residents of the Program Participant; and

WHEREAS, the financing and refinancing of the Project (as defined herein) will promote significant and growing opportunities for the creation and retention of employment to the California economy and the enhancement of the quality of life to residents of the Program Participant, and will promote opportunities for the creation or retention of employment within the jurisdiction of the Program Participant and is within the powers conferred upon the Authority by its Amended and Restated Joint Exercise of Powers Agreement (the “Joint Powers Agreement”); and

WHEREAS, the financing and refinancing of the Project will promote residential, commercial and industrial development within the jurisdiction of the Program Participant and thereby stimulate economic activity and increase the tax base and is within the powers conferred upon the Authority by the Joint Powers Agreement; and

WHEREAS, the financing and refinancing of the Project is a significant factor in establishing and maintaining the operations of the Corporation within the jurisdiction of the Program Participant; and

WHEREAS, the Authority has authorized the issuance of the California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”), in an aggregate principal amount of \$[PAR] and the loan of the proceeds thereof to the Corporation to finance [and refinance] a portion of the Project; and

WHEREAS, the Authority has duly entered into a Loan Agreement, dated as of [May 1, 2018] (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 provide for the financing [and refinancing] of a portion of the Project and of the payment by the Corporation to

the Authority of amounts sufficient for the full payment of the principal (or Redemption Price) of and interest on the Bonds and certain related expenses; and

WHEREAS, pursuant to a Master Trust Indenture, dated as of [May 1, 2018] (as may be amended and supplemented in accordance with its terms, the “Master Indenture”), among the Corporation, Prima Medical Foundation and U.S. Bank National Association, as master trustee (the “Master Trustee”), and a Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May 1, 2018] (“Supplement No. 1”), between the Corporation and the Master Trustee, the Corporation, as Obligated Group Representative, has issued its Master Indenture Obligation No. 1 to evidence the joint and several obligation of the Members (as defined in the Master Indenture) to make payments pursuant to such obligation to secure all the payments required of the Corporation pursuant to the Loan Agreement, including to make payments sufficient to pay the principal (or Redemption Price) of 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 (or Redemption Price) thereof 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.

NOW, THEREFORE, THIS BOND INDENTURE WITNESSETH, that in order to secure the payment of the principal (or Redemption Price) of 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 Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 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 3.2 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.

#### Authority

“Authority” means the California Statewide Communities Development Authority, or its successors and assigns.

#### Authorized Representative

“Authorized Representative” means, with respect to the Corporation or any Member, the chairman of its Governing Board, its chief executive officer or its chief financial officer, or any other person designated as an Authorized Representative by a Certificate signed by one of the above parties and filed with the Bond Trustee.

#### Authorized Signatory

“Authorized Signatory” means any member of the Commission of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

### 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 legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the Corporation and not objected to by 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 The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successor as provided in Section 8.01, as Bond Trustee hereunder.

### Bonds

“Bonds” mean the California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

### Business Day

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California or the State of New York or in any state in which the principal office of the Master Trustee or the Corporate Trust Office of 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 in the name of the Authority by an Authorized Signatory, or 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, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

## Continuing Disclosure Agreement

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, dated the Date of Issuance, executed by the Corporation and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, as originally executed and as it may be amended in accordance with its terms.

## Corporate Trust Office

“Corporate Trust Office” means the office of the Bond Trustee, which as of the date hereof is located at 100 Pine Street, Suite #3200, San Francisco, California 94111, Attention: Corporate Trust; provided, however, that for purposes of presentation and surrender of Bonds for payment, transfer or exchange, such office shall be the designated corporate trust agency or operations office of the Trustee.

## Corporation

“Corporation” means Marin General Hospital, a California nonprofit public benefit corporation duly organized and existing under the laws of the State of California 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.

## Date of Issuance

“Date of Issuance” means [May \_\_], 2018.

### Electronic Means

“Electronic Means” means facsimile transmission, email transmission, secure electronic transmission containing applicable authorization codes passwords and/or authentication keys issued by the Bond Trustee, or another author or system specified by the Bond Trustee as acceptable for use in connection with its services hereunder.

### Eligible Organization

“Eligible Organization” means an organization described in Section 501(c)(3) of the Code which is determined by the Authority to satisfy the criteria set forth in the resolution of the Authority adopted on March 21, 1991, authorizing the issuance of bonds, notes, or other evidences of indebtedness, or certificates of participation in leases or other agreements to finance or refinance facilities owned and/or operated by such organizations.

### Environmental Regulations

“Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

### Event of Default

“Event of Default” means any of the events specified in Section 7.01.

### Facilities

“Facilities” means those certain health care facilities operated by the Corporation and located in the jurisdiction of the Program Participant.

### 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 unqualified Opinion of Counsel, which shall be Bond Counsel, 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, Inc., dba Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their 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 in writing to the Authority and the Bond Trustee.

### 501(c)(3) Organization

“501(c)(3) Organization” means an organization described in Section 501(c)(3) of the Code.

### Governing Board

“Governing Board” means the board of directors, board of trustees or other board or group of individuals in which the power of the corporation or other entity is vested, except for those powers reserved to the corporate membership by the articles of incorporation or bylaws of such corporation or entity.

### Governmental Unit

“Governmental Unit” means a state or local governmental unit as defined in Treasury Regulations §1.103-1 or any instrumentality thereof, excluding the United States or any agency or instrumentality thereof.

### Hazardous Substances

“Hazardous Substances” 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 Facilities or to persons on or about the Facilities or (ii) cause the Facilities to be in violation of any Environmental Regulation; (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 Regulation 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 Facilities or the owners and/or occupants of property adjacent to or surrounding the Facilities, or any other person coming upon the Facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

### 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 [IPD1] and [IPD2] of each year, commencing [\_\_\_\_], 20[\_\_\_].

### Investment Securities

“Investment Securities” means any of the following:

(A) United States Government Obligations, including any and all obligations which are backed by the full faith and credit of the United States;

(B) Obligations of any of the following U.S. Government agencies, which obligations are guaranteed by the full faith and credit of the United States of America:

(1) U.S. Export-Import Bank;

(2) Resolution Funding Corporation Interest STRIPS (REFCORPs);

(3) United States Agency for International Development (US AID);

(4) Farmers Home Administration;

(5) Federal Financing Bank;

(6) Federal Housing Administration Debentures;

(7) General Services Administration;

(8) Government National Mortgage Association (“GNMA”) (including guaranteed mortgage-backed bonds and guaranteed pass-through obligations);

(9) U.S. Maritime Administration (guaranteed Title XI financing); and

(10) U.S. Department of Housing and Urban Development (including project notes, local authority bonds, new communities debentures, U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds and U.S. government guaranteed public housing notes and bonds);

(C) Senior debt obligations of any of the following U.S. government agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America (including stripped securities if the agency has stripped them itself):

- (1) Federal Home Loan Bank System;
- (2) Resolution Funding Corporation (REFCORP) obligations;
- (3) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”);
- (4) Federal National Mortgage Association (FNMA or “Fannie Mae”);
- (5) Federal Farm Credit System; and
- (6) Senior debt obligations of other government - sponsored enterprises, federal agencies, or federal corporations established pursuant to an act of Congress.

(D) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and, if rated by Moody’s, rated Aaa, Aa1 or Aa2, including funds for which the Bond Trustee and its affiliates provide investment advisory, transfer agency, custodial or other management services and receives and retains a fee for such services provided to such funds;

(E) Unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the Corporation and the Bond Trustee), time deposits, other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts and bankers' acceptance of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's and or certificates of deposit (including those of the Bond Trustee, its parent and its affiliates) (i) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase A-1 or better by S&P, Moody's and Fitch or (ii) are fully insured by the Federal Deposit Insurance Corporation;

(F) Certificates of deposit (including those placed by a third party pursuant to an agreement between the Corporation and the Bond Trustee and those of the Bond Trustee, its parent and its affiliates) which are at all times fully collateralized by obligations described in (A), (B) and/or (C) of this definition of Investment Securities that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase “A-1” or better by S&P and “P-1” by Moody’s;

(G) Forward delivery agreements with any financial institution that at the time of investment has long-term obligations rated at least “A-” or “A3” by any nationally

recognized rating agency under which obligations described in (A), (B), and/or (C) of this definition of Investment Securities are delivered;

(H) Repurchase agreements with any financial institution that at the time of investment has long-term obligations rated at least “A-” or “A3” by any nationally recognized rating agency under which said financial institution agrees to repurchase obligations described in (A), (B), and/or (C) of this definition of Investment Securities, provided that the market value of such obligations is at the time of entering into the agreement at least (i) 104% of the invested balance if the obligations consist of securities described in (A) or (B) of this definition of Investment Securities, or (ii) 105% of the invested balance if the obligations consist of securities described in (C) of this definition of Investment Securities;

(I) Uncollateralized guaranteed investment contracts with any financial institution that at the time of investment has long-term obligations rated at least “AA-” or “Aa3” by any nationally recognized rating agency;

(J) Commercial paper (having maturities of not more than 270 days) which is rated at the time of purchase – “P-1” by Moody’s and “A-1” or better by S&P;

(K) Debt obligations issued by corporations or financial institutions rated at least “A-” or “A3” by any nationally recognized rating agency;

(L) Municipal obligations issued by any state, state agency or municipality with a rating by both Moody’s and S&P in one of the two highest Rating Categories by such rating agencies; and

(M) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime – 1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P.

#### Joint Powers Agreement

“Joint Powers Agreement” means the Amended and Restated Joint Exercise of Powers Agreement, dated June 1, 1988, relating to the formation of the Authority, among certain cities, counties and special districts in the State of California, including the Program Participant.

#### Loan Agreement

“Loan Agreement” means that certain loan agreement by and between the Authority and the Corporation, dated as of [May 1, 2018], 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 3.1 of the Loan Agreement.

### Mandatory Sinking Account Payment

“Mandatory Sinking Account Payment” means the amount required to be paid on any single date for the retirement of Term Bonds.

### Master Indenture

“Master Indenture” means that certain Master Trust Indenture, dated as of [May 1, 2018], among the Corporation, the other Member and the Master Trustee and as it has been and may from time to time be supplemented, modified or amended in accordance with the terms thereof.

### Master Trustee

“Master Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as successor master trustee under the Master Indenture.

### Member or Members

“Member” or “Members” means, each individually or collectively, as applicable, 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 their 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, and not objected to by the Authority.

### Obligated Group

“Obligated Group” means all the Members.

### Obligated Group Representative

“Obligated Group Representative” has the meaning set forth in the Master Indenture.

### Obligation No. 1

“Obligation No. 1” means the Master Indenture Obligation No. 1 issued under the Master Indenture and Supplement No. 1.

### Officer’s Certificate

“Officer’s Certificate” shall have the meaning set forth in Section 1.01 of the Master Indenture.

### Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority) 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 5.06.

### 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, by declaration of acceleration or otherwise.

### Program Participant

“Program Participant” means the County of Marin, California.

### Project

“Project” means the acquisition, construction, improvement and equipping, including working capital costs, of certain of the Facilities, a portion of which are being financed [and refinanced] by proceeds of the Bonds.

### Project Fund

“Project Fund” means the fund so designated and established pursuant to Section 3.05 hereof.

### Rating Agency

“Rating Agency” means S&P or Fitch or any national rating agency then rating the Bonds.

### Rebate Fund

“Rebate Fund” means the fund by that name established pursuant to Section 5.07.

### Record Date

“Record Date” means the fifteenth day (whether or not a Business Day) of the month preceding each Interest Payment Date.

### Redemption Fund

“Redemption Fund” means the fund by that name established pursuant to Section 5.01.

### 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.

### Remittance Address

“Remittance Address” means, (i) for payment of the Authority’s annual fee by check, California Statewide Communities Development Authority, Dept. #33997, P.O. Box 39000, San Francisco, California 94139, or such other address designated by the Authority as such from time to time, or (ii) for payment of the Authority’s annual fee by wire transfer or ACH Transaction, Wells Fargo Bank, National Association, ABA# 121000248, DDA A/C# 4121458848, Reference: [*Invoice # / Marin General Hospital*] or such other instructions designated by the Authority from time to time.

### 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. 1, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance 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 indemnification payments, any Additional Payments or Administrative Fees and Expenses or any moneys required to be deposited to the Rebate Fund.

### S&P

“S&P” means S&P Global Ratings, a business of Standard & Poor’s Financial Services LLC, its successors and their 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.

### 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.

### Serial Bonds

“Serial Bonds” means the Bonds falling due by their terms in specified years for which no Mandatory Sinking Account Payments are provided.

### 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 5.06.

### State

“State” means the State of California.

### Supplement No. 1

“Supplement No. 1” means that certain Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May 1, 2018], between the Obligated Group Representative and the Master Trustee pursuant to which Obligation No. 1 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 Agreement

“Tax Agreement” means the Tax Certificate and Agreement delivered by the Authority and the Corporation at the Date of Issuance, as the same may be amended or supplemented in accordance with its terms.

### Term Bonds

“Term Bonds” mean 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 or on before their specified maturity date or dates.

## United States Government Obligations

“United States Government Obligations” means: Noncallable direct obligations of or obligations guaranteed by 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.

SECTION 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Bond Indenture with respect to compliance with any provision hereof shall include a statement (1) that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) that, in the opinion of such Person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) as to whether, in the opinion of such Person, such provision has been complied with or satisfied.

Any such certificate or opinion made or given by an Authorized Signatory of the Authority or Authorized Representative of the Corporation may be based, insofar as it relates to legal, accounting or hospital 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 Authorized Signatory of the Authority or an Authorized Representative of 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.

(D) Any agreement, instrument or law defined or referred to herein means such agreement or instrument or law as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of law) by succession of comparable successor laws, and includes (in the case of agreements or instruments) all attachments thereto and instruments incorporated therein.

(E) References to a Person are also to its successors and permitted assigns.

(F) Any term defined in this Bond Indenture by reference to any other agreement or instrument has such meaning whether or not such agreement or instrument is in effect.

(G) References to “\$” or to “dollars” shall mean the lawful currency of the United States of America.

(H) The words “including” and “includes” and terms of similar import shall be deemed to mean “including, without limitation.”

## ARTICLE II

### THE BONDS

SECTION 2.01. Authorization of Bonds. An issue of Bonds to be issued hereunder, to finance [and refinance] a portion of the Project, for the benefit of the Corporation, is hereby authorized. The Bonds are to be designated as “California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A.” The aggregate principal amount of Bonds that may be issued and Outstanding under this Bond Indenture shall not exceed [PAR IN WORDS] dollars (\$[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 (or Redemption Price) 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. 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:

Maturity Date ([PPD])	Principal Amount	Interest Rate
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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-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 on behalf of the Authority by the manual or facsimile signature of the Chair of the Authority or the manual signature of any Authorized Signatory, and attested by the manual or facsimile signature of the Secretary of the Authority or the Assistant to the Secretary of the Authority or the manual signature of any Authorized Signatory. The Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any officer of the Authority or Authorized Signatory who shall have signed or attested any of the Bonds shall cease to be such officer or Authorized Signatory 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 or Authorized Signatory, 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 or Authorized Signatory although at the nominal date of such Bond any such person shall not have been such officers of the Authority or Authorized Signatory.

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. 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 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 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 the 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.

**SECTION 2.10. Bonds Limited Obligations of the Authority. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR 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, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR 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 OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANT SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE BOND INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS**

ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT.

### 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 IN WORDS] dollars (\$[PAR]).

#### SECTION 3.02. Application of Proceeds of Bonds and Other Funds.

(A) \$[\_\_\_\_\_] of proceeds received from the sale of the Bonds (consisting of the aggregate principal amount of the Bonds of \$[PAR].00, [plus/less] net original issue [premium/discount] of \$[\_\_\_\_\_] , less underwriter's discount of \$[\_\_\_\_\_] ) shall be deposited in trust with the Bond Trustee, who shall forthwith deposit such funds as follows:

(i) The Bond Trustee shall deposit the sum of \$[\_\_\_\_\_] to the Costs of Issuance Fund; and

(ii) The Bond Trustee shall deposit the sum of \$[\_\_\_\_\_] to the Project Fund.

(B) The Bond Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such deposits and transfers.

#### SECTION 3.03. [RESERVED].

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 (on which the Bond Trustee may conclusively rely) substantially in the form of Exhibit B attached hereto 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 said fund. On [November 30, 2018], or upon the earlier Request of the Corporation, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Revenue Fund and the Bond Trustee shall close the Costs of Issuance Fund.

SECTION 3.05. 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 or reimburse the costs of a portion of the Project and pay interest on the Bonds during construction of a portion of the Project, in accordance with the terms of the Tax Agreement. 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 C, 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;
- (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;
- (vi) That there has not been filed with or served upon the Corporation any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the Persons named in such Requisition, that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law; and
- (vii) That the balance remaining in the Project Fund after payment of such amounts, together with any investment income reasonably anticipated to be deposited in the Project Fund pursuant to this Bond Indenture and any other funds reasonably anticipated to be available therefor, will be sufficient to pay the costs of completing the Project.

(C) Upon receipt of 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 such Project Fund to the Revenue Fund. Upon such transfer, the Project Fund shall be closed.

SECTION 3.06. 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 all acts and proceedings required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in the issuance thereof shall be conclusive evidence of the validity of the Bonds and the validity of the obligations which they represent 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 or after [PPD], 20[\_\_\_], are subject to optional redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon Request of the Corporation given to the Bond Trustee at least twenty-five (25) days prior to such redemption date (unless waived by the Bond Trustee in its sole discretion)), from any source of available funds, as a whole or in part (and if in part, in such amounts and maturities as may be specified by the Corporation or if the Corporation fails to designate such maturities, in inverse order of maturity) on any date on or after [PPD], 20[\_\_\_], by lot, at a Redemption Price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

(B) The Bonds are subject to special redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon Request of the Corporation given to the Bond Trustee at least twenty-five (25) days prior to the date fixed for redemption (unless waived by the Bond Trustee in its sole discretion)) in whole or in part (and if in part, in such amounts and maturities as may be specified by the Corporation or if the Corporation fails to designate such maturities, in inverse order of maturity) and by lot on any date, from hazard insurance 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 to the date fixed for redemption, without premium.

(C) The Bonds maturing on [PPD], 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 [PPD] on or after [PPD], 20[\_\_\_], at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(D) The Bonds maturing on [PPD], 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 [PPD] on or after [PPD], 20[\_\_\_], at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

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 and the Securities Depository. Notice of redemption shall be given by overnight mail to the Securities Depository or other method acceptable to the Securities Depository. 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, the 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. Redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

(B) Any notice of redemption pursuant to Section 4.01(A) and Section 4.01(B) 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.

(C) Failure by the Bond Trustee to give notice pursuant to this Section 4.03 to the Authority, or the Securities Depository, 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) The Corporation may instruct the Bond Trustee to provide conditional notice of redemption pursuant to Section 4.01(A) or Section 4.01(B), which may be conditioned

upon the receipt of moneys or any other event. In the event that notice of redemption pursuant to Section 4.01(A) or Section 4.01(B) contains any condition or conditions and such condition or conditions shall not have been satisfied on or prior to the date fixed for redemption, the redemption shall not be made and the Bond Trustee shall within a reasonable time thereafter give notice to the Persons to the effect that such condition or conditions were not met and such redemption was not made, such notice to be given by the Bond Trustee in the same manner and to the same parties, as notice of such redemption was given. Such failure to redeem Bonds shall not constitute an Event of Default under this Bond Indenture or a Loan Default Event under the Loan Agreement.

(E) 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 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 and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue from and after the redemption date, 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 upon surrender thereof.

SECTION 4.06. [RESERVED].

SECTION 4.07. Mandatory 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 may only exercise such option, after 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 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 Authority 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 (but none of the obligations) of the Authority in 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 Agreement) and Obligation No. 1. 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 reasonably necessary in its judgment to enforce all of the rights of 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. 1 other than for those rights retained by the Authority.

(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 shall 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 to be deposited in the Redemption Fund shall be promptly deposited in the Redemption Fund, which the Bond Trustee shall establish,

maintain and hold in trust. 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 on any 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 notify the Corporation (by notice to both its chief financial officer and chief executive officer) 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 and (ii) the amount by which the obligation to make such transfer exceeds the amount available therefore.

#### SECTION 5.02. Allocation of Revenues.

(A) On or before the following dates, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee shall establish and maintain within the Revenue Fund) and then to the Rebate Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (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 or fund subsequent in priority:

First: on the Business Day immediately preceding each Interest Payment Date, to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding;

Second: on the Business Day immediately preceding each Principal Payment Date, to the Principal Account, the aggregate amount of principal becoming due and payable on such Principal Payment Date and the aggregate amount of the Mandatory Sinking Account Payment required to be paid into each Sinking Account for the Term Bonds at the next ensuing principal payment date; and

Third: on each date specified by the Corporation to the Bond Trustee in writing, such date which shall be specified in the Tax Agreement, to the Rebate Fund, such amounts as are required to be deposited therein by the Tax Agreement.

(B) Upon Request of the Corporation, any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the Corporation.

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 each Sinking Account shall be used and withdrawn by the Bond Trustee to purchase or redeem or pay at their stated respective maturities, Term Bonds, as provided herein.

(B) The Bond Trustee shall establish and maintain within the Principal Account a separate subaccount for each maturity of the Term Bonds designated as the “\_\_\_ Sinking Account” (inserting therein the maturity designation of such Term Bonds). With respect to each Sinking Account, on the 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 such Sinking Account. On the 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 Term Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in Article IV, by lot; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee shall apply such moneys in such Sinking Account to the purchase of Term 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 the Bonds. If, during the twelve-month period immediately preceding the Mandatory Sinking Account Payment date, the Bond Trustee has purchased Term 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 Term Bonds of such maturity with the Bond Trustee (together with a Request of the Corporation to apply such Bonds so deposited to the Mandatory Sinking Account Payment due on said date with respect to the Term Bonds of such maturity), or Term 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 a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Bond Trustee and transferred to the Revenue Fund. Term Bonds purchased from a Sinking Account or deposited by the Corporation with the Bond Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment for Bonds of such maturity, then to the remaining Mandatory Sinking Account Payments for Bonds of such maturity as the Corporation directs in writing.

(C) Subject to the terms and conditions set forth in this Section and in Section 4.01(C), the Bonds maturing on [PPD], 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 ([PPD])	Mandatory Sinking Account Payments

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\* Maturity

(D) Subject to the terms and conditions set forth in this Section and in Section 4.01(D), the Bonds maturing on [PPD], 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 ([PPD])	Mandatory Sinking Account Payments
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\* Maturity

SECTION 5.05. [Reserved].

SECTION 5.06. 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 Accounts, 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 5.07. 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 Agreement. 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 Agreement), for payment to the federal government of the United States of America. None of the Authority, the Corporation or 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, by Section 6.06 and by the Tax Agreement (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 requested by the Corporation, such manner as provided in the Tax Agreement, and shall have no liability or responsibility to enforce compliance by the Corporation or the Authority with the terms of the Tax Agreement 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. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Agreement. The Bond Trustee shall supply to the Corporation and/or the Authority all necessary information in the manner requested by the Corporation or the Authority, such manner as provided in the Tax Agreement 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, which shall provide directions that are subject to the restrictions set forth in the Tax Agreement, the Bond Trustee shall invest all amounts held in the Rebate Fund solely in Investment Securities. 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 satisfactory to the Bond Trustee, shall be withdrawn and remitted to the Corporation.

(F) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the 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 Agreement shall survive the defeasance or payment in full of the Bonds.

#### SECTION 5.08. 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 and reinvested by the Bond Trustee, upon the written direction of the Corporation, solely in Investment Securities. The Bond Trustee shall acquire such Investment Securities upon the written direction of the Corporation at such prices and on such terms as directed by the Corporation. The Bond Trustee shall be entitled to rely upon any investment direction provided to it hereunder as a certification to the Bond Trustee that such investment constitutes an Investment Security. In the absence of written investment directions from the Corporation, the Bond Trustee holds such funds uninvested. [MGH team – please take note] All Investment Securities shall be acquired subject to the limitations set forth in Section 6.06, 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.

(B) Moneys in all 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 an investment agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase or obtain other funds at par under such agreement. Investment Securities that are registrable securities shall be registered in the name of the Bond Trustee or its nominee.

(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. Unless otherwise specified herein, 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 in such fund or account. 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 market value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price). In determining market value of Investment Securities, the Bond Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

(E) The Bond Trustee may commingle any of 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 or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell 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, the Bond Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of this Section. The Authority (and the Corporation by 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 hereunder as they occur at no additional cost, each of the Authority and the Corporation specifically waive receipt of such confirmations to the extent permitted by law. The Bond Trustee covenants to furnish the Corporation (and the Authority, upon written request) periodic cash transaction statements which shall include details for all investment transactions made by the Bond Trustee hereunder. The Bond Trustee may rely conclusively on the investment direction of the Corporation as to the suitability and legality of the directed investments.

## ARTICLE VI

### PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The Authority shall punctually cause to be paid the principal of and Redemption Price and interest on all of 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. 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 that shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue bonds 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, or permit the creation of, 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 pledge and assignment created by this Bond Indenture. 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, subject to the provisions of this Bond Indenture and to the extent permitted by law, 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 corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by the Bond Trustee relating to the proceeds of Bonds, the Revenues, the Loan Agreement, Obligation No. 1 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 the agent or representative of any of them duly authorized in writing, with reasonable prior notice, at reasonable hours and under reasonable circumstances.

(B) The Bond Trustee shall file and furnish to the Authority, upon request of the Authority, within thirty (30) days after the end of each month, a statement (which need not be audited, in the form of its customary account statements) 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 such month. The Bond Trustee shall also furnish a copy of its monthly statement to the Corporation. The Bond Trustee shall also furnish to each Bondholder a copy of its monthly statement upon written request and at the Bondholder's expense.

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 that are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being excluded from gross income for federal income taxes. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Agreement.

SECTION 6.07. Enforcement of Loan Agreement and Obligation No. 1. The Bond Trustee shall promptly collect all amounts due from the Corporation pursuant to the Agreement and from the Members pursuant to Obligation No. 1, shall perform all duties imposed upon it pursuant to the Loan Agreement and, subject to the specific provisions of this Bond Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority, other than the rights retained by the Authority, and all of the obligations of the Corporation and the other Members.

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 prior 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 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 or any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(1) 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, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) 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 shall not materially adversely affect the interests of the Holders of the Bonds;

(3) To maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Bonds; or

(4) To make any other change in the Loan Agreement which will not materially adversely affect the interests of the Holders of the Bonds.

In executing, or accepting the additional trusts created by, any amendment or modification to the Loan Agreement permitted by this Article, the Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment or modification is authorized or permitted by this Bond Indenture and the Loan Agreement, and complies with the terms hereof and thereof.

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 5.8 of the Loan Agreement, the Corporation has covenanted to enter into, comply with and carry out all of the provisions of a disclosure agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriters (as defined in the Rule). The Corporation has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Holders of the Bonds or any other Person with respect to the Rule. Notwithstanding any other provision of this Bond Indenture, failure of the Corporation to enter into and comply with such a disclosure agreement shall not be considered an Event of Default; however, any Bondholder or Beneficial Owner may and the Bond Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall (but only to the extent it has been indemnified to its satisfaction from any loss, liability or expense, including without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Bond Trustee), 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 5.8 of the Loan Agreement.

SECTION 6.12. Replacement of Obligation No. 1. At the option of the Corporation and without the consent of any Holders, Obligation No. 1 may be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation upon the terms and conditions set forth in Section 3.12 of the Master Indenture.

Upon satisfaction of such conditions, all references herein and in the Loan Agreement to Obligation No. 1 shall be deemed to be references to the Replacement Obligation (as defined in the Master Indenture), all references to the Master Indenture shall be deemed to be references to the Replacement Master Indenture (as defined in the Master Indenture), all references to the Master Trustee shall be deemed to be references to the master trustee under the Replacement Master Indenture, 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 Master Indenture and all references to Supplement No. 1 shall be deemed to be references to the supplemental master indenture 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 Section 7.01(E), default 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 by the Bond Trustee, or to the Authority and the Bond Trustee by the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(D) Declaration by the Master Trustee of all Obligations Outstanding (as defined in the Master Indenture) and the interest accrued thereon to be immediately due and payable;

(E) Default by the Authority in the observance of its covenants set forth in Section 6.06 hereof, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority; or

(F) A Loan Default Event.

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 shall notify the Master Trustee of such Event of Default

and, in its capacity as holder of Obligation No. 1, shall make a demand for payment under Obligation No. 1 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. Upon such declaration by the Master Trustee, 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. 1;

(B) In the case of an Event of Default described in Section 7.01(C) or 7.01(E) 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;

(C) If an Event of Default described in Section 7.01(D) shall occur, then 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; and

(D) In the case of an Event of Default described in Section 7.01(F) of this Bond Indenture, the Bond Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Loan Agreement in order to remedy the Loan Default Event.

Upon the declaration by the Bond Trustee of the principal of all Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, the Bond Trustee shall give or cause to be given notice of acceleration of the Bonds by first class mail to the Bondholders. The Bond Trustee shall not be required to make payment to any Bondholder until the Bonds shall be presented to the Bond Trustee for appropriate endorsement or for cancellation.

Notwithstanding any other provision of this Bond Indenture or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstance in which an Event of Default has occurred declare the entire unpaid aggregate principal amount of the Bonds Outstanding to be immediately due and payable except in the event that the Master Trustee shall have declared the principal amount of Obligation No. 1 and all interest due thereon immediately due and payable in accordance with the Master Indenture.

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 or 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. 1 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.

Immediately after any acceleration hereunder, the Bond Trustee, to the extent it has not already done so, shall notify in writing the Authority of the occurrence of such acceleration.

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 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; and

(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:

(1) 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 (including Mandatory Sinking Account Payments) or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, 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 due on any date, 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.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal (or Redemption Price) 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 bond 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. 1, 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 shall be deemed 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, in such Holders under this Bond Indenture, the Loan Agreement, Obligation No. 1, 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 assets pledged under this Bond Indenture, pending such proceedings. 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%). 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).

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 or the Loan Agreement and Obligation No. 1, 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 herein shall be deemed to authorize the Bond Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Bond Trustee to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

SECTION 7.05. Bondholders' Direction of Proceedings. Anything in this Bond Indenture to the contrary notwithstanding, the Holders of not less than twenty-five percent (25%) 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, 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. 1 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 such 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 reasonable indemnity 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. 1, 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, 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 The Bank of New York Mellon Trust Company, N.A., 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 upon thirty (30) days' prior written notice 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 prior 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 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 prior written 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 prior written approval of such successor Bond Trustee and 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 retiring 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 required 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 prior written approval of a successor Bond Trustee and upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the Bond Trustee shall mail a notice of the succession of such Bond

Trustee to the trusts hereunder to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee.

(E) Any successor Bond Trustee shall be a trust company or bank having the powers of a trust company or bank authorized to exercise trust powers having (or, in the case of a trust company 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. 1 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 relating to the Bond Trustee or its powers. 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; 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 depository 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.

(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. 1 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 and at its expense, may make such further investigation or inquiry into such facts or 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.

(J) The Bond Trustee shall not be deemed to have knowledge of an Event of Default hereunder, under the Loan Agreement, Obligation No. 1 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.

(K) The Bond Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other parties, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction

pertaining to any project financed with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather or any similar event and/or occurrences beyond the control of the Bond Trustee.

(L) The Bond Trustee shall not be accountable for the use or application by the Corporation of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Bond Trustee in accordance with the provisions of this Bond Indenture or for the use and application of money received by any paying agent.

(M) The permissive right of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty and the Bond Trustee shall not be answerable for other than its gross negligence or willful misconduct.

(N) Before taking any action under this Bond Indenture relating to an event of default or in connection with its duties under this Bond Indenture other than making payments of principal and interest on the Bonds as they become due or causing an acceleration of the Bonds whenever required by the Indenture, the Bond Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

(O) In acting or omitting to act pursuant to the Loan Agreement or any other documents executed in connection herewith or therewith, the Bond Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Bond Indenture and the Loan Agreement, including, but not limited to, this Article VIII.

(P) To the extent that the Bond Trustee is the holder of Obligation No. 1, in its capacity as Bond Trustee hereunder, the Bond Trustee shall not be required to take any action under the Master Indenture as holder of Obligation No. 1, including, without limitation, exercising voting or consent rights, without receiving the written direction of the owners of a majority in aggregate principal amount of the Bonds.

(Q) The Bond Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Bond Indenture and delivered using Electronic Means; provided, however, that the Authority and/or Corporation shall provide to the Bond Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and/or the Corporation whenever a person is to be added or deleted from the listing. If the Authority and/or Corporation elects to give the Bond Trustee Instructions using Electronic Means and the Bond Trustee in its discretion elects to act upon such Instructions, the Bond Trustee's understanding of such Instructions shall be deemed controlling. The Authority and Corporation understand and agree that the Bond Trustee cannot determine the identity of the actual sender of such Instructions and that the Bond Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Bond Trustee have been

sent by such Authorized Officer. The Authority and Corporation shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Bond Trustee and that the Authority, Corporation and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or Corporation. The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bond Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and Corporation agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Bond Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and Corporation; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Bond Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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 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 misconduct or gross negligence 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 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.

When the Bond Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE BOND 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 and when the written consent 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:

(1) 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 covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) 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 the Holders of the Bonds;

(3) 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 the Holders of the Bonds;

(4) 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 Agreement;

(5) To facilitate (i) the transfer of Bonds from one Securities Depository to another in the succession of Securities Depositories, or (ii) 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;

(6) To make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds;

(7) To make any other changes which will not materially adversely affect the interests of the Holders of the Bonds; or

(8) To make any other change in this Bond Indenture 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 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 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 (and prepared by or on behalf of the Corporation or the Authority) 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 5.07; 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 (or Redemption Price) 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) Investment Securities specified in clauses (A), (B), (C) of the definition of Investment Securities, the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient (as certified in a report of an independent accountant or verification agent) 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 Authority) 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 (or Redemption Price) 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 (without liability for interest) 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 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. Non-Liability of Authority. The Authority shall not be obligated to pay the principal (or Redemption Price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Bond Trustee pursuant to the Loan Agreement and Obligation No. 1. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the Program Participant), nor the faith and credit of the Authority is pledged to the payment of the principal (or Redemption Price) of or interest on the Bonds. Neither the Authority nor the Program Participant shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan Agreement, Supplement No. 1, the Bonds, Obligation No. 1 or this Bond Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement or the Members under Obligation No. 1. The Bond Trustee hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation to the Bond Trustee pursuant to the Loan Agreement and by the Members pursuant to Obligation No. 1, together with investment income on certain funds and accounts held by the Bond Trustee under this Bond Indenture, and hereby agrees that if the payments to be made under the Loan Agreement and Obligation No. 1 shall ever prove insufficient to pay all principal (or Redemption Price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then the Bond Trustee shall give notice to the Corporation in accordance with Article VII of this Bond Indenture to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Redemption Price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Corporation, the Authority or any third party, subject to any right of reimbursement from the Bond Trustee, the Authority or any such third party, as the case may be, therefor.

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, if requested, 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 Electronic Means 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 Electronic Means or by being deposited, postage prepaid, in a U.S. Postal Service letter box, addressed, as the case may be, to the Authority at 1100 K Street, Suite 101, Sacramento, California 95814, Attention: Chair; or, to the Corporation at Marin General Hospital, [100B Drakes Landing Road, Suite 250, Greenbrae, California 94904], Attention: [Chief Financial Officer] (or such other addresses as may have been filed in writing by the Authority or the Corporation with the Bond Trustee). 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.

Any notice, certificate, opinion, report or other document or information required to be given to Holders of the Bonds, the Bond Trustee, the Corporation or the Authority under this Bond Indenture or the Loan Agreement or in connection with Obligation No. 1, and any notice or report or other document or information required to be given to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system or its equivalent (or to any dissemination agent for transmittal thereto) under the Continuing Disclosure Agreement, shall also be filed with the Holders of the Bonds, the Bond Trustee, the Corporation, or the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system or its equivalent (or dissemination agent), as appropriate.

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 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 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; provided, however, that, if all Bonds are so owned, all such Bonds shall be deemed Outstanding hereunder and shall not be disregarded. 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 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 premium, if any, 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 or the Program Participant shall be individually or personally liable for the payment of the principal (or Redemption Price) of the Bonds 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 or the Program Participant 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. Governing Law and Venue. This Bond Indenture shall be construed in accordance with and governed by the laws of the State applicable to contracts made and performed in the State. This Bond Indenture shall be enforceable in the State, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of Sacramento.

SECTION 11.15. 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.

SECTION 11.16. Notification to Authority of Amount of Outstanding Bonds. On or before July 15 of each year the Bond Trustee shall notify the Authority, via mutually acceptable electronic means or by mail, of the aggregate principal amount of Outstanding Bonds as of June 30 of such year or that no Bonds remain Outstanding.

SECTION 11.17. Additional Payments. The Bond Trustee shall transfer the Additional Payments constituting the Authority's annual fee, promptly upon receipt thereof from the Corporation, to the Authority at the Remittance Address.

IN WITNESS WHEREOF, the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY has caused this Bond Indenture to be signed in its name by an Authorized Signatory and The Bank of New York Mellon Trust Company, N.A., 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 STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By \_\_\_\_\_  
Authorized Signatory

The Bank of New York Mellon Trust Company,  
N.A., as Bond  
Trustee

By \_\_\_\_\_  
Authorized Representative

Unless this Bond certificate 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 certificate 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.

**EXHIBIT A**

**FORM OF BOND**

NUMBER AMOUNT  
 R-\_\_ \$ \_\_\_\_\_

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
 REVENUE BONDS  
 (MARIN GENERAL HOSPITAL)  
 SERIES 2018A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NUMBER
%	[PPD], 20[__]	Date of Issue	_____

REGISTERED HOLDER: Cede & Co.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a joint powers authority of the State of California (herein called 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 [IPD1] and [IPD2] of each year, commencing [\_\_\_\_], 20[\_\_]. The principal (or Redemption Price) hereof is payable upon surrender at the Corporate Trust Office (as defined in the Bond Indenture) of The Bank of New York Mellon Trust Company, N.A. (herein called 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 15th day of the month preceding such Interest Payment Date, 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.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR 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, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR 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 OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANT SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE BOND INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT.

This Bond is one of a duly authorized issue of bonds of the Authority designated as “California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A” (herein called the “Bonds”), limited in aggregate principal amount to [PAR IN WORDS] dollars (\$[PAR]). The Bonds are issued pursuant to a Bond Indenture, dated as of [May 1, 2018], between the Authority and the Bond Trustee (as may be amended or supplemented according to its terms, the “Bond Indenture”). The Bonds are issued for the purpose of making a loan to Marin General Hospital (herein called the “Corporation”), pursuant to a Loan Agreement, dated as of [May 1, 2018] (as may be amended or supplemented according to its terms, 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 Master Indenture Obligation No. 1, dated [May \_\_], 2018 (herein called “Obligation No. 1”), and issued by the Corporation, pursuant to the terms of a Master Trust Indenture, dated as of [May 1, 2018] (as may be amended and supplemented according to its terms, the “Master Indenture”), among the Corporation, Prima Medical Foundation and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as master trustee (the “Master Trustee”) and a Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May 1, 2018], 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. 1 (to the extent and as more particularly described in the Bond Indenture).

The Bonds maturing on or after [PPD], 20[\_\_\_] are subject to optional redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon Request of the Corporation given to the Bond Trustee at least twenty-five (25) days prior to such redemption date (unless waived by the Bond Trustee in its sole discretion)), from any source of available funds, as a whole or in part (and if in part, in such amounts and maturities as may be specified by the Corporation or if the Corporation fails to designate such maturities, in inverse order of maturity) on any date on or after [PPD], 20[\_\_\_], by lot, at a Redemption Price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds are subject to special redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon Request of the Corporation given to the Bond Trustee at least twenty-five (25) days prior to the date fixed for redemption (unless waived by the Bond Trustee in its sole discretion)) in whole or in part (and if in part, in such amounts and maturities as may be specified by the Corporation or if the Corporation fails to designate such maturities, in inverse order of maturity) and by lot on any date, from hazard insurance 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 to the date fixed for redemption, without premium.

The Bonds maturing on [PPD], 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 [PPD] on or after [PPD], 20[\_\_\_], at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on [PPD], 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 [PPD] on or after [PPD], 20[\_\_\_], at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

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 or special redemption may be rescinded by written notice delivered in the same manner as the initial redemption notice no later than five (5) Business Days prior to the proposed redemption date. The Corporation may also instruct the Bond Trustee to provide conditional notice of optional or special redemption, which may be conditioned upon the receipt of moneys or any other event.

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 Bonds are issuable only as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof. 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 act, 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 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 manually signed by the Bond Trustee.

IN WITNESS WHEREOF, CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chair and attested by the manual or facsimile signature of its Secretary, all as of the date set forth above.

CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Chair

Attest

By: \_\_\_\_\_  
Secretary

[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.

Date: \_\_\_\_\_

The Bank of New York Mellon Trust Company,  
N.A., 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 FOR COSTS OF ISSUANCE FUND**

REQUISITION NO. \_\_\_ - COSTS OF ISSUANCE FUND

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

Attention:

Re: California Statewide Communities Development Authority Revenue Bonds  
(Marin General Hospital), Series 2018A

Marin General Hospital (the "Corporation") hereby requests The Bank of New York Mellon Trust Company, N.A. (the "Bond Trustee"), as bond trustee under that certain bond indenture (as may be amended or supplemented according to its terms, the "Bond Indenture") between the California Statewide Communities Development Authority (the "Authority") and the Bond Trustee, dated as of [May 1, 2018], relating to the Authority's Revenue Bonds (Marin General Hospital), Series 2018A (the "Bonds"), to pay to the following Persons the following amounts for the following purposes from the Costs of Issuance Fund:

<u>ITEM</u>	<u>NO.</u>	<u>TO</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
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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 indicated fund and has not been previously paid from said fund or from the proceeds of the Bonds.

Capitalized terms used and not defined herein shall have the meanings set forth in the Bond Indenture.

MARIN GENERAL HOSPITAL,

By: \_\_\_\_\_  
Authorized Representative

Dated: \_\_\_\_\_

**EXHIBIT C**

**FORM OF REQUISITION FOR COSTS FOR PROJECT FUND**

REQUISITION FOR MONEY FROM THE PROJECT FUND

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

Attention:

Re: California Statewide Communities Development Authority Revenue Bonds  
(Marin General Hospital), Series 2018A

Requisition No. \_\_\_

The undersigned, on behalf of Marin General Hospital (the “Corporation”), hereby requests The Bank of New York Mellon Trust Company, N.A. (the “Bond Trustee”), as bond trustee under that certain bond indenture (as may be amended or supplemented according to its terms, the “Bond Indenture”) between the California Statewide Communities Development Authority (the “Authority”) and the Bond Trustee, dated as of [May 1, 2018], relating to the Authority’s Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”), to pay from the Project Fund to the payee or payees named below, 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. The payee(s), the purpose and the amount of the disbursement requested are as follows:

SEE SCHEDULE I ATTACHED HERETO

The Corporation hereby certifies as follows:

Each obligation mentioned herein is relating to the Project, has been properly incurred, is presently due and payable, and is a proper charge against the Project Fund, and each item for which payment is requested is or was necessary in connection with the Project. None of the items for which payment is requested has been reimbursed previously from the Project Fund, and none of the payments herein requested will result in a breach of the representations and agreements in the Loan Agreement relating to the Project.

There has not been filed with or served upon the Corporation any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any payee named in this requisition, that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

The balance remaining in the Project Fund after payment of such amounts, together with any investment income reasonably anticipated to be deposited in the Project Fund pursuant to the

Bond Indenture and any other funds reasonably anticipated to be available therefor, will be sufficient to pay the costs of completing the Project.

Capitalized terms used and not defined herein shall have the meanings set forth in the Bond Indenture.

MARIN GENERAL HOSPITAL,

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative



## **7. CSCDA Loan Agreement**

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CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
and  
MARIN GENERAL HOSPITAL

LOAN AGREEMENT

Dated as of [May 1, 2018]

relating to

[\$[PAR]]  
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
REVENUE BONDS  
(MARIN GENERAL HOSPITAL)  
SERIES 2018A

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This LOAN AGREEMENT, dated as of [May 1, 2018] (the “Loan Agreement”), between the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a joint powers agency of the State of California (the “Authority”), and MARIN GENERAL HOSPITAL (the “Corporation”), a nonprofit public benefit corporation duly organized and existing under the laws of the State of California;

W I T N E S S E T H:

WHEREAS, the Corporation has applied for the financial assistance of the Authority in the financing and refinancing of the acquisition, construction, improvement and equipping, including working capital costs, of health care facilities (the “Facilities”) operated by the Corporation; and

WHEREAS, the Facilities are located within the territorial limits of the County of Marin, California, being a program participant of the Authority (the “Program Participant”), and a substantial portion of the persons to be utilizing the services to be provided at the Facilities are expected to be residents of the Program Participant and a substantial portion of the persons to be employed by the Corporation at the Facilities are expected to be residents of the Program Participant; and

WHEREAS, the financing and refinancing of the Project (as defined in the Bond Indenture) will promote significant and growing opportunities for the creation and retention of employment to the California economy and the enhancement of the quality of life to residents of the Program Participant, and will promote opportunities for the creation or retention of employment within the jurisdiction of the Program Participant and is within the powers conferred upon the Authority by its Amended and Restated Joint Exercise of Powers Agreement (the “Joint Powers Agreement”); and

WHEREAS, the financing and refinancing of the Project will promote residential, commercial and industrial development within the jurisdiction of the Program Participant and thereby stimulate economic activity and increase the tax base and is within the powers conferred upon the Authority by the Joint Powers Agreement; and

WHEREAS, the financing and refinancing of the Project is a significant factor in establishing and maintaining the operations of the Corporation within the jurisdiction of the Program Participant; and

WHEREAS, the Authority has authorized the issuance of the California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”), in an aggregate principal amount of \$[PAR] and the loan of the proceeds thereof to the Corporation to finance [and refinance] a portion of the Project; and

WHEREAS, the Authority and the Corporation have each duly authorized the execution, delivery and performance of this Loan Agreement; and

WHEREAS, pursuant to a Master Trust Indenture, dated as of [May 1, 2018] (as may be amended and supplemented in accordance with its terms, the “Master Indenture”), among the Corporation, Prima Medical Foundation and U.S. Bank National Association, as

master trustee (the “Master Trustee”), and a Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May 1, 2018] (“Supplement No. 1”), between the Corporation and the Master Trustee, the Corporation, as Obligated Group Representative, has issued its Master Indenture Obligation No. 1 to evidence the joint and several obligation of the Members (as defined in the Master Indenture) to make payments pursuant to such obligation to secure all the payments required of the Corporation pursuant to this Loan Agreement, including to make payments sufficient to pay the principal (or Redemption Price) of and interest on the Bonds; and

WHEREAS, the Authority and the Corporation each have 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 (or Redemption Price) of and interest on the Bonds and certain related costs and expenses, as such becomes due, and for certain other purposes specified herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

## ARTICLE I

### DEFINITIONS; INTERPRETATION

Section 1.1 Definitions. Unless otherwise required by the context, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Bond Indenture between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), dated as of [May 1, 2018], 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

### ISSUANCE OF BONDS AND OBLIGATION NO. 1

Section 2.1 The Bonds. Pursuant to the Bond Indenture, the Authority has authorized the issuance of the Bonds in the aggregate principal amount of \$[PAR]. The Corporation hereby approves the Bond Indenture; the assignment thereunder to the Bond Trustee of the right, title and interest of the Authority (with certain exceptions noted therein) in this Loan Agreement and Obligation No. 1 and the issuance thereunder by the Authority of the Bonds. All rights accruing to or vested in the Authority with respect to Obligation No. 1 may be exercised by the Bond Trustee.

Section 2.2 Issuance of Obligation No. 1. 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. 1, concurrently with the issuance and delivery of the Bonds, Obligation No. 1 in substantially the form set forth in Section 11 of Supplement No. 1. The Authority agrees that Obligation No. 1 shall be registered in the name of the Bond Trustee. The Corporation agrees that the aggregate principal amount of Obligation No. 1 shall be limited to \$[PAR], except for any Obligation No. 1 authenticated and delivered in lieu of another Obligation No. 1 as provided in Section 6 of Supplement No. 1 with respect to the mutilation, destruction, loss or theft of Obligation No. 1 or, subject to the provisions of Section 2.3 hereof and Section 5 of Supplement No. 1, upon transfer of registration of Obligation No. 1. Issuance and delivery of the Bonds by the Authority shall be a condition of the issuance and delivery of Obligation No. 1.

#### Section 2.3 Restrictions on Number and Transfer of Obligation No. 1.

(a) The Corporation agrees that, except as provided in subsection (b) of this Section, so long as any Bond remains Outstanding, Obligation No. 1 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. 1 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 those terms as used in the Master Indenture) being declared immediately due and payable, Obligation No. 1 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.

## ARTICLE III

### LOAN OF PROCEEDS; PAYMENTS

#### Section 3.1 Loan of Proceeds; Payments of Principal (or Redemption Price) and Interest.

(a) The Authority hereby lends and advances to the Corporation, and the Corporation hereby borrows and accepts from the Authority a loan in a principal amount equal to the aggregate principal amount of the Bonds, the net proceeds of which loan shall be equal to the net proceeds received from the sale of the Bonds, such proceeds to be applied under the terms and conditions of this Loan Agreement and the Bond Indenture. In consideration of the loan of the proceeds of the Bonds by the Authority to the Corporation, the Corporation agrees that, on or before the third (3rd) Business Day prior to any Interest Payment Date or Principal Payment Date, 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 third (3rd) Business Day prior to any Interest Payment Date or Principal Payment Date by Section 5.02 of the Bond Indenture. Notwithstanding the foregoing, if on the second (2nd) Business Day prior to 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 with respect to Obligation No. 1 or hereunder by the Corporation to the Authority shall be paid to the Bond Trustee or other parties entitled thereto as assignee of the Authority and this Loan Agreement and all right, title and interest of the Authority in any such payments are hereby assigned and pledged to the Bond Trustee so long as any Bonds remain Outstanding.

#### Section 3.2 Additional Payments.

In addition to the Loan Repayments, the Corporation shall also pay to the Authority or to the Bond Trustee, as the case may be, "Additional Payments," as follows:

(a) All taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or 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) but excluding franchise taxes based upon the capital and/or

income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, as the case may be, at the Corporation's expense, to protest and contest any such taxes or assessments assessed or 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 or the Bond Trustee;

(b) All reasonable fees, charges and expenses of the Bond Trustee for services rendered under the Bond Indenture and all amounts referred to in Section 11.17 of the Bond Indenture, as and when the same become due and payable;

(c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement, Supplement No. 1, Obligation No. 1, the Tax Agreement, the Continuing Disclosure Agreement or the Bond Indenture; and

(d) The annual fee of the Authority and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with this Loan Agreement, Supplement No. 1, Obligation No. 1, the Tax Agreement, the Continuing Disclosure Agreement, the Bonds or the Bond Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving this Loan Agreement, Supplement No. 1, Obligation No. 1, the Tax Agreement, the Continuing Disclosure Agreement, the Bonds or the Bond Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of any Members, their properties, assets or operations or otherwise in connection with the administration of this Loan Agreement, Supplement No. 1, Obligation No. 1, the Tax Agreement, or the Continuing Disclosure Agreement.

Such Additional Payments shall be billed to the Corporation by the Authority or the Bond Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Bond Trustee for one or more of the above 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. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the Corporation for payment of the Authority's annual fee of 0.015% of the aggregate principal amount of Bonds Outstanding under the Bond Indenture. Such annual fee shall be paid by the Corporation to the Authority annually, due and payable in arrears, on each respective [PPD] (deeming, for purposes of calculating the fee to be paid, any principal to be paid on or as of such [PPD] as no longer Outstanding) and shall be made as an Additional Payment in accordance with this Section and Section 11.17 of the Bond Indenture.

Section 3.3 Credits for Payments. The Corporation shall receive credit against its payments required to be made under Section 3.1, 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 Investment Securities 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; 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 on behalf of the Corporation and canceled, 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 3.4 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 the 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 Investment Securities or surrender of Bonds, as contemplated by subsections 3.3(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(A) of the Bond Indenture, or (iii) the Special Redemption Account of the Redemption Fund if the Bonds are to be redeemed pursuant to Section 4.01(B) of the Bond Indenture (or in such other Bond Trustee escrow account as may be specified by the Corporation) 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.

Section 3.5 Obligations Unconditional. The obligations of the Corporation hereunder and pursuant to Obligation No. 1 are absolute and unconditional, notwithstanding any other provision of this Loan Agreement, Supplement No. 1, Obligation No. 1, the Master Indenture or the Bond Indenture. Until this Loan Agreement is terminated and all payments hereunder are made, the Corporation:

(a) Will pay all amounts required hereunder and under Obligation No. 1 without abatement, deduction or setoff except as otherwise expressly provided in this Loan Agreement;

(b) Will not suspend or discontinue any payments due hereunder or under Obligation No. 1 for any reason whatsoever, including, without limitation, any right of setoff or counterclaim;

(c) Will perform and observe all its other agreements contained in this Loan Agreement; and

(d) Except as provided herein, will not terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, damage, destruction or condemnation of the Facilities, the health care 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, 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 contained herein, 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.

Section 3.6 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

### FINDINGS BY THE AUTHORITY; REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

Section 4.1 Findings by the Authority. The Authority hereby finds and determines that: (i) pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”), a number of California cities, counties and special districts entered into the Joint Powers Agreement pursuant to which the Authority was organized; (ii) the Authority is authorized by the Joint Powers Agreement to issue bonds, notes or other evidences of indebtedness, or certificates of participation in leases or other agreements in order to promote economic development; (iii) the Authority is authorized by a resolution adopted March 21, 1991, to issue bonds, notes or other evidences of indebtedness, or certificates of participation in leases or other agreements to finance or refinance facilities owned and/or leased and operated by Eligible Organizations; (iv) pursuant to the provisions of the Act, the cities, counties and special districts that are the contracting parties comprising the membership of the Authority are authorized to jointly exercise any power common to such contracting parties, including, without limitation, the power to acquire and dispose of property, both real and personal; (v) pursuant to the provisions of the Act and the Joint Powers Agreement, the Authority is authorized to deliver certificates of participation in installment purchase and/or sale agreements with Eligible Organizations; (vi) pursuant to the provisions of the Act, the Authority may, at its option, issue bonds, rather than certificates of participation, and enter into loan agreements with the Eligible Organizations; (vii) the Corporation qualifies as an Eligible Organization; (viii) the financing and refinancing of the Project will promote opportunities for the creation and retention of employment to the California economy and the enhancement of the quality of life of residents of the Program Participant, and the financing and refinancing of the Project will promote opportunities for the creation or retention of employment within the jurisdiction of the Program Participant and is within the powers conferred upon the Authority by the Act and the Joint Powers Agreement; (ix) the financing and refinancing of the Project will be a significant factor in the economic development of the Program Participant, promoting residential, commercial and industrial development within the jurisdiction of the Program Participant and thereby stimulating economic activity and increasing the tax base, and is within the powers conferred upon the Authority by the Joint Powers Agreement; and (x) the financing and refinancing of the Project is a significant factor in maintaining the operations of the Corporation that are within the jurisdiction of the Program Participant.

Section 4.2 Representations and Warranties of the Corporation. The Corporation, on behalf of itself and the other Member of the Obligated Group, represents and warrants 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 and warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the Authority or the results thereof):

(a) The Corporation is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Loan Agreement, the Master Indenture,

Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, and to carry out all of its obligations under and consummate all transactions contemplated hereby and by the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, and by proper corporate action has duly authorized the execution, delivery and performance of this Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, and the other Member is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State of California, has full legal right, power and authority to enter into the Master Indenture, and to carry out all of its obligations under and consummate all transactions contemplated by the Master Indenture, and by proper corporate action has duly authorized the execution, delivery and performance of the Master Indenture;

(b) The officers of the Corporation executing this Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, are duly and properly in office and fully authorized to execute the same, and the officers of the other Member executing the Master Indenture are duly and properly in office and fully authorized to execute the same;

(c) This Loan Agreement, and Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Corporation, and the Master Indenture was duly authorized, executed and delivered by the Members. The Master Indenture is a legal, valid and binding agreement of the Corporation and the other Member, enforceable against the Corporation and the other Member in accordance with its terms;

(d) This Loan Agreement and Obligation No. 1, when assigned to the Bond Trustee pursuant to the Bond Indenture, will constitute the legal, valid and binding agreements of the Corporation and the Members, as applicable, enforceable against the Corporation and the Members, as applicable, in accordance with their terms for the benefit of the Holders of the Bonds, and any rights of the Authority and obligations of the Corporation and the other Member not so assigned to the Bond Trustee constitute the legal, valid, and binding agreements of, with respect to the Loan Agreement, the Tax Agreement and the Continuing Disclosure Agreement, the Corporation, and, with respect to Supplement No. 1 and Obligation No. 1, the Members, enforceable against the Corporation and the Members in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy;

(e) The execution and delivery of this Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation or bylaws of any Member,

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 or instrument to which any Member is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of any Member, 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 this Loan Agreement or the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, 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 of any Member, or any guarantor of indebtedness of or other provider of credit or liquidity of any Member, 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 or the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect;

(g) 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 any Member or the assets, properties or operations of any Member which, if determined adversely to such Member or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Loan Agreement or the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement or the Continuing Disclosure Agreement, or upon the financial condition, assets, properties or operations of the Obligated Group, taken as a whole, and no Member is in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement or the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement or the Continuing Disclosure Agreement, or the financial condition, assets, properties or operations of any Member. All tax returns (federal, state and local) required to be filed by or on behalf of each Member 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 such Member 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. The Corporation enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its Facilities;

(h) No written information, exhibit or report furnished to the Authority by the Corporation or any of the other Member in connection with the negotiation of this Loan Agreement or the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement or the Continuing Disclosure Agreement, 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 the light of the circumstances under which they were made, not misleading;

(i) Each Member 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, and is not a private foundation as described in Section 509(a) of the Code;

(j) Each Member has good and marketable title to the Facilities that it owns free and clear from all encumbrances other than Permitted Liens (as defined in the Master Indenture);

(k) The audited consolidated balance sheet of the Corporation and Affiliates, as of December 31, 2017, and the consolidated statements of operations and changes in net assets 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 the Obligated Group as of December 31, 2017, and the changes in such activities and financial position for the year then ended in accordance with generally accepted accounting principles, and since December 31, 2017, there has been no material adverse change in the net assets, operations or financial condition of the Corporation and the Obligated Group, taken as a whole, except as disclosed in the Official Statement;

(l) The Members comply in all material respects with all applicable Environmental Regulations;

(m) Neither the Corporation nor the other Member nor any of the Facilities are the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Regulations or to respond to a release of any Hazardous Substances into the environment; and

(n) Neither the Corporation nor any of the other Member has any material contingent liability in connection with any release of any Hazardous Substances into the environment.

(o) The Corporation has received all discretionary approvals and any other approvals required under the California Environmental Quality Act, as amended, Division 13 of the California Public Resources Code for the Project and all applicable appeal, challenge or referendum periods for such approvals have expired prior to the date hereof.

## ARTICLE V

### COVENANTS

Section 5.1 Prohibited Uses. No portion of the proceeds of the Bonds shall be used to finance or refinance any facility, place or building to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship or (2) by a person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Corporation or any Member) in an “unrelated trade or business” (as set forth in Section 513(a) of the Code), in such a 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.

Section 5.2 Non-Liability of the Authority.

(a) The Authority shall not be obligated to pay the principal (or Redemption Price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Bond Trustee pursuant to this Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the Program Participant), nor the faith and credit of the Authority is pledged to the payment of the principal (or Redemption Price) of 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. 1, the Bonds or the Bond Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under this Loan Agreement or from Members under Obligation No. 1.

(b) The Corporation hereby acknowledges that the Authority’s sole source of moneys to repay the Bonds (whether by maturity, redemption, acceleration or otherwise) will be provided by the payments made by the Corporation to the Bond Trustee pursuant to this Loan Agreement and by the Members pursuant to Obligation No. 1, together with amounts on deposit in and 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. 1 shall ever prove insufficient to pay all principal (or Redemption Price) of 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 (or Redemption Price) 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 other Member, the Authority or any third party, subject to any right of reimbursement from the Bond Trustee, the Authority or any such third party, as the case may be, therefor.

(c) The Corporation acknowledges that the Program Participant shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with, the Bonds.

Section 5.3 Indemnification and Expenses.

(a) To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the Authority, the Program Participant, the Bond Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Bond Indenture, this Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement or the Continuing Disclosure Agreement, or any other document executed in connection herewith or therewith or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation or any of its agents, contractors, servants, employees, tenants or licensees in connection with the Project or the Facilities, the operation of the Project or the Facilities, or the condition, environmental or otherwise, 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 the Facilities or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the Authority and the Bond Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Bond Trustee in respect of any portion of the Project or the Facilities;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from, the Project or the Facilities or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be

stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Bonds is taxable; and

(viii) 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;

except (A) in the case of the foregoing indemnification of the Bond Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or the Program Participant or any of their officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the judgment of such 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.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to this Section 5.3 and Section 3.2 shall survive the final payment or defeasance of the Bonds and in the case of the Bond Trustee any resignation or removal. The provisions of this Section shall survive the termination of this Loan Agreement.

Section 5.4 Expenses. The Corporation covenants and agrees to pay and indemnify the Authority, the Program Participant 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, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement, the Continuing Disclosure Agreement, the Bonds or the Bond Indenture. These obligations and those above regarding indemnification 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 5.5 Delivery of Reports and Records.

(a) The Corporation agrees to deliver to the Bond Trustee and the Authority each item mentioned in Section 3.11 of the Master Indenture (unless otherwise waived by such party) within the time periods mentioned therein for delivery of such items to the Master Trustee. Copies of any such items delivered to the Bond Trustee pursuant to this Section shall be delivered by the Corporation to any Holder upon such Holder's written request delivered to the Bond Trustee and the Corporation.

(b) The Corporation agrees that the implementation by the Corporation or any of the Members of a financial statement presentation different from that in use as of the date hereof shall not alter the substance or the intent of any of the covenants and provisions in the Master Indenture or in this Loan Agreement relating to financial accounting matters.

The Bond Trustee shall have no duty to review, verify or analyze any financial statements delivered to it hereunder or under the Master Indenture, and shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Bond Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

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 Agreement 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 Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Section 5.7 Special Services Covenant. The Corporation shall maintain health care facilities providing health services to individuals within the territorial limits of the Program Participant, as long as any Bonds remain Outstanding; provided, however, the Authority, upon review of such facts as it deems relevant, may, from time to time, allow the Corporation to provide alternative services which provide public benefit to the Program Participant and its residents, or deem this special services covenant to be satisfied in whole or in part. Failure to comply with the provisions of this Section shall not constitute a Loan Default Event but shall be enforceable solely by the Authority by such action, at law or in equity, as the Authority in its sole discretion shall deem appropriate. This Section shall not be enforceable by the Bond Trustee, any Bondholder, the Program Participant, any resident of the Program Participant or by any other Person other than the Authority.

Section 5.8 Continuing Disclosure. The Corporation hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. 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 Agreement 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 Agreement) or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds (but only to the extent it has been indemnified to its satisfaction from any loss, liability or expense, including without limitation, fees, and expenses of its attorneys and advisors and additional fees and expenses of the Bond Trustee), or any Bondholder or Beneficial Owner shall 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 5.8.

Section 5.9 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.

Section 5.10 Waiver of Personal Liability. No member, officer, official, agent or employee of the Program Participant or the Authority or any director, officer, agent or employee of the Corporation or any Member shall be individually or personally liable for the payment of any principal (or Redemption Price) of or interest on the Bonds or any other sum hereunder or under the Bond Indenture 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 Program Participant or the Authority from the performance of any official duty provided by law or by this Loan Agreement.

Section 5.11 Post Issuance Compliance.

(a) *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 (collectively, the “Post-Issuance Requirements”). Further, the Corporation covenants that it has adopted, or, if not, will promptly adopt, management practices and procedures to ensure the Corporation and the applicable Members of the Obligated Group complies with the Post-Issuance Requirements with respect to the Bonds.

(b) *Retention of Post-Issuance Compliance Expert*. The Corporation initially has retained the firm of BLX Group LLC to provide certain post-issuance tax compliance requirements from time to time with respect to the Bonds.

Section 5.12 Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2019), the Corporation, on behalf of the Authority, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved

by the California Debt and Investment Advisory Commission, with a copy to the Authority, the annual report information required by Section 8855(k)(1) of the California Government Code with respect to the Bonds. This covenant shall remain in effect until the later of the date (i) the Bonds are no longer Outstanding or (ii) the proceeds of the Bonds have been fully spent.

## 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 Loan Repayments when such Loan Repayment is due and payable;

(b) Failure of the Corporation to pay any other payment required hereunder when due and payable;

(c) If any 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. 1 or the Bonds shall at any time prove to have been incorrect in any material respect as of the time made;

(d) 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 (c) 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-day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such sixty-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, such extended period not to be longer than one hundred eighty (180) days from the delivery date of the default notice;

(e) 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;

(f) 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;

(g) 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;

(h) Any Event of Default as defined in and under the Bond Indenture; or

(i) Any Event of Default as defined in and under the Master Indenture.

Section 6.2 Remedies on Default. If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Bond Trustee on behalf of the Authority, but subject to the limitations in the Bond Indenture as to the enforcement of remedies and subject to the Bond Trustee's rights and protections under the Bond Indenture, 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. 1 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.

If the Bond Trustee shall have declared the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately pursuant to Section 7.02 of the Bond Indenture, then the Bond Trustee, on behalf of the Authority, shall declare all Loan Repayments and Additional Payments to be immediately due and payable. Notwithstanding any other provision of this Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the payment due hereunder to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of Obligation No. 1 and all interest thereon immediately due and payable in accordance with Section 4.02(a) of the Master Indenture.

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 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. 1.

Section 6.6 Notice of Default. The Corporation agrees that, as soon as is practicable, and in any event within five (5) days of knowledge thereof, the Corporation will furnish the Bond Trustee, if any, notice of any event which is either (i) a Loan Default Event pursuant to Section 6.1 or (ii) an event that with the giving of notice or the passage of time or both would become a Loan Default Event, in either case which 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; provided, however, that with respect to a Loan Default Event pursuant to Section 6.1(a), the Bond Trustee shall give the Corporation, if any, notice by Electronic Means on the date such default occurs.

## 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; Nonbusiness 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 Successors and Assigns. This instrument shall inure to the benefit of and shall be binding upon the Authority and the Corporation and their respective successors and assigns, subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 7.4 Complete 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 confirmed facsimile transmission or in writing, mailed by first-class mail, postage prepaid and addressed as follows:

(1) to the Authority at:

California Statewide Communities Development Authority  
1100 K Street, Suite 101  
Sacramento, CA 95814  
Attn: Chair

(2) to Marin General Hospital at:

Marin General Hospital  
100B Drakes Landing Road, Suite 250  
Greenbrae, California 94904  
Attention: Chief Financial Officer

(3) to the Bond Trustee at:

The Bank of New York Mellon Trust Company, N.A.  
100 Pine Street, Suite #3200  
San Francisco, California 94111  
Attention:  
Telephone:  
Facsimile:

(4) to the Master Trustee at:

U.S. Bank National Association  
[ADDRESS]  
Attention:  
Telephone:  
Facsimile:

(b) The Corporation, the Authority and the Bond Trustee 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 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 7.8 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 7.9 Governing Law; Venue. This Loan Agreement shall be construed in accordance with and governed by the laws of the State applicable to contracts made and performed in the State. This Loan Agreement shall be enforceable in the State, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of Sacramento.

Section 7.10 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 the Loan Agreement as described in Section 1717 of the Civil Code. Nothing in this Section affects the rights of the Bond Trustee provided herein.

Section 7.11 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.

IN WITNESS WHEREOF, the Authority and the Corporation have each caused this Loan Agreement to be executed in their respective corporate names as of the date first written above.

CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Authorized Signatory

MARIN GENERAL HOSPITAL

By: \_\_\_\_\_  
[President and Chief Executive Officer]



## **8. Bond Purchase Agreement**

\$ \_\_\_\_\_  
**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
REVENUE BONDS  
(MARIN GENERAL HOSPITAL)  
SERIES 2018A**  
**BOND PURCHASE CONTRACT**

\_\_\_\_\_, 2018

California Statewide Communities Development Authority  
1100 K Street, Suite 101  
Sacramento, California 95814  
Attention: Chair

Ladies and Gentlemen:

Morgan Stanley & Co. LLC (the “Representative”), acting on behalf of itself and Stifel, Nicolaus & Company, Incorporated (collectively, the “Underwriters”) hereby offers to enter into this Bond Purchase Contract (this Bond Purchase Contract, including the hereinafter-defined Letter of Representation attached hereto as **Exhibit A** being herein called the “Bond Purchase Contract”) with the California Statewide Communities Development Authority (the “Authority”), and approved by Marin General Hospital (the “Corporation”), which, upon acceptance by the Authority and approval by the Corporation, will be binding upon the Authority, the Corporation and the Underwriters. The Representative has been duly authorized to execute this Bond Purchase Contract on behalf of the Underwriters. This offer is made subject to the Authority’s acceptance on or before 11:59 p.m., California time, on the date hereof, provided however that such time may be extended by the Authority until such time as the Representative has provided the Authority and the Corporation with final pricing information for the Bonds (defined below). If not so accepted, this offer will be subject to withdrawal by the Representative upon written notice delivered to the Authority and the Corporation at any time prior to such acceptance. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Official Statement (defined herein).

**1. Purchase, Sale and Delivery of the Bonds.**

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein and in the Letter of Representation, dated the date hereof (the “Letter of Representation”), executed and delivered by the Corporation and attached hereto as **Exhibit A**, the Underwriters hereby agree to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriters, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”), all dated, maturing and

containing such other terms as set forth in **Exhibit B** hereto and in the Bond Indenture, dated as of [May] 1, 2018 (the “Bond Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), relating to the Bonds. The aggregate purchase price of the Bonds shall be \$\_\_\_\_\_ (representing the principal amount of \$\_\_\_\_\_, [plus/less original issue premium/discount of \$\_\_\_\_\_,] less the Underwriters’ discount of \$\_\_\_\_\_).

(b) 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 Bond Indenture. The Bonds shall be limited obligations of the Authority payable from (i) payments made by the Corporation under the Loan Agreement, dated as of [May] 1, 2018 (the “Loan Agreement”), between the Authority and the Corporation, (ii) amounts held in certain funds established pursuant to the Bond Indenture, 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, and (iii) payments made under Master Indenture Obligation No. 1 (“Obligation No. 1”) to be issued pursuant to the Master Trust Indenture, dated as of [May] 1, 2018 (the “Master Indenture”), by and among the Corporation, Prima Medical Foundation (“Prima”) and U.S. Bank National Association, as master trustee (the “Master Trustee”), as supplemented by Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May] 1, 2018 (“Supplement No. 1”), between the Corporation, as Obligated Group Representative, and the Master Trustee. The Authority will assign to the Bond Trustee all its right, title and interest in and to the Loan Agreement (except as provided in the Bond Indenture and the Loan Agreement) and Obligation No. 1 as further security for the Bonds.

[The proceeds of the Bonds will be used for the purposes of (1) financing the construction, improvement, equipping, renovation, rehabilitation, remodeling and other capital projects on or about certain of the health facilities owned or operated by the Corporation and (2) paying certain costs of issuance related to the Bonds.]

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), the Corporation will execute and deliver a Continuing Disclosure Agreement, dated the Closing Date (the “Continuing Disclosure Agreement”), [between the Corporation, as Obligated Group Representative, and The Bank of New York Mellon Trust Company, N.A., in its capacity as Dissemination Agent,] to provide for the delivery of annual and quarterly reports and notices of the occurrence of certain events relating to the Bonds. The proposed form of the Continuing Disclosure Agreement is attached to the Official Statement as Appendix D.

(c) The Authority has delivered or caused to be delivered to the Underwriters, and hereby ratifies, confirms and approves of the distribution by the Underwriters of, the Preliminary Official Statement, dated \_\_\_\_\_, 2018 (the “Preliminary Official Statement”), relating to the Bonds. The Authority confirms that the information therein under the headings “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority” was deemed final for purposes of Rule 15c2-12. The Authority hereby agrees to deliver or cause to be delivered to the Underwriters, promptly after acceptance hereof, a form of the final Official Statement, dated the date hereof (the “Official Statement”), signed and approved on behalf of the Corporation by an authorized officer. The Authority agrees to deliver or cause to be

delivered to the Underwriters, within seven (7) Business Days of the date hereof and in any event not later than two (2) Business Days before the Closing Date, copies of the Official Statement, in such quantity as the Underwriters shall request in order to permit the Underwriters to comply with Rule 15c2-12. The Authority hereby approves of the use and distribution by the Underwriters of the Preliminary Official Statement, the Official Statement, the Bond Indenture, the Loan Agreement and other pertinent documents referred to in Section 3 hereof to be used in connection with the public offering and sale of the Bonds.

(d) At 8:00 a.m., California time, on \_\_\_\_\_, 2018, or at such earlier or later time or date as shall be agreed by the Authority, the Corporation and the Representative (such time and date being herein referred to as the “Closing Date” or the “Closing”), the Authority will cause to be delivered to or upon the order of The Depository Trust Company (“DTC”), for the account of the Underwriters, the Bonds, in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds (all of the Bonds to bear CUSIP numbers), duly executed by the Authority and authenticated by the Bond Trustee, and will deliver the other documents herein required to be delivered to the Underwriters at the Sacramento, California, offices of Orrick, Herrington and Sutcliffe, LLP, bond counsel to the Authority (“Bond Counsel”); and the Representative will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this Section by federal funds wire transfer to or upon the order of the Authority. Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Representative to accept delivery of and pay for the Bonds on the Closing Date in accordance with the terms of this Bond Purchase Contract. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Bond Trustee in the name of Cede & Co., as the nominee of DTC.

2. **Representations and Agreements of the Authority.** The Authority represents to and agrees with the Underwriters and the Corporation that:

(a) The Authority is a joint powers agency organized and existing under the laws of the State of California and has full power and authority to adopt Resolution No. \_\_\_\_\_ adopted by the Authority on April 5, 2018 (the “Authorizing Resolution”), and to enter into and to perform its obligations under the Bond Indenture, the Loan Agreement and this Bond Purchase Contract (collectively, the “Authority Documents”); and when executed and delivered by the respective parties thereto, the Authority Documents 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 laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitation on legal remedies against joint powers authorities in the State of California;

(b) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has approved and authorized the distribution of the Preliminary Official Statement and the Official Statement and authorized and approved the execution and delivery of the Authority Documents and the consummation by the Authority of the transactions contemplated thereby;

(c) To the knowledge of the Authority, 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 against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the 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 Authority Documents or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the existence or powers of the Authority relating to the sale of the Bonds;

(d) The statements and information contained in the Preliminary Official Statement and the Official Statement under the caption “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority” are true and correct in all material respects, and the information contained under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority” in the Preliminary Official Statement and the Official Statement does not contain an untrue statement of a material fact or omit any statement or information concerning the Authority which is necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(e) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters, at the expense of the Underwriters or the Corporation, as the Underwriters 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 Underwriters may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and 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 that would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(f) The execution and delivery by the Authority of the Authority Documents and compliance with the provisions on the Authority’s part contained therein will not conflict with or constitute a material breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents;

(g) If before the “end of the underwriting period” (as defined in Rule 15c2-12), 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” and “ABSENCE OF MATERIAL LITIGATION—The Authority” as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not

misleading, or if the Authority is notified by the Corporation pursuant to the provisions of the Letter of Representation or otherwise requested to amend, supplement or otherwise change the Official Statement, the Authority will notify the Representative and the Corporation, and if in the opinion of the Representative such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Corporation and the Representative to amend or supplement the Official Statement in a form and in a manner approved by the Representative, provided all expenses thereby incurred will be paid by the Corporation; and

(h) During the period described in the preceding paragraph, (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 Corporation or the Representative shall reasonably object in writing or which shall be disapproved by any of 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 Underwriters, 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 cooperate with the Corporation and the Representative to prepare and furnish to the Underwriters and the Corporation (at the expense of the Corporation) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters) 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.

The execution and delivery of this Bond Purchase Contract by the Authority shall constitute a representation by the Authority to the Underwriters that the representations and agreements contained in this Section are true as of the date hereof; provided, however, that as to information furnished by the Corporation pursuant to this Bond Purchase Contract or otherwise, the Authority is relying solely on such information in making the Authority's representations and agreements, and as to all matters of law the Authority is relying on the advice of Bond Counsel; and provided further, that no member, officer, agent or employee of the governing body of the Authority shall be individually liable for the breach of any representation, warranty or agreement contained herein.

**3. Conditions to the Obligations of the Underwriters.** The obligations of the Underwriters to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriters, to the accuracy in all material respects of the representations and agreements on the part of the Authority contained herein and the representations, warranties and agreements on the part of the Corporation contained in the Letter of Representation, 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 and the representatives of the Corporation made in any certificates or other documents furnished pursuant to the provisions hereof, 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) Prior to or simultaneously with the execution of this Bond Purchase Contract, the Underwriters shall have received from the Corporation the Letter of Representation,

dated the date of this Bond Purchase Contract, addressed to the Representative and the Authority, in the form attached hereto as **Exhibit A**;

(b) The Underwriters shall have received from Moss Adams LLP, (i) on or prior to the date hereof, an executed copy of its letter, with work extending to a date not more than five (5) business days prior to the date hereof, substantially in the form of **Exhibit D** hereto (the “Procedures Letter”), and (ii) on or prior to the respective dates of printing thereof, its consent to the inclusion of its audit report on the consolidated financial statements of the Corporation and its affiliates that are included in the Preliminary Official Statement and the Official Statement; and

(c) At the Closing Date, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Certificate and Agreement, dated the date of delivery of the Bonds, delivered by the Authority and the Corporation (the “Tax Agreement”), the Continuing Disclosure Agreement, the [Deposit Account Control Agreement(s), dated the date of delivery of the Bonds, among the Obligated Group Members, the Master Trustee and the depository bank(s) named therein] (the “Account Control Agreement”), and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto in substantially the forms heretofore submitted to the Underwriters with only such changes as shall have been agreed to in writing by the Representative, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Bond Purchase Contract, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

(d) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative, and there shall not have occurred any change in the condition, financial or otherwise, or in the earnings or operations of the Obligated Group, from that set forth in the Official Statement that, in the reasonable judgment of the Representative, materially and adversely affects the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement.

(e) Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected, in the reasonable judgment of the Representative (evidenced by a written notice to the Authority terminating the obligation of the Underwriters to accept delivery of and pay for the Bonds), by reason of any of the following:

(1) an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of California, or the amendment of legislation pending as of the date of this Bond Purchase Contract in the Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, 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 the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for the staff

of either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Authority, or the interest on bonds or notes (including the Bonds);

(2) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), or that the Indenture or the Master Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

(3) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or the occurrence of any other national emergency or calamity or crisis relating to the effective operation of the government of or the financial markets in the United States;

(4) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred;

(5) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(6) the imposition by the New York Stock Exchange, other national securities exchange or any governmental authority of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by or the change to the net capital requirements of underwriters;

(7) an order, decree or injunction of any court of competent jurisdiction or order, ruling, regulation or official statement by the Securities and Exchange Commission 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;

(8) the withdrawal, suspension or downgrading or negative qualification (*e.g.* “credit watch” or “negative outlook”) of any rating of the Bonds or the failure to rate the Bonds by a national rating agency requested to rate the Bonds;

(9) any event occurring or information becoming known that, in the reasonable judgment of the Representative, 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 necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(10) any event occurs that requires, pursuant to Paragraph (19) of the Letter of Representation, a supplement or amendment to the Official Statement.

(f) At or prior to the Closing Date, the Underwriters shall have received the following documents, in each case reasonably satisfactory in form and substance to the Underwriters:

(1) The unqualified approving opinion related to the Bonds, dated the Closing Date and addressed to the Authority, with reliance letters thereon addressed to the Underwriters and Bond Trustee, of Bond Counsel, in substantially the form attached to the Official Statement as Appendix E, together with a supplemental opinion of Bond Counsel in substantially the form attached hereto as **Exhibit E**.

(2) The opinion of special counsel to the Authority (“Authority Counsel”), dated the Closing Date and addressed to the Underwriters, substantially in the form attached hereto as **Exhibit F**.

(3) The opinion of Archer Norris PLC, counsel to the Obligated Group, dated the date of Closing, addressed to the Authority, the Bond Trustee, the Underwriters and Bond Counsel, in substantially the form set forth as **Exhibit G**.

(4) The opinions of Norton Rose Fulbright US LLP, dated the Closing Date, (a) addressed to the Underwriters, to the effect that (i) the Bonds are exempt from registration under the Securities Act, and the Bond Indenture is exempt from qualification under the Trust Indenture Act; (ii) based upon information made available to such counsel in the course of such counsel’s participation in the transaction as counsel to the Underwriters and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to such counsel’s attention that would lead them to believe that the Official Statement (except for any financial statements, statistical data and the information regarding the book-entry system, DTC and the information contained in Appendices B, C, E and F included in the Official Statement, as to which no

opinion or view need be expressed), as of the date thereof or the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) assuming the enforceability of the Continuing Disclosure Agreement, the continuing disclosure undertaking contained in the Continuing Disclosure Agreement satisfies paragraph (b)(5)(i) of Rule 15c2-12; and (b) addressed to Prima, the Corporation and Bond Counsel, to the effect that (i) Prima is an organization described in Section 501(c)(3) of the Code, and is exempt from federal income taxation under Section 501(a) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code; and (ii) Prima is an organization described in Section 3(a)(4) of the Securities Act of 1933, as amended, and Section 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended.

(5) A certificate, dated the Closing Date and signed by an authorized signatory of the Authority or such other authorized official of the Authority as is acceptable to the Representative, to the effect that (a) the Authority has fulfilled or performed each of its obligations contained in the Authority Documents required to be fulfilled or performed by it as of the Closing Date; and (b) the representations and agreements made by the Authority in this Bond Purchase Contract are true and correct in all material respects as of the Closing Date, with the same effect as if made on and with respect to the facts as of the Closing Date.

(6) A certificate of an officer of the Corporation, on behalf of the Obligated Group, dated the Closing Date, to the effect that:

(i) since December 31, 2017, no material adverse change has occurred in the financial position or results of operation of the Obligated Group, taken as a whole, that is not described in the Official Statement;

(ii) since December 31, 2017, the Obligated Group, taken as a whole, has not incurred any material liabilities other than in the ordinary course of business which are not described in the Official Statement;

(iii) other than as described in the Official Statement, no litigation is pending or, to the knowledge of the Corporation, threatened against any Member (a) to restrain or enjoin the issuance or delivery of any of the Bonds by the Authority or the collection of Revenues pledged under the Bond Indenture, (b) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, this Bond Purchase Contract or the Letter of Representation, or (c) in any way contesting the corporate existence or powers of such Member;

(iv) other than as described in the Official Statement, no proceedings are pending or, to the knowledge of the Corporation, threatened that in any way contest or affect the status of any Member as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), which is not a private foundation as described in Section 509(a) of the Code, or that would subject any income of any Member to federal income taxation other than taxation in respect of unrelated business income under Section 511 of the Code;

(v) no event affecting the Obligated Group has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect;

(vi) the representations and warranties made by the Corporation in the Loan Agreement, the Continuing Disclosure Agreement and the Letter of Representation are true and correct as of the Closing Date, provided that, as to the representations contained in the Letter of Representation, references to “the date hereof” shall be deemed to be to the Closing Date;

(vii) as of the Closing Date, the Corporation, on behalf of the Obligated Group, shall have caused to be filed such financing statements, all in form and substance satisfactory to the Master Trustee and its counsel, as may be necessary under Division 9 of the California Commercial Code, to create or continue a perfected security interest in the Gross Revenues of the Obligated Group Members in favor of the Master Trustee; and

(viii) the deposit account(s) listed in the Account Control Agreement [is/are] the only deposit account(s) that [is/are] established and maintained by the Obligated Group Members in the State of California in which all or a part of the Gross Revenues (as such term is defined in the Master Indenture) are deposited.

(7) A certified copy of the Authorizing Resolution of the Authority authorizing the execution and delivery of the Bonds, the Bond Indenture, the Loan Agreement, Tax Agreement and this Bond Purchase Contract and the delivery of the Official Statement.

(8) Copies of the articles of incorporation of each Member and a certificate of status of recent date, each certified by the Secretary of State of the State of California, and a good standing certificate of recent date certified by the Franchise Tax Board of the State of California for each Member; a certified copy of the bylaws of each Member; a certified copy of resolutions of the governing body of each Member authorizing, as applicable, the execution and delivery by the

Corporation or each Member, as applicable, of the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1 and the Letter of Representation and approving this Bond Purchase Contract, the Preliminary Official Statement and the Official Statement (and distribution thereof), and the Bond Indenture and the issuance of the Bonds;

(9) Evidence that each Member is an organization described in Section 501(c)(3) of the Code, and is not a private foundation as described in Section 509(a) of the Code.

(10) A copy of the completed Form 8038 of the Internal Revenue Service, executed by the Authority.

(11) Two copies of the Official Statement executed on behalf of the Corporation by an authorized officer of the Corporation.

(12) Evidence that the Bonds have been rated “\_\_\_” by Fitch Ratings, Inc. and “\_\_\_” by S&P Global Ratings.

(13) An opinion of counsel to the Bond Trustee dated the Closing Date, addressed to the Authority, the Corporation and the Underwriters, in substantially the form attached hereto as **Exhibit H**.

(14) Certificates of the Obligated Group Members as required by the Master Indenture for the issuance of Obligation No. 1.

(15) A Preliminary Blue Sky Survey prepared by counsel to the Underwriters.

(16) A certificate, dated the Closing Date, signed by an authorized officer of the Bond Trustee, in substantially the form attached hereto as **Exhibit I**.

(17) A certificate, dated the Closing Date, signed by an authorized officer of the Master Trustee, in form and substance acceptable to the Authority, Bond Counsel and the Representative.

(18) Such Uniform Commercial Code financing statements and fixture filings, completed and executed for filing as the Underwriters may reasonably request.

(19) A letter of Moss Adams LLP, dated the Closing Date, with procedures performed no more than five (5) business days prior to the Closing Date, bringing down the Procedures Letter.

(20) The opinion of Bouey & Black LLP, special counsel to the Marin Healthcare District (the “District”), dated the date of Closing, addressed to the

Authority, the Bond Trustee, the Underwriters and Bond Counsel, in substantially the form set forth as **Exhibit C**.

(21) A certified copy of the resolution of the District approving the issuance of the Bonds.

(22) An certified copy of the executed lease agreement between the Corporation and the District (the “Hospital Lease”), as amended to date.

(23) A copy of the Authority’s executed Blanket Letter of Representation to The Depository Trust Company.

(24) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative, the Authority or Bond Counsel may reasonably 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 Letter of Representation, and the due performance or satisfaction by the Authority and the Corporation at or prior to the requisite 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 Underwriters’ obligations contained in this Bond Purchase Contract or if the Underwriters’ obligations shall be terminated for any reason permitted by this Bond Purchase Contract, this Bond Purchase Contract may be cancelled by the Representative at, or at any time before, the time of the Closing and, upon such cancellation, the Underwriters, the Authority and the Corporation shall not be under further obligation hereunder except as provided in 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 Underwriters of their obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) The Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement and this Bond Purchase Contract shall have been executed by the respective 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 by the Bond Purchase Contract or by the Official Statement;

(c) The documents contemplated by Section 3(f) to be delivered or addressed to the Authority shall have been delivered to the Authority substantially in the forms set forth herein or in form and substance satisfactory to Bond Counsel, Authority Counsel and counsel to the Underwriters;

(d) The Authority's closing fee and the fee of its special counsel shall have been paid by wire transfer or in other immediately available funds or arrangements reasonably satisfactory to the Authority and its special counsel shall have been made to pay such fees from the proceeds of the Bonds or otherwise; and

(e) The Underwriters shall provide information to which they have access in their ordinary course of business that is requested by the Authority for purposes of its compliance with California Government Code Section 8855.

5. **Expenses.** All reasonable expenses and costs incurred in connection with the authorization, issuance and sale of the Bonds to the Underwriters, including printing costs, CUSIP Service Bureau fees, fees and expenses of consultants, fees and expenses of rating agencies, reasonable fees and expenses of Bond Counsel, of counsel for the Underwriters and of counsel for the Obligated Group, reasonable fees and expenses of the Underwriters and counsel for the Underwriters in connection with qualification of the Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions, preparation and printing of a blue sky survey, preparation of the Preliminary Official Statement and the Official Statement, and all fees and expenses of the Bond Trustee and the Master Trustee shall be paid by the Corporation. All reasonable expenses and costs of the Authority incident to the performance of their respective obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters, including any out-of-pocket disbursements of the Authority shall be paid by the Corporation. All fees and expenses to be paid by the Corporation pursuant to this Bond Purchase Contract may be paid (i) from Bond proceeds to the extent permitted by the Bond Indenture and the Tax Agreement or (ii) from an equity contribution made by the Corporation. All out-of-pocket expenses of the Underwriters (except as provided above), including travel and other expenses, shall be paid by the Underwriters.

6. **Establishment of Issue Price.**

(a) The Representative, on behalf of the Underwriters, agrees to assist the Authority and the Corporation in establishing the issue price of the Bonds and shall execute and deliver to the Authority and the Corporation at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit J, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Authority, the Corporation and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) With respect to Bonds of those maturities as to which at least 10% of the Bonds of the maturity has been sold to the public at a single price (the "10% test"), based on reporting by the Representative to the Authority and the Corporation on the date hereof and prior to the execution of this Bond Purchase Contract, which maturities are indicated in Exhibit B attached hereto, the Authority and the Corporation will treat the first price at which 10% of each such maturity of the Bonds was sold to the public as the issue price of that maturity. For Bonds maturing on the same date but having different interest rates, each separate CUSIP number for such Bonds is subject to the 10% test as if it were a separate maturity. With respect to Bonds of those maturities as to which the 10% test has not been satisfied, based on reporting by the

Representative to the Authority and the Corporation on the date hereof and prior to the execution of this Bond Purchase Contract, which maturities are indicated in Exhibit B attached hereto, the Representative and the Authority agree (and the Corporation will agree pursuant to Paragraph 28 of the Letter of Representation) that the rules in subsection (c) below shall apply.

(c) The Representative confirms that the Underwriters have offered the Bonds to the public on or before the date of this Bond Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit B attached hereto, except as otherwise set forth therein. Exhibit B also sets forth, as of the date of this Bond Purchase Contract, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Representative, on behalf of the Underwriters, agree (and the Corporation will agree pursuant to Paragraph 28 of the Letter of Representation) that the restrictions set forth in the next sentence shall apply, which will allow the Authority and the Corporation to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriters will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the Authority and the Corporation when the Underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Authority acknowledges (and the Corporation will acknowledge pursuant to Paragraph 29 of the Letter of Representation) that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule (as defined above), as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires.

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires. The Authority further acknowledges (and the Corporation will acknowledge pursuant to Paragraph 29 of the Letter of Representation) that the Underwriters shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) The Representative, on behalf of the Underwriters, acknowledges that sales of any Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the Representative or lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A)

to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Bond Purchase Contract by all parties.

7. **Notices.** Any notice or other communication to be given to the Authority under this Bond Purchase Contract may be given by delivering the same in writing at the Authority’s address set forth above, and any such notice or other communications to be given to the Underwriters may be given by delivering the same in writing to the Representative at Morgan Stanley & Co. LLC, 555 California Street, 21<sup>st</sup> Floor, San Francisco, California 94104, Attention: John Q. Landers, Jr. The approval of the Representative when required hereunder or the determination of its satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to you.

8. **Governing Law.** This Bond Purchase Contract 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 Bond Purchase Contract shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of Sacramento.

9. **Limitation of Liability of Authority.** The Authority shall not 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 Bond Purchase Contract or any document or instrument referred to herein or by reason of or in connection with this Bond Purchase Contract or other document or instrument except to the extent it receives amounts from the Corporation available for such purpose.

10. **Arms-Length Transaction.** The Authority and the Underwriters acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Contract is an arm’s-length, commercial transaction between the Authority and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the Authority, (ii) the Underwriters have not assumed (individually or collectively) any advisory or

fiduciary responsibility to the Authority with respect to this Bond Purchase Contract, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter or any affiliate of an Underwriter has provided other services or is currently providing other services to the Authority on other matters), (iii) the only contractual obligations the Underwriters have to the Authority with respect to the transactions contemplated hereby are those set forth in this Bond Purchase Contract, (iv) the Underwriters have financial and other interests that differ from those of the Authority and (v) the Authority and the Underwriters 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 Underwriters' obligations of fair dealing under MSRB Rule G-17.

11. **Miscellaneous.** This Bond Purchase Contract is made solely for the benefit of the Authority, the Corporation and the Underwriters (including the successors or assigns of the Underwriters) and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. This Bond Purchase Contract may be executed in any number of counterparts, and will become a binding agreement between the Authority and the Underwriters when at least one counterpart of this Bond Purchase Contract shall have been signed on behalf of each of the parties hereto.

MORGAN STANLEY & CO. LLC,  
as Representative of the Underwriters

By: \_\_\_\_\_  
Authorized Representative

Accepted and agreed to:

CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Authorized Signatory

Approved:

MARIN GENERAL HOSPITAL

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**LETTER OF REPRESENTATION**

\_\_\_\_\_, 2018

California Statewide Communities Development Authority  
1100 K Street, Suite 101  
Sacramento, CA 95814  
Attention: Chair

Morgan Stanley & Co. LLC,  
as Representative of the Underwriters  
555 California Street  
San Francisco, CA 94104

Ladies and Gentlemen:

Pursuant to the Bond Purchase Contract, dated the date hereof (the “Bond Purchase Contract”) with Morgan Stanley & Co. LLC, as representative of the Underwriters (the “Underwriters”), and approved by Marin General Hospital (the “Corporation”), the California Statewide Communities Development Authority (the “Authority”) proposes to sell \$\_\_\_\_\_ principal amount of California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”). The offering of the Bonds is described in a Preliminary Official Statement dated \_\_\_\_\_, 2018 (the “Preliminary Official Statement”) and in an Official Statement dated \_\_\_\_\_, 2018 (the “Official Statement”). The Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 (“Rule 15c2-12”) promulgated under the Securities Exchange Act of 1934, as amended (the “1934 Act”), except for the information not required to be included therein under Rule 15c2-12.

The Bonds will be substantially in the form described in, will be issued pursuant to and secured by, and shall be payable as provided in the Bond Indenture, dated as of [May] 1, 2018 (the “Bond Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”). The Authority will lend the proceeds of the Bonds to the Corporation pursuant to the Loan Agreement, dated as of [May] 1, 2018 (the “Loan Agreement”), between the Authority and the Corporation.

[The proceeds of the Bonds will be used for the purposes of financing the construction, improvement, equipping, renovation, rehabilitation, remodeling and other capital projects on or about certain of the health facilities of the Corporation and (2) paying certain costs of issuance related to the Bonds.]

To evidence and secure its obligations under the Loan Agreement, the Corporation will issue Master Indenture Obligation No. 1 (“Obligation No. 1”) pursuant to the Master Trust Indenture, dated as of [May] 1, 2018, among the Corporation, Prima Medical Foundation and U.S. Bank National Association, as master trustee (the “Master Trustee”), to be supplemented by the Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May] 1, 2018 (“Supplement No. 1”), between the Corporation, as Obligated Group Representative, and the Master Trustee. Obligation No. 1 issued under the Master Indenture will be secured by a security interest in the Gross Revenues of the Obligated Group and a security interest in the moneys on deposit from time to time in the Gross Revenue Fund created under the Master Indenture.

Capitalized words and terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Bond Purchase Contract.

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), the Corporation will execute and deliver a Continuing Disclosure Agreement, dated the Closing Date (the “Continuing Disclosure Agreement”), [between the Corporation, as Obligated Group Representative, and The Bank of New York Mellon Trust Company, N.A., in its capacity as Dissemination Agent,] to provide for the delivery of annual and quarterly reports and notices of the occurrence of certain events relating to the Bonds. The proposed form of the Continuing Disclosure Agreement is attached to the Official Statement as Appendix D.

In order to induce you to enter into the Bond Purchase Contract and to make the sale and purchase and offering of the Bonds therein contemplated, the Corporation hereby represents, warrants and agrees with each of you, on behalf of itself and the Obligated Group Members, as follows:

1. Each Member is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State of California.

2. The Corporation has full legal right, power and authority to enter into this Letter of Representation and to approve the Bond Indenture, the Bond Purchase Contract, the Preliminary Official Statement and the Official Statement, and at the Closing Date will have full legal right, power and authority to enter into the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, Supplement No. 1 and Obligation No. 1; each Member has and at the Closing Date will have full legal right, power and authority to enter into the Master Indenture and the Account Control Agreement, to carry out and consummate all transactions contemplated by the Bond Purchase Contract, the Loan Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, the Bond Indenture, Supplement No. 1, Obligation No. 1, the Tax Agreement, this Letter of Representation, the Preliminary Official Statement and the Official Statement and by proper corporate action has duly authorized the execution and delivery by the Corporation or each Member, as applicable, of this Letter of Representation, the Loan Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Tax Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1 and the approval of the Bond Indenture, the Bond Purchase Contract, the Preliminary Official Statement and the Official Statement.

3. The authorized representative of the Corporation executing this Letter of Representation, the Loan Agreement, Supplement No. 1, Obligation No. 1, the Tax Agreement and the Continuing Disclosure Agreement, and approving the Bond Indenture, the Bond Purchase Contract, the Preliminary Official Statement and the Official Statement, is duly and properly in office and fully authorized to execute and approve the same; the authorized representative of each Member executing the Master Indenture and the Account Control Agreement is duly and properly in office and fully authorized to execute the same.

4. The Bond Indenture, the Bond Purchase Contract, the Preliminary Official Statement (including the distribution thereof by the Underwriters) and the Official Statement (including the distribution thereof by the Underwriters) have been duly approved by the Corporation; this Letter of Representation has been duly authorized, executed and delivered by the Corporation; the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, Supplement No. 1 and Obligation No. 1 have been duly authorized and will be at the Closing duly executed and delivered by the Corporation; the Master Indenture and the Account Control Agreement have been duly authorized by each Member and will be at the Closing duly executed and delivered by each Member; and (i) the Loan Agreement and Obligation No. 1, when and to the extent assigned to the Bond Trustee pursuant to the Bond Indenture, will constitute the legal, valid and binding obligations of the Corporation, in the case of the Loan Agreement, and of the Obligated Group, in the case of Obligation No. 1, to the Bond Trustee, enforceable against the Corporation, and the Obligated Group Members, respectively, in accordance with their terms for the benefit of the holders of the Bonds, and (ii) this Letter of Representation, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, Supplement No. 1, the Tax Agreement and any rights of the Authority and obligations of the Corporation under the Loan Agreement not so assigned to the Bond Trustee will constitute the legal, valid and binding agreements of the Corporation and the Obligated Group Members, as applicable, enforceable against the Corporation or the Obligated Group Members in accordance with their respective terms; except as enforcement of each of the above named documents may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, including without limitation, self-help remedies and applicable foreclosure procedures, and by the application of equitable principles, regardless of whether such enforceability is considered in a proceeding in equity or at law and except as enforcement may be held to be against public policy.

5. No Member is 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 the Corporation's or any Member's, as applicable, performance under the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, this Letter of Representation, the Preliminary Official Statement or the Official Statement.

6. No Member is in breach of or default under (i) any applicable law or administrative regulation of the State of California or any jurisdiction where it operates, or the United States of America or any applicable judgment or decree, in each case which breach or default would materially adversely affect the financial position or operations of the Obligated Group or (ii) any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the

Member is a party or is otherwise subject, and, to the Corporation's knowledge, 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 breach or default would materially adversely affect the financial position or operations of the Obligated Group.

7. The execution and delivery by the Corporation of this Letter of Representation; the approval by the Corporation of the Bond Indenture, the Bond Purchase Contract, the Preliminary Official Statement and the Official Statement; at the Closing, the execution and delivery by the Corporation of the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, Supplement No. 1 and Obligation No. 1, and the execution and delivery by each Member of the Master Indenture and the Account Control Agreement; the consummation by the Corporation or each Member, as applicable, of the transactions contemplated herein or therein; and the fulfillment by the Corporation or each Member, as applicable, of or the compliance by the Corporation or each Member, as applicable, with the terms and conditions hereof and thereof will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of any Member, its bylaws, any resolutions of any of its Boards of Directors 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 or instrument to which such Member is a party 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 such Member, which conflict, violation, breach, default, lien, charge or encumbrance would reasonably be expected to have consequences that would materially and adversely affect the consummation by the Corporation or each Member, as applicable, of the transactions contemplated by the Bond Purchase Contract, the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, this Letter of Representation, the Preliminary Official Statement or the Official Statement or the financial condition, assets, properties or operations of the Obligated Group.

8. No consent or approval of any trustee or holder of any indebtedness of any Member, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except in connection with Blue Sky proceedings) is on the part of any Member necessary in connection with the execution and delivery by the Corporation of this Letter of Representation; the approval by the Corporation of the Bond Indenture, the Bond Purchase Contract, the Preliminary Official Statement or the Official Statement; at the Closing, the execution and delivery by the Corporation of the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, Supplement No. 1 or Obligation No. 1, and the execution and delivery by each Member of the Master Indenture and the Account Control Agreement; or the consummation by each Member of any transaction contemplated therein or herein; except for filings contemplated therein or otherwise as have been obtained or made and as are in full force and effect (or, in the case of the Loan Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, Supplement No. 1, the Tax Agreement and Obligation No. 1, will be in full force and effect at the Closing).

9. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other government authority pending or, to the knowledge of the Corporation, threatened against or affecting any Member or the assets, properties or operations of

any Member which, if determined adversely to such Member or its interests, would have a material and adverse effect upon the consummation by such Member of the transactions contemplated by or the validity of the Bond Purchase Contract, the Bond Indenture, the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, this Letter of Representation, the Preliminary Official Statement or the Official Statement, or would have a material and adverse effect upon the financial condition, assets, properties or operations of the Obligated Group, and no Member in violation of any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which violation would reasonably be expected to have consequences that would materially and adversely affect the consummation by such Member of the transactions contemplated by the Bond Purchase Contract, the Bond Indenture, the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, this Letter of Representation, the Preliminary Official Statement or the Official Statement, or the financial conditions, assets, properties or operations of the Obligated Group.

10. Each Member is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law and is not a private foundation as described in Section 509(a) of the Code. Each Member is exempt from federal income taxes under Section 501(a) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code.

11. Each Member is a corporation organized and operated exclusively for charitable purposes (within the meaning of Section 501(c) of the Code), not for pecuniary profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual all within the meaning of Subsection 3(a)(4) of the Securities Act, and of Subsection 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended.

12. The proceeds of the Bonds will not be used by an organization described in Section 501(c)(3) of the Code in an “unrelated trade or business” within the meaning of Section 513(a) of the Code, or by any other person, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on any of the Bonds under Section 103 of the Code.

13. Each Member has all necessary power and authority to conduct the business and activities now being conducted by it and to be reimbursed, as applicable, for its costs and expenses under all third party payor programs accounting for a significant portion of its gross revenues, including, without limitation, Medicare and Medicaid and as contemplated by or described in the Master Indenture, Obligation No. 1, Supplement No. 1, the Loan Agreement, the Tax Agreement, the Continuing Disclosure Agreement, the Account Control Agreement, the Preliminary Official Statement and the Official Statement. Each Member is qualified to do business and is doing business in the State of California.

14. Except for Permitted Liens (as that term is defined in the Master Indenture), the Corporation has good title to, or has other valid and enforceable rights to enjoy the peaceful and undisturbed possession of all of the premises upon which it is operating as a health care institution.

15. No Member has incurred any material liability, direct or contingent, other than in the ordinary course of business, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of any Member (whether or not arising from transactions in the ordinary course of business), in each case, since December 31, 2017, which is not described in the Preliminary Official Statement or the Official Statement.

16. Between the date hereof and the Closing Date, no Member, without the prior written consent of the Representative and prior written notice to the Authority, except as described in or contemplated by the Preliminary Official Statement or the Official Statement, will incur any material liabilities, direct or contingent, other than in the ordinary course of business.

17. As of the date thereof and as of the date hereof (and except as modified in the Official Statement), the Preliminary Official Statement (including the financial statements and other financial and statistical data contained in the Preliminary Official Statement, but excluding any information permitted to be omitted pursuant to Rule 15c2-12) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; provided that the provisions of this sentence do not pertain to any statement or information in the Preliminary Official Statement under the headings “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority.” The Corporation confirms that the Preliminary Official Statement was deemed to be final as of its date for purposes of Rule 15c2-12.

18. As of the date hereof, the Official Statement, as amended or supplemented pursuant to the Bond Purchase Contract or this Letter of Representation, if applicable, does not and will not as of the Closing Date contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; provided that the provisions of this sentence do not pertain to any statement or information in the Official Statement under the headings “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority.”

19. If between the date hereof and up to and including the 25<sup>th</sup> day following the end of the underwriting period (as defined in Rule 15c2-12) any event shall occur of which a Member has knowledge which might or would 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 necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, the Member shall promptly notify the Corporation, the Authority and the Representative and if, in the opinion of the Authority or the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, then 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 Representative and the Authority, at the expense of the Corporation as provided herein.

20. For 25 days from the date of the end of the underwriting period (as defined in Rule 15c2-12), (a) no Member will participate in the issuance of any amendment of 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 relating to or affecting the Authority or any Member, or its present or proposed facilities, shall

occur as a result of which it is necessary, in the opinion of counsel for the Underwriters 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, then the Corporation shall forthwith prepare and furnish to the Underwriters and the Authority (at the expense of the Corporation) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters 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 the light of the circumstances existing at the time the Official Statement is delivered to purchasers, not misleading. For the purposes of this subsection, each Member will furnish such information with respect to itself and its respective present and proposed facilities as any of you may from time to time reasonably request.

21. The Hospital Lease (a) previously has been approved, executed and delivered by the Corporation, (b) is a legal, valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms and (c) has not been amended, modified or rescinded since its execution. The Corporation is not in default of any material provision of the Hospital Lease, the failure to comply with which would adversely affect the Corporation's occupancy of the Premises (as such term is defined in the Hospital Lease).

22. (a) To the fullest extent permitted by law, each Member agrees to indemnify and hold harmless the Authority, the Program Participant (as defined in the Bond Indenture) and the Underwriters and each person, if any, who controls the Authority, the Program Participant and the Underwriters within the meaning of Section 15 of the Securities Act (collectively, the "Indemnified Persons," and individually, an "Indemnified Person"), from and against any and all judgments, losses, claims, damages, expenses or liabilities caused by (i) the failure to register any security under the Securities Act, or to qualify any indenture under the Trust Indenture Act in connection with the sale of the Bonds; (ii) any untrue statement or alleged untrue statement of a material fact contained in any offering or disclosure document used in connection with the sale of the Bonds (which may include the Preliminary Official Statement and the Official Statement) or any amendment thereof or supplement thereto, or the omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except, solely with respect to the indemnification of the Authority and the Program Participant, for the information set forth under the captions "THE AUTHORITY," and "ABSENCE OF MATERIAL LITIGATION—The Authority" and, except solely with respect to indemnification of the Underwriters, for the information set forth under the caption "UNDERWRITING," insofar as such judgments, losses, claims, damages, expenses or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information furnished under such headings in the Preliminary Official Statement or the Official Statement.

(b) In case any action shall be brought against an Indemnified Persons in respect of which indemnity may be sought against the Members, such Indemnified Person shall promptly notify the Corporation in writing setting forth the particulars of such claim or action, and the Corporation shall assume the defense thereof, including the retaining of counsel satisfactory to such Indemnified Party and payment of all expenses. The Indemnified Person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees

and expenses of such counsel shall be at the expense of the Indemnified Person, unless (i) the retention of such counsel has been specifically authorized by the Corporation prior to the retention of such counsel or (ii) the named parties to any such action (including any impleaded parties) include the Indemnified Person and a Member, and the Indemnified Person shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to such, in which case the Corporation shall not have the right to assume the defense of such action on behalf of the Indemnified Person (notwithstanding its obligation to bear the fees and expenses of the such counsel), it being understood, however, that the Corporation shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Person. The Corporation shall not be liable for any settlement of any such action effected without its written consent, but if settled with the prior written consent of the Corporation, or if there be a final judgment for the plaintiff in any such action, the Members agree to indemnify and hold harmless the Indemnified Person from and against any loss or liability by reason of such settlement or judgment.

23. In order to provide for just and equitable contribution in circumstances in which the indemnification under Section 22 is for any reason held to be unavailable from the Members, to the extent permitted by law, the Members and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, to which the Members and the Underwriters may be subject), in such proportion that the Underwriters are jointly responsible for that portion represented by the percentage that the underwriting discount set forth in the Official Statement bears to the public offering price appearing thereon and the Members are responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11 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 23, each officer, agent and employee of the Underwriters and each person, if any, who controls the Underwriters within the meaning of the Securities Act shall have the same rights to contribution as that of the Underwriters. 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 Section 23, 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 Section 23. No party shall be liable for contribution with respect to any action or claim settled without its consent.

24. As of the date hereof, there has been no material decrease in the total operating revenues, excess of revenues over expenses or total increase (decrease) in net assets of the Corporation from amounts shown on pages A-\_\_ and A-\_\_ of the Preliminary Official Statement and the Official Statement, and no material decrease in the total assets or total liabilities and net assets of the Corporation from amounts shown on page A-\_\_ of the Preliminary Official Statement and the Official Statement, and there has been no material increase in the total long-term debt of the Corporation from amounts shown on page A-\_\_ of the Preliminary Official Statement and

Official Statement, other than in connection with the issuance of the Bonds and the related transactions described in the Preliminary Official Statement and Official Statement.

25. The Corporation hereby agrees to pay the expenses described in Section 5 of the Bond Purchase Contract, and to pay any expenses incurred in amending or supplementing the Official Statement pursuant to the Bond Purchase Contract or this Letter of Representation.

26. The Corporation acknowledges and agrees that (i) each Underwriter is acting as a principal under the Bond Purchase Contract (including this Letter of Representation) and not as an agent of or a fiduciary to any party to the Bond Purchase Contract (including this Letter of Representation), (ii) each Underwriter is not acting as a financial advisor to any party to the Bond Purchase Contract (including this Letter of Representation), (iii) each Underwriter's engagement in the transactions described in the Bond Purchase Contract (including this Letter of Representation) and in the Official Statement, and all discussions and undertakings leading up thereto, is solely as an underwriter; such engagement shall not be, or shall not be construed to be, in any other capacity and (iv) each Member is solely responsible for making its own judgments in connection with the transactions described in the Bond Purchase Contract (including this Letter of Representation) and in the Official Statement, regardless of whether an Underwriter has advised or is currently advising a Member on any other matters, whether or not related to such transactions. Nothing in the foregoing paragraph is intended to limit the Underwriters' obligations of fair dealing under MSRB Rule G-17.

27. With respect to Bonds of those maturities as to which at least 10% of the Bonds of the maturity has been sold to the public at a single price (the "10% test"), based on reporting by the Representative to the Authority and the Corporation on the date hereof and prior to the execution of the Bond Purchase Contract, which maturities are indicated in Exhibit B attached to the Bond Purchase Contract, the Corporation will treat the first price at which 10% of each such maturity of the Bonds was sold to the public as the issue price of that maturity. For Bonds maturing on the same date but having different interest rates, each separate CUSIP number for such Bonds is subject to the 10% test as if it were a separate maturity. With respect to Bonds of those maturities as to which the 10% test has not been satisfied, based on reporting by the Representative to the Authority and the Corporation on the date hereof and prior to the execution of the Bond Purchase Contract, which maturities are indicated in Exhibit B attached to the Bond Purchase Contract, the Corporation agrees that the rules in Section 6(c) of the Bond Purchase Contract shall apply. The Corporation further agrees that Exhibit B to the Bond Purchase Contract sets forth, as of the date of the Bond Purchase Contract, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Corporation agrees that the restrictions set forth in Section 6(c) of the Bond Purchase Contract shall apply, which will allow the Corporation to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity.

28. The Corporation acknowledges that the Representative, in making the representation set forth in Section 6(c) of the Bond Purchase Contract, will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule (as defined in Section 6(c) of the Bond Purchase Contract), as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling

group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Corporation further acknowledges that the Underwriters shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

This Letter of Representation shall be binding upon and inure solely to the benefit of the Authority, the Underwriters and the Members, and, to the extent set forth herein, persons controlling any of you, and their respective members, officers, employees, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation. No recourse under or upon any obligation, covenant or agreement contained in this Letter of Representation shall be had against any officer or director of the Corporation or the Members as individuals, except as caused by their bad faith. This Letter of Representation shall be governed by the laws of the State of California.

The Bond Purchase Contract and this Letter of Representation, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by the Bond Purchase Contract and this Letter of Representation) that relate to the offering of the Bonds, represents the entire agreement between the Corporation and the Underwriters with respect to the preparation of the Official Statement, the conduct of the offering, and the purchase and sale of the Bonds.

This Letter of Representation may be executed in any number of counterparts and all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of the agreement between us, kindly sign and return to the Corporation a duplicate of this Letter of Representation whereupon it will constitute a binding agreement of the Corporation in accordance with the terms hereof.

Very truly yours,

MARIN GENERAL HOSPITAL

By: \_\_\_\_\_  
Authorized Officer

Accepted and confirmed  
as of the date first above written:

MORGAN STANLEY & CO. LLC

By: \_\_\_\_\_  
Authorized Representative

CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT B**

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
REVENUE BONDS  
(MARIN GENERAL HOSPITAL)  
SERIES 2018A**

**Principal amount: \$\_\_\_\_\_**

**MATURITY SCHEDULE**

Dated \_\_\_\_\_ Date of Issuance

<u>Maturity Date</u> <u>(_____)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>
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**EXHIBIT C**

**FORM OF OPINION OF COUNSEL TO THE DISTRICT**

\_\_\_\_\_, 2018

Marin Healthcare District  
100B Drakes Landing Road, Suite 250  
Greenbrae, CA 94904

Norton Rose Fulbright US LLP,  
as Underwriters' Counsel  
555 California Street, Suite 3300  
San Francisco, CA 94104

Morgan Stanley & Co. LLC,  
as Underwriter  
555 California Street  
San Francisco, CA 94104

Orrick, Herrington & Sutcliffe LLP,  
as Bond Counsel  
400 Capitol Mall, Suite 3000  
Sacramento, CA 95814-4497

Stifel, Nicolaus & Company Incorporated,  
as Underwriter  
1 Montgomery Street  
San Francisco, CA 94104

\$ \_\_\_\_\_  
California Statewide Communities Development Authority  
Revenue Bonds  
(Marin General Hospital)  
Series 2018A

Ladies and Gentlemen:

We have acted as counsel to Marin Healthcare District, a political subdivision of the State of California (the "District"). This opinion is given in connection with the above-captioned bonds (collectively, the "Bonds").

For purposes of rendering this opinion, we have reviewed the documents listed below [include others, as applicable]:

1. Official Statement, dated \_\_\_\_\_, 2018, (the "Official Statement") pertaining to the Bonds;
2. Purchase Contract dated \_\_\_\_\_, 2018 among the California Statewide Communities Development Authority and Morgan Stanley & Co. LLC Stanley & Co. LLC and

Marin Healthcare District  
Stifel, Nicolaus & Company Incorporated  
Morgan Stanley & Co. LLC  
Norton Rose Fulbright US LLP  
Orrick, Herrington & Sutcliffe LLP  
\_\_\_\_\_, 2018

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Stifel, Nicolaus & Company Incorporated, as Underwriters, and approved by the Corporation, providing for the purchase and sale of the Bonds (the “Purchase Contract”);

3. Resolution of the District, adopted on \_\_\_\_\_, 2018 (the “Resolution”), approving the issuance of the Bonds for the benefit of Marin General Hospital (the “Corporation”) in accordance with the terms and conditions of the hereinafter-defined Hospital Lease: and

4. Hospital Lease, dated August 6, 2014, with a term commencement date of December 2, 2015, between the District and the Corporation (“Hospital Lease”).

Having reviewed these documents, it is my opinion that:

1. The District is a political subdivision of the State of California, validly existing under the laws of the State of California.

2. The Resolution authorizing the issuance of the Bonds has been duly adopted at a meeting of the Board of Directors of the District 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 has not been amended, modified or rescinded.

3. The District had full legal right, power and authority to adopt the Resolution.

4. The District had full legal right, power and authority to enter into the Hospital Lease, and has full legal right, power and authority to carry out the transactions contemplated by the Hospital Lease.

5. The Hospital Lease (a) previously has been duly approved, executed and delivered by the District, (b) has not been amended, modified or rescinded since its execution and (c) is a legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms.

6. The District is not in default of any material provision of the Hospital Lease.

7. The adoption of the Resolution and the authorization of the issuance of the Bonds does not and will not in any material respect conflict with or constitute on the part of the District a breach or default under the Hospital Lease.

Marin Healthcare District  
Stifel, Nicolaus & Company Incorporated  
Morgan Stanley & Co. LLC  
Norton Rose Fulbright US LLP  
Orrick, Herrington & Sutcliffe LLP  
\_\_\_\_\_, 2018

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8. The description of the Hospital Lease contained in the Official Statement under the caption APPENDIX A – “CORPORATE STRUCTURE—The District—The Hospital Lease” is true and accurate and does not omit any material terms thereof.

Very truly yours,

BOUEY & BLACK LLP

**EXHIBIT D**

**FORM OF PROCEDURES LETTER FROM AUDITOR**

[To Come]

**EXHIBIT E**

**FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

[Subject to Review by Bond Counsel]

\_\_\_\_\_, 2018

Morgan Stanley & Co. LLC,  
as Representative of the Underwriters  
555 California Street  
San Francisco, CA 94104

Stifel, Nicolaus & Company Incorporated,  
as Underwriter  
1 Montgomery Street  
San Francisco, CA 94104

Ladies and Gentlemen:

This letter is addressed to you pursuant to Section 3(f)(1) of the Bond Purchase Contract dated \_\_\_\_\_, 2018 (the “Bond Purchase Contract”), between you as underwriters (the “Underwriters”), and California Statewide Communities Development Authority (the “Authority”), and approved and accepted by Marin General Hospital (the “Corporation”), providing for the purchase of \$\_\_\_\_\_ principal amount of California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture, dated as of [May] 1, 2018 (the “Bond Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), for the stated purpose of making a loan of the proceeds thereof to the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Indenture or, if not defined in the Bond Indenture, in the Bond Purchase Contract.

In connection with our role as bond counsel to the Authority, we have reviewed the Bond Purchase Contract; the Bond Indenture; the Loan Agreement; the Master Indenture; the Supplement No. 1; Obligation No. 1; the Tax Agreement; opinions of counsel to the Obligated Group and to the Bond Trustee, and of Norton Rose Fulbright US LLP, as to the tax-exempt status of Prima Medical Foundation (“Prima”); certificates of the Authority, the Bond Trustee, the Corporation and others; and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions set forth herein.

We have relied on the opinion of Archer Norris, counsel to the Obligated Group (“Obligated Group Counsel”), regarding, among other matters, the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”); and the opinion of Norton Rose Fulbright US LLP (“Norton Rose”) that Prima is an organization described in Section 501(c)(3) of the Code. We note that such opinions are subject to a number of qualifications and limitations. We have also relied upon representations of the Corporation regarding the use of the facilities financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Corporation or Prima within the meaning of Section 513 of the Code. We note that the opinion of Obligated Group Counsel and of Norton Rose do not address Section 513 of the Code. Failure of the Corporation or Prima to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of each of their status as organizations described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of the Corporation or Prima within the meaning of Section 513 of the Code, could negatively affect several of the opinions and conclusions set forth below.

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 or conclusions 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. 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 assumed, without undertaking to verify, 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 second and third paragraphs hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Master Indenture, the Bond Indenture, the Loan Agreement, the Supplement No. 1, Obligation No. 1, the Tax Agreement and the Bond Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers agencies of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinions with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Bond Indenture, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement dated [SALE DATE], 2018 (the “Official Statement”) or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Bond Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Bond Purchase Contract has been duly executed and delivered by, and is a valid and binding agreement of, the Authority.

3. The statements contained in the Official Statement under the captions “THE BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “TAX MATTERS,” APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS” and APPENDIX E – “PROPOSED FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Bond Indenture, the Loan Agreement, the Master Indenture and Supplement No. 1, and the form and content of our final legal opinion as bond counsel to the Authority concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Authority, are accurate in all material respects.

This letter is furnished by us as bond counsel to the Authority. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as the Underwriters of the Bonds, is solely for your benefit as such Underwriters in connection with the original issuance of the Bonds on the date hereof, 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 Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

**EXHIBIT F**

**FORM OF OPINION OF COUNSEL TO THE AUTHORITY**

\_\_\_\_\_, 2018

Morgan Stanley & Co. LLC,  
as Underwriter  
555 California Street  
San Francisco, CA 94104

Stifel, Nicolaus & Company Incorporated,  
as Underwriter  
1 Montgomery Street  
San Francisco, CA 94104

\$ \_\_\_\_\_  
California Statewide Communities Development Authority  
Revenue Bonds  
(Marin General Hospital)  
Series 2018A

Ladies and Gentlemen:

We have acted as special counsel to the California Statewide Communities Development Authority (the “Authority”) in connection with its issuance of \$ \_\_\_\_\_ aggregate principal amount of its Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”). In such connection, we have reviewed Resolution No. \_\_\_\_\_ adopted by the Authority on April 5, 2018 (the “Resolution”), certificates of the Authority and others as to certain factual matters, and such documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions. 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. Accordingly, this opinion is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. With the delivery of this letter, our engagement with respect to the Bonds has concluded, and we disclaim any obligation to update this letter. 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, all parties thereto. We have assumed, without undertaking to

verify independently, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof. Our engagement with respect to the Bonds as special counsel to the Authority was limited to the matters expressly covered by the numbered opinions set out below. We express no opinion as to the validity or enforceability of the Bonds or any of the documents or actions authorized by the Resolution or as to the tax status of interest on the Bonds. We also undertake no responsibility of any kind for the Official Statement or other offering material relating to the Bonds.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority is a joint powers agency duly organized and validly existing under the laws of the State of California.

2. The Resolution was duly adopted at a meeting of the governing body of the Authority. The Resolution is in full force and effect and has not been amended, modified or superseded.

This letter is furnished by us as special counsel to the Authority. No attorney client relationship has existed or exists between our firm and the addressees hereof in connection with the Bonds or by virtue of this letter. This letter is solely for the benefit of the addressees hereof in connection with the original issuance of the Bonds on the date hereof, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any person other than the addressees of this letter. This letter is not intended to, and may not, be relied upon by owners of any Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

**EXHIBIT G**

**FORM OF OPINION OF COUNSEL TO THE OBLIGATED GROUP**

\_\_\_\_\_, 2018

Marin General Hospital  
100B Drakes Landing Road, Suite 250  
Greenbrae, CA 94904

Norton Rose Fulbright US LLP,  
as Underwriters' Counsel  
555 California Street, Suite 3300  
San Francisco, CA 94104

Morgan Stanley & Co. LLC, as Underwriter  
555 California Street  
San Francisco, CA 94104

Orrick, Herrington & Sutcliffe LLP,  
as Bond Counsel  
400 Capitol Mall, Suite 3000  
Sacramento, CA 95814-4497

Stifel, Nicolaus & Company Incorporated,  
as Underwriter  
1 Montgomery Street  
San Francisco, CA 94104

\$ \_\_\_\_\_  
California Statewide Communities Development Authority  
Revenue Bonds  
(Marin General Hospital)  
Series 2018A

Ladies and Gentlemen:

We have acted as counsel to Marin General Hospital, a California nonprofit public benefit corporation (the "Corporation"), and Prima Medical Foundation, a California nonprofit public benefit corporation ("PMF," and together with the Corporation, the "Members" of the "Obligated Group" under the hereinafter-defined Master Indenture). This opinion is given in connection with the issuance by the California Statewide Communities Development Authority (the "Authority") of its Revenue Bonds (Marin General Hospital), Series 2018A, in the aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds"), for the benefit of the Corporation.

Our opinion is based on the general transaction structure described below. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Bond Purchase Contract dated \_\_\_\_\_, 2018 (the "Purchase Contract"), between the Authority and Morgan Stanley & Co. LLC, as representative of itself and Stifel, Nicolaus & Company

Marin General Hospital  
Stifel, Nicolaus & Company Incorporated  
Morgan Stanley & Co. LLC  
Norton Rose Fulbright US LLP  
Orrick, Herrington & Sutcliffe LLP  
\_\_\_\_\_, 2018

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Incorporated, as Underwriters, and approved by the Corporation, providing for the purchase and sale of the Bonds.

In addition to the Purchase Contract, the following documents have also been executed in connection with the issuance of the Bonds: (a) the Bond Indenture for the Bonds, dated as of [May] 1, 2018 (the “Bond Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”); (b) the Loan Agreement executed for the Bonds, dated as of [May] 1, 2018 (the “Loan Agreement”), between the Corporation and the Authority; (c) the Letter of Representation dated \_\_\_\_\_, 2018 (the “Letter of Representation”), from the Corporation to the Authority and the Underwriters; (d) the Continuing Disclosure Agreement, dated the date hereof (the “Continuing Disclosure Agreement”), [between the Corporation and [DISSEMINATION AGENT], as dissemination agent]; (e) the Preliminary Official Statement (the “Preliminary Official Statement”) and the final Official Statement (the “Official Statement”), each relating to the Bonds; (f) the Master Indenture of Trust, dated as of [May] 1, 2018 (the “Master Indenture”), among the Obligated Group Members and U.S. Bank National Association, as master trustee (the “Master Trustee”); (g) the Supplemental Master Indenture for Obligation No. 1, dated as of [May] 1, 2018 (“Supplement No. 1”), between the Corporation and the Master Trustee, providing for the issuance of Obligation No. 1 securing the Bonds (“Obligation No. 1”); (h) the Deposit Account Agreement, dated as of \_\_\_\_\_, 2018 (the “Deposit Agreement”), among the Obligated Group Members, the Master Trustee and [DEPOSIT BANK]; and (i) the Tax Certificate and Agreement, dated the date hereof (the “Tax Agreement”), between the Authority and the Corporation.[Include other documents, as applicable.] The Purchase Contract, the Loan Agreement, the Letter of Representation, the Tax Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deposit Agreement and the Continuing Disclosure Agreement [include other documents, as applicable] shall be referred to herein as the “Transaction Documents.”

We assume that to the extent relevant to this opinion the proceeds to be received from the sale of the Bonds will be used to finance or refinance the construction, expansion, improvement, remodeling, renovation, or acquisition of certain health care facilities, which will, immediately upon expenditure of any Bond funds, be owned by the Marin Healthcare District (the “District”) and leased to and operated by the Corporation pursuant to the Hospital Lease (as defined below).

For purposes of rendering this opinion, we have reviewed the documents provided to us by the Corporation in response to the due diligence requests made by Orrick, Herrington & Sutcliffe LLP, in addition to the documents listed below:

1. Articles of Incorporation and Amendment thereto certified by the California Secretary of State as of January 4, 2006 and July 1, 2010, respectively, and bylaws of the Corporation certified by the Secretary of the Corporation as of December 4, 2014;

Marin General Hospital  
Stifel, Nicolaus & Company Incorporated  
Morgan Stanley & Co. LLC  
Norton Rose Fulbright US LLP  
Orrick, Herrington & Sutcliffe LLP  
\_\_\_\_\_, 2018

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2. Officers' Certificates (defined below);
3. Internal Revenue Service ("IRS") determination letter regarding tax- exempt status of the Corporation dated March 31, 1986;
4. Hospital Lease, dated August 6, 2014, with a term commencement date of December 2, 2015, between the District and the Corporation ("Hospital Lease");
5. The Tax Status Updating Materials (as addressed further below);
6. A Certificate of the Secretary of State, dated as of \_\_\_\_\_, 2018, attesting to the continued corporate existence and good standing of the Corporation; and
7. A Certificate of the California Franchise Tax Board, dated as of \_\_\_\_\_, 2018, attesting to the good standing and California tax-exempt status of the Corporation.

[Include other documents, as applicable.]

As to questions of fact relevant to this opinion, we have been furnished with and relied solely upon (i) certificates of public officials and (ii) certificates of certain officers of the Corporation (individually an "Officer's Certificate" and collectively "Officers' Certificates") and limited follow up with officers of the Corporation where indicated based on the information received from such sources [Add state/federal litigation searches] (collectively, the "Diligence"). We have not performed independent investigations of factual matters beyond our Diligence. We have assumed and have not verified the accuracy of the facts stated in any certificates of public officers or Officer's Certificate. We have no reason to believe we have not been informed of facts relevant to the analyses we have performed to render the opinions below; however, we observe that the operations of the Corporation are diverse and complex, and there can be no assurance that all relevant facts have been revealed to us in the course of our Diligence.

Our opinion in paragraph 1 below as to the good standing of the Corporation is based solely upon certificates of public officials of the State of California.

Our opinions in paragraphs 2 and 3 below as to the tax-exempt status of the Corporation are based solely on our review of all of the following (the "Tax Status Updating Materials") and our opinion in Paragraph 2 below as to the non-private foundation status of the Corporation is based solely upon our review of items (i), (ii), (iii), and (vi) below without an analysis of any other facts or circumstances or other investigation:

- i. The current articles of incorporation of the Corporation as certified by the California Secretary of State and the current bylaws of the Corporation as provided to us by the Corporation;

ii. An online search, conducted \_\_\_\_\_, 2018, of the IRS EO Select Check website, which lists tax-exempt organizations that are eligible to receive tax-deductible charitable contributions and which identifies the Corporation as being an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and not a “private foundation” as defined in Section 509(a) of the Code;

iii. An Officer’s Certificate from an officer of the Corporation stating that the Corporation has not been notified by the IRS of any pending or proposed investigation, or proposed or actual revocation, of its status as an organization described in Section 501(c)(3) of the Code or its status as a non-private foundation under Section 509(a) of the Code;

iv. Factual information obtained from the Corporation and from the Officer’s Certificate referred to in (iii) above; review of material contracts entered into and furnished to us by the Corporation; and our discussions with various officers, employees, and agents of the Corporation;

v. Analysis of the factual information referred to in (iii) and (iv) above based on the Code and related regulations, judicial and administrative rulings, and official policy statements of the IRS, where applicable (in connection with such analysis, we call to your attention the fact that there are certain transactions of the Corporation which are not directly addressed by such authorities);

vi. A review of the IRS Form 990 filed by or on behalf of the Corporation for its 2017 taxable year; and

vii. Review of the Hospital Lease, between the District and the Corporation.

Based upon the foregoing and subject to the qualifications set forth below, we are of the opinion that,

1. Each Member is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State of California, and has all requisite corporate power and authority to own or lease property and operate in the State of California as described in the Official Statement, and to consummate all of the transactions contemplated by the Transaction Documents, the Bond Indenture and the Bonds. Each Member is duly certified to participate in the federal Medicare program and the California Medi-Cal program.

2. The Corporation is an organization described in Section 501(c)(3) of the Code, is not a private foundation as described in Section 509(a) of the Code, and is exempt from federal income taxation under Section 501(a) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code and any amounts deemed to be taxable by virtue of Section 527(f) of the Code.

3. The Corporation is a corporation organized and operated exclusively for charitable purposes (within the meaning of Section 501(a) of the Code), not for pecuniary profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual, all within the meaning of Subsection 3(a)(4) of the Securities Act of 1933, as amended, and of Subsection 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended.

4. Each Member has all necessary and material licenses, approvals and permits required under federal and state law to carry on its business as described in the Official Statement and to own or lease, occupy and operate its property, including its health facilities, as such property and health facilities are currently operated and as contemplated by the Transaction Documents and the Hospital Lease, as applicable.

5. The execution, delivery and performance of the Transaction Documents, and the approval of the Official Statement (including the use and distribution thereof in preliminary and final form), the Purchase Contract, the Bond Indenture and the issuance of the Bonds, have each been duly authorized by [each Member] by all necessary corporate action. The Transaction Documents have been duly executed and delivered by the Corporation or each Member, as applicable, and the Official Statement (including the use and distribution thereof in preliminary and final form), the Purchase Contract, the Bond Indenture and the issuance of the Bonds has been duly approved by [each Member].

6. The Hospital Lease has previously been approved, executed and delivered by the Corporation and is a legal, valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms. The Hospital Lease has not been amended, modified or rescinded since its execution, and the Corporation is not in default of any material provision thereof, the failure to comply with which would adversely affect the Corporation's occupancy of the Premises (as defined in the Hospital Lease).

7. The execution, delivery and performance by each Member, as applicable, of the Transaction Documents, the performance by the Corporation of its obligations under the Hospital Lease and the approval by the Corporation of the Official Statement (including the use and distribution thereof in preliminary and final form), the Purchase Contract, the Bond Indenture and the issuance of the Bonds, (a) do not and will not in any material respect conflict with or constitute on the part of any Member, a breach or default, or result in the creation of a prohibited lien, under (i) any material agreement, indenture, mortgage, lease, or other instrument to which it or its facilities are bound (including the Hospital Lease) or (ii) any existing law, regulation, ruling, court order or judgment applicable to a Member, nor will such be in contravention of any provisions of any Member's articles of incorporation or bylaws, and (b) are not subject to any authorization, consent, approval, license or review of any trustee or holder of any material indebtedness, governmental body or regulatory authority not heretofore obtained or effected, as required.

8. The Transaction Documents constitute valid and binding agreements of the Corporation or the Members, as applicable, enforceable in accordance with their respective terms. The Loan Agreement, when and to the extent assigned to the Bond Trustee pursuant to the Bond Indenture, will constitute the valid and binding obligation of the Corporation to the Bond Trustee, enforceable against the Corporation in accordance with its terms. Any obligations of the Corporation under the Loan Agreement not so assigned to the Bond Trustee constitute the valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms.

9. In connection with the preparation of the Official Statement, we examined various documents and other papers and we have participated in conferences with officers and other representatives of the Obligated Group, Bond Counsel, the Obligated Group's financial advisor and auditors, representatives of the Underwriters and counsel for the Underwriters, at which the contents of the Official Statement were discussed. We have also examined the certificates and other documents delivered on the date hereof in connection with the execution and delivery of the Bonds. Although we have not independently verified and are not passing upon and do not assume responsibility, explicitly or implicitly, for the accuracy, completeness or fairness of the information or statements contained in the Official Statement, on the basis of the foregoing, no fact has come to our attention which leads us to believe that the Official Statement at the date of the Official Statement, or at the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; provided, however, that we express no opinion with respect to the statements in the Official Statement under the captions "THE AUTHORITY" or "ABSENCE OF MATERIAL LITIGATION—The Authority," or the financial statements, notes and schedules thereto, including any information regarding CUSIP numbers, book-entry, The Depository Trust Company, or any other information contained in [financial statements and book-entry Appendices] or other financial, statistical, accounting and economic information, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, included or incorporated by reference in the Official Statement. The description of the Hospital Lease contained in the Official Statement under the caption APPENDIX A – "CORPORATE STRUCTURE—The District—The Hospital Lease" is true and accurate and does not omit any material terms thereof.

10. To our knowledge after having made inquiry of responsible officers of the [Members] but without having made any other investigation (except for docket searches made by CT Corporation System in the United States District Court for the Northern District of California through \_\_\_\_\_, 2018 and the Superior Court of California for the County of Marin through \_\_\_\_\_, 2018, copies of which have been provided to you), except as disclosed in the Official Statement, (i) no Member is a party to any action, suit or proceeding or investigation or inquiry of which a Member has received notice in writing that places in question its corporate existence or the validity or enforceability of, or seeks to enjoin the performance of the terms of the

Transaction Documents or the Bonds, or in which an unfavorable decision, ruling or finding against the Member would, in the opinion of such officer, materially and adversely affect the use of the proceeds of the Bonds for the purposes specified in the Bond Indenture or the performance by the Obligated Group of its obligations under the Transaction Documents.

11. Obligation No. 1 is not subject to registration under the Securities Act of 1933, as amended.

12. The Master Indenture and Supplement No. 1 are not subject to qualification under the Trust Indenture Act of 1939, as amended

13. No Member is in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, or other governmental authority the consequences of which would materially and adversely affect the use of the proceeds of the Bonds for the purposes specified in the Bond Indenture or the performance by the Obligated Group of its obligations under the Transaction Documents.

14. The Master Indenture and the Deposit Agreement cause to attach in favor of the Master Trustee a valid security interest under the Uniform Commercial Code as in effect in the State of California (the "California UCC") in such right, title and interest as the Obligated Group may have from time to time in the Gross Revenues (as such term is defined in the Master Indenture) which are deposited from time to time into the deposit account (as that term is defined in the California UCC and referred to in the Master Indenture as the Gross Revenue Fund) identified in the Deposit Agreement (the "Deposit Account"), to the extent that security interests in such Gross Revenues deposited therein can be attached under Division 9 of the California UCC (such collateral being referred to collectively as the "Division 9 Collateral").

15. The Deposit Agreement is effective to perfect the security interest of the Master Trustee in the Division 9 Collateral under the California UCC. The financing statement [attached as Schedule A] filed in the office of the Secretary of State of California (the "California Filing Office") is in proper form to perfect the security interests in the Division 9 Collateral granted under the Master Indenture to the extent a security interest in such Division 9 Collateral can be perfected under Article 9 of the UCC by the filing of a financing statement in the California Filing Office.

The opinions set forth above are subject to the following additional qualifications:

No opinion is expressed as to laws of any jurisdiction other than the State of California and the United States of America that are in effect on the date of this letter. We express no opinion concerning tax-exemption or nonprofit issues or status under any state (other than California) or local laws or regulations.

Marin General Hospital  
Stifel, Nicolaus & Company Incorporated  
Morgan Stanley & Co. LLC  
Norton Rose Fulbright US LLP  
Orrick, Herrington & Sutcliffe LLP  
\_\_\_\_\_, 2018

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The opinions expressed are based on the laws in effect on, and are expressed as of, the date of this letter. We assume no obligation to revise or supplement this letter should such laws be changed in any respect by legislative action, judicial decision or otherwise. We provide no opinion concerning, and assume no obligation to advise you of, any circumstances, events or developments that may be brought to our attention after the date of this letter and that may alter, affect or modify the opinions expressed. The opinions in this letter are limited to the matters expressly set forth. We render no opinion that may be implied or inferred beyond the matters expressly set forth.

This opinion is furnished by us as counsel to the Obligated Group. It may be relied upon only by the addressees, their counsel and Orrick, Herrington & Sutcliffe LLP, as Bond Counsel. This letter may not be used, quoted, disseminated, circulated or relied upon by any other person or entity for any purpose without our prior written consent, except that it may be included in the transcript of documents pertaining to the issuance of the Bonds. The opinions in this letter are provided solely by Archer Norris and not by any of its shareholders or employees.

Very truly yours,

ARCHER NORRIS PLC

**EXHIBIT H**

**FORM OF OPINION OF COUNSEL TO BOND TRUSTEE**

\_\_\_\_\_, 2018

California Statewide Communities Development Authority  
Sacramento, California 95814

Morgan Stanley & Co. LLC,  
as Underwriter  
San Francisco, California 94104

Stifel, Nicolaus & Company Incorporated,  
as Underwriter  
San Francisco, California 94104

Marin General Hospital  
Greenbrae, California 94904

Ladies and Gentlemen:

I am a Senior Counsel in the Legal Department of The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”) and I am delivering this opinion in connection with the execution and delivery of (i) that certain Bond Indenture, dated as of [May] 1, 2018 (the “Indenture”), between California Statewide Communities Development Authority and BNY Mellon, as bond trustee, [and (ii) that certain Continuing Disclosure Agreement, dated as of \_\_\_\_\_, 2018] (collectively with the Indenture, the “Agreements”), between Marin General Hospital and BNY Mellon, as trustee. All capitalized terms used herein not otherwise defined shall be as defined in the Agreements.

In rendering the opinions set forth below, I have examined the originals, or copies certified to my satisfaction, of such agreements (including, without limitation, the Agreements), certificates and other statements of government officials and corporate officers of BNY Mellon, documents and other papers as I deemed relevant and necessary as a basis for such opinion and have relied as to factual matters on representations, warranties and other statements therein. With respect to parties other than BNY Mellon, in such examination, I have assumed the authenticity of all documents submitted to me as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all documents submitted to me as copies. In my examination of documents (including, without limitation, the Agreements) executed by parties other than BNY Mellon, I have also assumed that, if the opinions set forth in paragraphs (1) through (4) below referred to such parties and such documents, such opinions would be true and correct with respect to such parties and such documents.

The opinions expressed herein are limited to the laws of the State of California and the Federal law of the United States, and I do not express any opinion herein concerning any other law.

Based upon the foregoing, I am of the opinion that:

(1) BNY Mellon is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization and has the corporate power to execute and deliver the Agreements, and any other documentation relating to the Agreements, and to perform its obligations under the Agreements.

(2) The execution and delivery by BNY Mellon of the Agreements and any other documentation relating to the Agreements, and its performance of its obligations under the Agreements, have been and are as of the date hereof duly authorized by all necessary corporate action.

(3) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by BNY Mellon of the Agreements.

(4) The Agreements have been duly executed and delivered and constitute the valid and legally binding obligations of BNY Mellon enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

My opinions are subject to the following assumptions and qualifications:

I express no opinion as to (a) any transactions not specifically referred to herein; (b) any provision of the Agreements to the extent it provides that a party is entitled to recover more than its actual damages under such Agreement; (c) any right, remedy or provision of the Agreements (including without limitation any termination payment provisions thereof) which, if determined to be a penalty, a court or other authority or body may have the discretion to invalidate or decline to enforce; (d) the enforcement of rights with respect to indemnification and contribution obligations; (e) any provision relating to severability; (f) any provision purporting to waive or limit rights to trial by jury, oral amendments to written agreements or rights of set-off, (g) any provision relating to submission to jurisdiction, venue or service of process, (h) any provision purporting to prohibit, restrict or require the consent of the other party for the transfer of, or the creation, attachment or perfection of a security interest in, an Agreement or an interest therein, which may be limited by applicable law or considerations of public policy; (i) any provision that provides that the rights of the parties to an Agreement may not be assigned by a party without the prior written consent of the other party or parties, which may be limited by Sections 9406 or 9408 of the Uniform Commercial Code of the State of California; (j) the tax consequences of any transaction under the Agreements; (k) any Federal securities laws, pension and employee benefit laws (e.g., ERISA), anti-money laundering laws, trading with the enemy laws, or other laws of special or general application not normally covered in an opinion on capacity and enforceability, in accordance with

market practice; or (l) the priority, perfection, attachment or validity of any security interest created under the Agreements or the enforcement of remedies in connection therewith.

This opinion is based upon facts and law in existence on the date hereof and I disclaim any obligation to advise you of any changes therein occurring after the date hereof. This opinion is given for the use and benefit of the addressees and no other party or entity is entitled to rely on it.

Very truly yours,

Rhea L. Murphy  
Senior Counsel

## **EXHIBIT I**

### **FORM OF CERTIFICATE OF BOND TRUSTEE**

The undersigned, The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), does hereby certify as follows:

1. This Certificate is being provided in connection with the issuance and delivery of the California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”) executed and delivered pursuant to the Bond Indenture, dated as of [May] 1, 2018 (the “Indenture”), between the California Statewide Communities Development Authority (the “Issuer”) and the Bond Trustee.

2. The Bond Trustee is a national banking association organized under the laws of the United States, 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 \_\_\_\_\_, 2018 between Marin General Hospital and the Bond Trustee (the “Continuing Disclosure Agreement”.)] and together with the Indenture, the “Bond Trustee Documents”) and to take all actions required of it under the Bond Trustee Documents and the Bonds.

3. The Bond Trustee Documents have been duly executed and delivered by an officer of the Bond 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 Bond Trustee Documents have been duly authorized by all necessary action of the Bond 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 Bond Trustee attached hereto as Exhibit B, were registered and delivered by the Bond Trustee pursuant to the Indenture and the Order of the Issuer, dated the date hereof, and as directed by the Underwriters for the Bonds.

5. The Bond Trustee has duly accepted the trusts created pursuant to the Indenture and its obligations under the Continuing Disclosure Agreement, and such acceptance and performance by the Bond Trustee of its obligations in accordance with the Bond Trustee Documents will not contravene the Articles of Association or Bylaws of the Bond Trustee or, to the knowledge of the Bond Trustee, conflict with or constitute a breach of or a default under any law, administrative or governmental regulation, consent, decree, order, material agreement or material instrument to which the Bond Trustee is subject or bound or by which any of its assets is bound, and the performance of the obligations of the Bond Trustee under the Bond Trustee Documents have been duly authorized by all necessary corporate action.

6. To the knowledge of the Bond 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 Bond Trustee of its obligations under the Bond 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 knowledge of the Bond 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 Bond Trustee or the Bond Trustee's ability to fulfill its obligations under the Bond Trustee Documents; (b) to restrain or enjoin the execution or delivery of any of the Bonds by the Bond Trustee; or (c) in any way contesting or affecting the Bond Trustee's authority for the execution and delivery of the Bonds.

IN WITNESS WHEREOF, the Bond Trustee has caused this Certificate to be executed by its officer thereunto duly authorized as of \_\_\_\_\_, 2018.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Bond Trustee

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT J**

**FORM OF ISSUE PRICE CERTIFICATE**

\$ \_\_\_\_\_  
California Statewide Communities Development Authority  
Revenue Bonds  
(Marin General Hospital)  
Series 2018A

The undersigned, on behalf of Morgan Stanley & Co. LLC, as representative (the “Representative”), on behalf of itself and Stifel, Nicolaus & Company, Incorporated (the Representative and each of the foregoing underwriters being collectively referred to herein as the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the California Statewide Communities Development Authority (the “Authority”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in *Schedule A* (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as *Schedule B*.

(b) As set forth in the Bond Purchase Contract dated \_\_\_\_\_, 2018 (the “Bond Purchase Contract”), by and between the Authority and the Representative on behalf of the Underwriting Group, and approved by Marin General Hospital (the “Corporation”), the Underwriting Group agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, they would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement (to which Morgan Stanley is a party) shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement (to which Morgan Stanley is a party), to comply with the hold-the-offering-price rule. Neither the Representative nor any broker-dealer who is participating in the initial sale of the Bonds as a party to a retail distribution agreement or other written contract with the Representative has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriting Group sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2018.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Authority (or with the Representative or lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The representations contained herein are not necessarily based on personal knowledge, but may instead be based on either reasonable inquiry by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. The undersigned understands that the foregoing information will be relied upon by the Authority and the Corporation with respect to certain of the representations set forth in the Tax Certificate and Agreement with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038, and other federal income tax advice that it may give to the Authority and the Corporation from time to time relating to the Bonds.

MORGAN STANLEY & CO. LLC,  
as Representative of the Underwriting Group

By: \_\_\_\_\_  
Authorized Representative

Dated: \_\_\_\_\_, 2018

SCHEDULE A TO  
ISSUE PRICE CERTIFICATE

Sale Prices of the General Rule Maturities and  
Initial Offering Prices of the Hold-the-Offering-Price Maturities

SCHEDULE B TO  
ISSUE PRICE CERTIFICATE

Pricing Wire or Equivalent Communication



## **9. Continuing Disclosure Agreement**

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Marin General Hospital (the “Corporation”), on its own behalf and as Obligated Group Representative under the Master Indenture (defined below), [and The Bank of New York Mellon Trust Company, N.A., in its capacity] as dissemination agent hereunder (the “Dissemination Agent”), in connection with the issuance of \$\_\_\_\_\_ California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”). The Bonds are being issued pursuant to the Bond Indenture, dated as of May 1, 2018 (the “Indenture”), between the California Statewide Communities Development Authority (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”). The proceeds of the Bonds are being loaned by the Issuer to the Corporation pursuant to a loan agreement, dated as of May 1, 2018 (the “Loan Agreement”), between the Issuer and the Corporation. The obligations of the Corporation under the Loan Agreement are secured by payments made by the Obligated Group Members on Master Indenture Obligation No. 1 (“Obligation No. 1”) to be issued under the Master Trust Indenture, dated as of May 1, 2018, as supplemented (the “Master Indenture”), among the Corporation and Prima Medical Foundation, as the Obligated Group Members, and U.S. Bank National Association, as master trustee (the “Master Trustee”). The Corporation, on its own behalf and on behalf of the Obligated Group, [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 Dissemination Agent] for the benefit of the Holders (defined below) and Beneficial Owners (defined below) of the Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Corporation [and the Dissemination Agent] acknowledge that the Issuer 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 (defined below), 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 or elsewhere herein, 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 which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries).

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, 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.

“CUSIP Numbers” shall mean the Committee on Uniform Security Identification Procedure’s unique identification number for each public issue of a security.

“Dissemination Agent” shall mean [The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder], or any successor Dissemination Agent designated in writing by the Corporation and which has filed with the Bond Trustee a written acceptance of such designation.

“Holder” or “Holders” shall mean registered owners of the Bonds or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated May \_\_, 2018, with respect to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“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.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual and Quarterly Reports.

(a) The Corporation shall, or shall cause the Dissemination Agent to, not later than [five] months after the end of the Obligated Group’s fiscal year, commencing with the fiscal year ending December 31, 2018, provide to the MSRB an Annual Report, which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report must be submitted in electronic format accompanied by such identifying information as is prescribed by the MSRB, may be submitted as a single document or as separate documents comprising 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 they are not available by that date. If the Obligated Group’s fiscal year changes, the Corporation shall give notice of such change in the same manner as for a Listed Event under Section 5 hereof.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Corporation shall provide the Annual Report to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Corporation to determine if the Corporation is in compliance with subsection (a).

(c) In addition to the Annual Report required to be filed pursuant to subsection (a), the Corporation shall, or shall cause the Dissemination Agent to, provide to the MSRB not later than 60 days after the end of each of the first three quarters of each fiscal year of the Obligated Group, beginning with the fiscal quarter ending [June 30], 2018, unaudited financial information for the [Corporation and subsidiaries (which shall include consolidating schedules)], including [a consolidated balance sheet and a consolidated statement of operations].

(d) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(e) The Dissemination Agent shall file a report with the Corporation, the Issuer and (if the Dissemination Agent is not the Bond Trustee) the Bond Trustee certifying that the Annual Report or such quarterly report has been provided to the MSRB pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Neither the Dissemination Agent nor the Bond Trustee shall have any duty or obligation to review such Annual Report.

SECTION 4. Content of Annual Reports. The Corporation's Annual Report shall contain or include by reference the following:

1. The audited consolidated financial statements of the Corporation and subsidiaries (which shall include consolidating schedules) for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If such audited consolidated financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited consolidated financial statements of the Corporation and subsidiaries shall be filed in the same manner as the Annual Report when they become available.

2. An update of the following information contained in APPENDIX A to the Official Statement, to the extent not included in the financial statements (including notes thereto) described in the immediately preceding paragraph:

(a) [The list of current Members of the Obligated Group as of the end of the most recently completed fiscal year;

(b) The information contained in the tables under the caption "UTILIZATION" for the health facilities owned or operated by the Obligated Group Members for the most recently completed fiscal year;

(c) The summary of sources of patient service revenue contained in the tables under the caption "SOURCES OF REVENUE" for the health facilities owned or operated by the Obligated Group Members for the most recently completed fiscal year;

(d) The calculation of historic debt service coverage contained in the table under the caption "FINANCIAL INFORMATION—Coverage of Maximum Annual Debt Service" for the most recently completed fiscal year;

(e) The calculation of capitalization contained in the table under the caption "FINANCIAL INFORMATION—Capitalization" for the most recently completed fiscal year; and

(f) The calculation of days cash on hand contained in the table under the caption "FINANCIAL INFORMATION—Days Cash on Hand" for the most recently completed fiscal year.]

Any or all of the items listed in Section 4(2)(a)-(f) above may be included by specific reference to other documents, including official statements of debt issues with respect to which an Obligated Group Member is an “obligated person” (as defined by the Rule), which have been filed with the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Corporation shall clearly identify each such other document so included by reference. [Neither the Bond Trustee nor the Dissemination Agent need verify the content or correctness of the Annual Report.]

SECTION 5. Reporting of Significant Events.

The Corporation shall give, or cause to be given, notice of the occurrence of any of the following events (each, a “Listed Event”) with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) nonpayment related defaults, if material;
- (c) unscheduled draws on debt service reserves, if any, reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (e) substitution of the provider of any credit enhancement facility or any failure by said provider to perform on any credit enhancement facility;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices of determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of Bondholders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of a Member<sup>(1)</sup>;
- (m) the consummation of a merger, consolidation, or acquisition involving a Member or the sale of all or substantially all of the assets of a Member, other than in than ordinary course

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<sup>(1)</sup> This Listed Event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for a Member 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 Member, or if such jurisdiction has been assumed by leaving the existing governing 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 Member.

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, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Whenever the Corporation obtains knowledge of the occurrence of a Listed Event, the Corporation shall cause to be filed a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of ten (10) Business Days after the occurrence of such Listed Event.

**SECTION 6. CUSIP Numbers.** Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, audited consolidated financial statements and notices of Listed Events, the Corporation shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

**SECTION 7. Termination of Reporting Obligation.** The Corporation's and the Dissemination Agent'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, the Corporation shall cause such Person to 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 hereof.

**SECTION 8. Dissemination Agent.** The Corporation may, from time to time, appoint or engage a 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 shall not be responsible in any manner for the content of any notice or report prepared by the Corporation pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the Corporation and the Bond Trustee. 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 Corporation shall be the Dissemination Agent. [The initial Dissemination Agent shall be the Bond Trustee.]

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Corporation and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Corporation, provided that such amendment does not impose any greater duties or obligations on the part of the Dissemination Agent hereunder) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 hereof, 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 the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of 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 hereof, and (ii) the Annual Report for the year in which the change is made should 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 10. 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 Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 11. Default.** In the event of a failure of the Corporation or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Bond Trustee may (and, at the request of any Participating Underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds shall, but only to the extent funds in an amount satisfactory to the Bond Trustee have been provided to it or it has otherwise been indemnified to its satisfaction from any cost, liability, expense or additional charges of the Bond Trustee, including attorney's fees), 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 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, the Loan Agreement or the Master Indenture or Supplement No. 1 and the sole remedy under this Disclosure Agreement in the event of any failure of the Corporation or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

**SECTION 12. Duties, Immunities and Liabilities of Bond 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 and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Bond Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Corporation agrees to indemnify and save the Dissemination Agent and its respective officers, directors, employees and agents, harmless from and 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 attorneys' fees and expenses) of defending against any claim of liability,



Dated: May \_\_, 2018

MARIN GENERAL HOSPITAL

By: \_\_\_\_\_  
Authorized Officer

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: California Statewide Communities Development Authority  
Name of Bond Issue: California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A  
Name of the Borrower: Marin General Hospital  
Date of Issuance: May \_\_, 2018

NOTICE IS HEREBY GIVEN that the Corporation has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.11 of the Bond Indenture, dated as of May 1, 2018, between the Issuer and The Bank of New York Mellon Trust Company, N.A., and by Section 5.8 of the Loan Agreement, dated as of May 1, 2018, between the Issuer and the Corporation. The Corporation anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Dissemination Agent

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cc: Marin General Hospital



## **10. Preliminary Official Statement**

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2018**

**NEW ISSUE – BOOK-ENTRY ONLY**

**Ratings<sup>†</sup>: Fitch:  
S & P:**

*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 alternative minimum tax. 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.*

\$ \_\_\_\_\_  
**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**  
**Revenue Bonds**  
**(Marin General Hospital)**  
**Series 2018A**

Dated: Date of Delivery

Due: \_\_\_\_\_, as set forth on inside cover

This Official Statement has been prepared in connection with the issuance of the California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the "Bonds") issued for the benefit of Marin General Hospital (the "Corporation"). The Bonds will bear interest at the rates and mature on the dates and in the principal amounts set forth on the inside cover. Interest on the Bonds will accrue from their date of delivery and will be payable semiannually on each \_\_\_\_\_ and \_\_\_\_\_, commencing \_\_\_\_\_, 20\_\_\_\_. The Bonds will be subject to optional, special and mandatory redemption and purchase in lieu of redemption prior to maturity, as more fully described herein.

The Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. The Bonds are issuable in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the Bonds will not receive physical certificates representing the Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. So long as Cede & Co. is the registered owner of the Bonds, principal (and Redemption Price) of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), to DTC, which, in turn, will remit such principal (and Redemption Price), and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein.

The Bonds are limited obligations of the California Statewide Communities Development Authority (the "Authority"). The Bonds are issued pursuant to the provisions of a bond indenture, dated as of [May] 1, 2018 (the "Bond Indenture"), between the Authority and the Bond Trustee. The Bonds will be payable from Loan Repayments made by the Corporation under a loan agreement, dated as of [May] 1, 2018 (the "Loan Agreement") between the Authority and the Corporation and from certain funds held under the Bond Indenture. The obligation of the Corporation to make Loan Repayments will be evidenced and secured by Master Indenture Obligation No. 1 ("Obligation No. 1") to be issued under the Master Trust Indenture, dated as of [May] 1, 2018, as supplemented (the "Master Indenture") that will obligate the Obligated Group, as defined herein, to make payments on Obligation No. 1 in an amount sufficient to pay principal (and Redemption Price) of, and interest on the Bonds when due.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED 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, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR 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 OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANT SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE BOND INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or terms of this bond issue. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds are offered when, as and if received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity of the Bonds and certain other legal matters, for the Authority, for the Corporation and the Obligated Group Members and for the Underwriters, by the counsel described under the caption "APPROVAL OF LEGALITY" herein. H2C Securities Inc. has acted as Financial Advisor to the Obligated Group in connection with the issuance of the Bonds. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2018.*

**Morgan Stanley**

**Stifel**

\_\_\_\_\_, 2018

<sup>†</sup> See "RATINGS" herein.

\$ \_\_\_\_\_  
**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**  
**Revenue Bonds**  
**(Marin General Hospital)**  
**Series 2018A**

**MATURITY SCHEDULE**

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<sup>c</sup> Priced to call at par on the optional redemption date of \_\_\_\_\_, 20\_\_.

<sup>†</sup> A registered trademark of The American Bankers Association. CUSIP data is provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the Authority, the Obligated Group Members or the Underwriters assumes any responsibility for the accuracy of such numbers.

No dealer, salesperson or any other person has been authorized by the Authority, the Corporation or the Underwriters to give any information or to make any representation concerning the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of them. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction.

This Official Statement has been approved by the Corporation, and the use and distribution of this Official Statement for the purposes described in this Official Statement have been authorized by the Authority and by the Corporation. The information set forth herein under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority” has been furnished by the Authority. The information set forth in “THE BONDS—Book-Entry System” and APPENDIX F – “BOOK-ENTRY SYSTEM” has been furnished by DTC. All other information set forth herein has been obtained from the Corporation and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, in any circumstances, create any implication that there has not been a change in the affairs of the Authority, the Corporation or DTC since the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In making an investment decision, investors must rely upon their own examination of the terms of the offering, including the merits and risks involved.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES, AND OTHER  
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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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 caption “BONDHOLDERS’ RISKS” in the forepart of this Official Statement and the statements contained under the caption “FINANCIAL INFORMATION—Management’ Management’s Discussion and Analysis” in APPENDIX A to 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. Neither the Corporation nor the Authority plans 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 change.

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## OFFICIAL STATEMENT

\$ \_\_\_\_\_\*

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**  
**Revenue Bonds**  
**(Marin General Hospital)**  
**Series 2018A**

### INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. See APPENDIX C for summaries of certain provisions of the Master Indenture, Supplement No. 1, the Bond Indenture and the Loan Agreement. Capitalized terms used in the forepart of this Official Statement and not defined herein are defined in APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS.”

#### **Purpose of this Official Statement**

This Official Statement, which includes the cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery of the \$ \_\_\_\_\_\* aggregate principal amount of California Statewide Communities Development Authority Revenue Bonds (Marin General Hospital), Series 2018A (the “Bonds”).

The Bonds will be issued pursuant to and secured by a bond indenture, dated as of [May] 1, 2018 (the “Bond Indenture”), between the California Statewide Communities Development Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”).

#### **Marin General Hospital and the Obligated Group**

Marin General Hospital (the “Corporation”) is a California nonprofit public benefit corporation exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Corporation operates a 235-bed tertiary care hospital (the “Hospital”) in Greenbrae, Marin County, California that is owned by, and leased from, the Marin Healthcare District (the “District”), a local health care district organized pursuant to California law. The District is the sole corporate member of the Corporation. The Corporation is the sole corporate member of Prima Medical Foundation (“Prima”), a California nonprofit public benefit corporation exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. Prima operates multiple medical practices in Marin and Sonoma counties that deliver medical care within a wide variety of specialties including primary care, women’s health, general surgery, orthopedic surgery and pulmonology. The Corporation and Prima are the current Members of the Obligated Group created under the Master Indenture (all such terms as defined herein). See APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES.”

#### **Purpose of the Bonds**

The Authority will lend the proceeds of the Bonds to the Corporation pursuant to a loan agreement, dated as of [May] 1, 2018 (the “Loan Agreement”), between the Authority and the Corporation, for the purposes of financing [and refinancing] capital expenditures at the Hospital and paying certain costs of issuance. See “PLAN OF FINANCE” herein.

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\* Preliminary, subject to change.

## **The Master Indenture**

In order to secure its obligation to make Loan Repayments under the Loan Agreement, the Corporation, as Obligated Group Representative, will execute and deliver to the Bond Trustee a Master Indenture Obligation No. 1 (“Obligation No. 1”), issued pursuant to the terms of the Master Trust Indenture, dated as of [May] 1, 2018 (the “Master Indenture”), among the Corporation, Prima and U.S. Bank National Association, as master trustee (the “Master Trustee”), as supplemented by the Supplemental Master Indenture for Master Indenture Obligation No. 1, dated as of [May] 1, 2018 (“Supplement No. 1”), between the Corporation, as Obligated Group Representative, and the Master Trustee.

Each Member of the Obligated Group is jointly and severally obligated to make payments on all Obligations issued under the Master Indenture, including Obligation No. 1. Payments on Obligation No. 1 are required to be sufficient to pay the principal (and Redemption Price) of, and interest on the Bonds when due.

Obligation No. 1 is secured on a parity basis with all Master Indenture Obligations outstanding under the Master Indenture by a pledge of the Gross Revenues (defined herein) of each Obligated Group Member. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture.”

Obligation No. 1 entitles the Bond Trustee, as the holder of Obligation No. 1, to the protection of the covenants, restrictions and other obligations imposed upon the Obligated Group under the Master Indenture. Pursuant to the Master Indenture, additional Members may join the Obligated Group and Members may withdraw from the Obligated Group upon compliance with the terms of the Master Indenture. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein and APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE.” After withdrawal by a Member from the Obligated Group, the withdrawing corporation will no longer be an obligor or guarantor of Master Indenture Obligations issued under the Master Indenture, including Obligation No. 1.

[PLACEHOLDER FOR OTHER MASTER INDENTURE OBLIGATION RELATING TO UNION BANK – TBD]

For additional information concerning the security for the Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein.

## **Limited Obligation of Authority**

The Bonds are limited obligations of the Authority, payable solely from Revenues, which consist of 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. 1, including, among other things, Loan Repayments (but excluding any Additional Payments, Administrative Fees and Expenses or any money required to be deposited in the Rebate Fund), and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Bond Indenture (other than the Rebate Fund).

## **Bondholders’ Risks**

Certain risks are inherent in the purchase of the Bonds. See the information herein under the caption, “BONDHOLDERS’ RISKS” for a discussion of certain of these risks.

## **Book-Entry Only**

The Bonds, when issued, will be payable solely in book-entry form through The Depository Trust Company (“DTC”). See APPENDIX F – “BOOK-ENTRY SYSTEM.”

## Continuing Disclosure

The Corporation, on behalf of the Obligated Group, has covenanted for the benefit of Holders and Beneficial Owners of the Bonds to provide [to the Bond Trustee, as dissemination agent,] (i) certain financial and operating data for each of the Obligated Group's fiscal years, (ii) certain quarterly unaudited financial information of the Obligated Group and (iii) notices of the occurrence of certain enumerated events. See the information under the caption "CONTINUING DISCLOSURE" herein.

## THE AUTHORITY

The Authority is a joint powers agency organized pursuant to an Amended and Restated Joint Powers Agreement among a number of California counties, cities and special districts entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. The Authority is authorized to participate in financings for the benefit of certain organizations described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

## THE BONDS

### 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 as of their 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 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 the denominations hereinafter set forth. See "THE BONDS—Book-Entry System" and APPENDIX F – "BOOK-ENTRY SYSTEM." Interest shall be calculated on a 360-day year basis of twelve 30-day months.

The Bonds will bear interest at the rates set forth on the inside cover page hereof payable on \_\_\_\_\_ 1, 20\_\_ and semiannually thereafter on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year to the person whose name appears on the bond registration books of the Bond Trustee as the Holder thereof on the Record Date (which will be the fifteenth day of the month (whether or not a Business Day) immediately preceding an interest payment date) for each interest payment date (except with respect to interest in default, for which a special record date shall be established). So long as Cede & Co. is the registered owner of the Bonds, principal (and Redemption Price) 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 APPENDIX F – "BOOK-ENTRY SYSTEM."

Payment of interest on the Bonds will be made by check mailed on each interest payment date to each Holder (initially DTC) as of the Record Date, at its address as it appears on the bond registration books maintained by the Bond Trustee or, at the written request, submitted to the Bond Trustee at least one business day prior to the Record Date, of any Holder of at least one million dollars (\$1,000,000) in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Holder. Payment of the principal or redemption price of Bonds will be payable upon presentation and surrender thereof at the Corporate Trust Office of the Bond Trustee.

### Redemption

*Optional Redemption of the Bonds.* The Bonds maturing on or after \_\_\_\_\_ 1, 20\_\_ are subject to redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon the Request of the Corporation given to the Bond Trustee at least twenty-five (25) days prior to such redemption date (unless waived by the Bond Trustee in its sole discretion), from any source of available funds, as a whole or in

part (and if in part, in such amounts and maturities as may be specified by the Corporation, or if the Corporation fails to designate such maturities, in inverse order of maturity), on any date, on or after \_\_\_\_\_ 1, 20\_\_, by lot, at a Redemption Price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Account Redemption.** The Bonds maturing on \_\_\_\_\_ 1, 20\_\_ are subject to redemption prior to their stated maturity, in part, by lot, from Mandatory Sinking Account Payments in the amounts set forth below, on \_\_\_\_\_ 1 of each of the following years at a Redemption Price equal to the principal amount of the Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Account Payment Date (_____ 1)	Mandatory Sinking Account Payment
†	\$
† Final Maturity.	

The Bonds maturing on \_\_\_\_\_ 1, 20\_\_ are subject to redemption prior to their stated maturity, in part, by lot, from Mandatory Sinking Account Payments in the amounts set forth below, on \_\_\_\_\_ 1 of each of the following years at a Redemption Price equal to the principal amount of the Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Account Payment Date (_____ 1)	Mandatory Sinking Account Payment
†	\$
† Final Maturity.	

**Special Redemption from Insurance Proceeds.** The Bonds are subject to special redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon the Request of the Corporation given to the Bond Trustee at least twenty-five (25) days prior to the date fixed for redemption (unless waived by the Bond Trustee in its sole discretion), in whole or in part (and if in part, in such amounts and maturities as may be specified by the Corporation or, if the Corporation fails to designate such maturities, in inverse order of maturity) and by lot on any date, from hazard insurance proceeds received with respect to the facilities of any of the Obligated Group Members and deposited in the Special Redemption Account established under the Bond Indenture, at a Redemption Price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

**Notice of Redemption.** Notice of redemption of the Bonds will 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 and the Securities Depository. Failure by the Bond Trustee to give notice to the Authority or the Securities Depository 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.

***Rescission of Notice of Redemption.*** Any notice of optional or special redemption may be rescinded by written notice given to the Bond Trustee by the Corporation 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 in the same manner and to the same persons as notice of such redemption was given.

***Conditional Notice of Redemption.*** The Corporation may instruct the Bond Trustee to provide conditional notice of optional or special redemption, which may be conditioned upon the receipt of moneys or any other event. In the event that notice of optional or special redemption contains any condition or conditions and such condition or conditions shall not have been satisfied on or prior to the date fixed for redemption, the redemption shall not be made and the Bond Trustee shall within a reasonable time thereafter give notice to the Persons to the effect that such condition or conditions were not met and such redemption was not made, such notice to be given by the Bond Trustee in the same manner and to the same parties, as notice of such redemption was given pursuant to the Bond Indenture. Such failure to redeem Bonds shall not constitute an Event of Default under the Bond Indenture or a Loan Default Event under the Loan Agreement.

***Selection of Bonds for Redemption.*** Whenever provision is made 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 in the Bond Indenture 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.

***Effect of Redemption.*** If the conditions for redemption under the Bond Indenture have been satisfied, on the redemption date, 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 from and after the redemption date, 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.

***Mandatory 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 above. Such Bond is to be purchased at a purchase price equal to the then applicable Redemption Price of such Bond. The Corporation may only exercise such option after the Corporation delivers a Favorable Opinion of Bond Counsel to the Bond Trustee and will 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 Bond Indenture and to select Bonds subject to mandatory purchase in the same manner as Bonds called for redemption pursuant to the Bond Indenture. On the date fixed for purchase of any Bond in lieu of redemption, the Corporation will pay the purchase price of such Bond to the Bond Trustee in immediately available funds, and the Bond Trustee will 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 the Bond Indenture shall operate to extinguish the indebtedness of the Authority evidenced by such Bond. No Holder or Beneficial Owner may elect to retain a Bond subject to mandatory purchase in lieu of redemption.

## **Book-Entry System**

The Bonds will be issued in book-entry form. DTC 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). One fully-registered Bond will be issued for each maturity in the total aggregate principal amount due on such maturity and will be deposited with or held at the direction of DTC. See APPENDIX F – "BOOK-ENTRY SYSTEM."

## **ANNUAL DEBT SERVICE REQUIREMENTS**

The following table sets forth, for each year ending December 31, the amounts required to be made available for the payment of principal (including Mandatory Sinking Account Payments) and interest due on the Bonds at maturity. [The table further includes debt service for each year ending December 31 on other long-term indebtedness evidenced or secured by Master Indenture Obligations to be outstanding under the Master Indenture upon the issuance of the Bonds. The table does not include debt service on any other long-term indebtedness of the Corporation not evidenced or secured by Master Indenture Obligations.]

*[Remainder of page intentionally left blank.]*



## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General

The Corporation will agree in the Loan Agreement to make the Loan Repayments to the Bond Trustee, which payments, in the aggregate, will be in an amount sufficient for the payment in full of all amounts payable on the Bonds, including the total interest payable on the Bonds to their respective dates of maturity or earlier redemption (or purchase), the principal amount (or Redemption Price) of the Bonds, and certain 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. 1, proceeds of the Bonds, investment earnings on proceeds of the Bonds and 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, as Obligated Group Representative, concurrently with the issuance of the Bonds will issue its Obligation No. 1 to the Bond Trustee pursuant to which the Members of the Obligated Group agree to make payments to the Bond Trustee in amounts sufficient to pay, when due, the principal (and Redemption Price) of and interest on the Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture” below.

A reserve fund has not been established under the Bond Indenture.

### The Master Indenture

The Corporation and Prima expect to enter into the Master Indenture with the Master Trustee on the date of issuance of the Bonds. Under the Master Indenture, the Obligated Group Members, currently the Corporation and Prima, are liable with respect to Master Indenture Obligations. Other entities may become Members of the Obligated Group in accordance with the procedures set forth in the Master Indenture. Each Obligated Group Member is jointly and severally obligated to pay when due the principal of, premium, if any, and interest on each Master Indenture Obligation, including Obligation No. 1, which will evidence and secure the Corporation’s obligation to make Loan Repayments under the Loan Agreement. For more information, see APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS.”

The Master Indenture imposes certain limited covenants upon the Obligated Group Members for the benefit of the holders of Master Indenture Obligations (including Obligation No. 1), including covenants, among others, relating to (i) the admission of an Obligated Group Member into and the withdrawal of an Obligated Group Member from the Obligated Group, (ii) limitations on mergers involving an Obligated Group Member, (iii) limitations on the creation of Liens by an Obligated Group Member, (iv) limitations upon the sale, lease or other disposition of Property of the Obligated Group, (v) limitations on Obligated Group Members’ incurrence of Indebtedness and (vi) maintenance of a specified minimum annual debt service coverage ratio. See below for further summary of certain of these covenants and APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE.”

***Obligated Group Members.*** Under certain conditions described in the Master Indenture, Members may be added to the Obligated Group from time to time and made jointly and severally liable with respect to Obligation No. 1, and all other Master Indenture Obligations outstanding under the Master Indenture. Additionally, in accordance with the Master Indenture, Members may withdraw from the Obligated Group from time to time. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Membership in the Obligated Group” and “—Withdrawal From the Obligated Group.” The Corporation and Prima are currently the only Obligated Group Members under the Master Indenture.

***Covenant Against Liens.*** Pursuant to the Master Indenture, each Obligated Group Member agrees that it will not create or suffer to be created or permit the existence of any Lien upon any of its Property other than Permitted Liens. See the definition of “Permitted Liens” in APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—DEFINITIONS OF CERTAIN TERMS IN THE MASTER INDENTURE” and “—MASTER INDENTURE—Against Encumbrances.”

***Security Interest in Gross Revenues.*** Pursuant to the Master Indenture, each Obligated Group Member pledges and assigns to the Master Trustee, and grants to the Master Trustee, in each case for the benefit of the Holders of Master Indenture Obligations and subject in all cases to Permitted Liens, a security interest in, all its right, title and interest, whether now owned or hereafter acquired, in and to the Gross Revenues and the Gross Revenue Fund and the proceeds thereof (the “Collateral”). “Gross Revenues” means all revenues, rents, profits, receipts, benefits, royalties, money and income for any Obligated Group Member from any source, including, without limitation, (i) the Obligated Group Members’ rights under agreements with insurance companies, Medicare, Medi-Cal, governmental units and prepaid health organizations, including rights to Medicare and Medi-Cal loss recapture under applicable regulations and (ii) gifts, grants, bequests, donations, contributions and pledges to any Obligated Group Member and (iii) insurance proceeds or any award, or payment in lieu of an award, resulting from condemnation proceedings and (iv) all goods, inventory and other tangible and intangible property, and all rights to receive the foregoing, whether now owned or hereafter acquired by any Obligated Group Member and regardless of whether generated in the form of accounts, accounts receivable, contract rights, chattel paper, documents, instruments, investment property, proceeds of insurance and all proceeds of the foregoing, whether cash or noncash; excluding, however, gifts, grants, bequests, donations, contributions and pledges to any Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under this Master Indenture or on Indebtedness or operating expenses of the Obligated Group Members.

All of the Gross Revenues of the Obligated Group shall be deposited as soon as practicable upon receipt in one or more deposit account(s) or securities account(s) designated as the “Gross Revenue Fund” which the Obligated Group Members shall establish and maintain, subject to the provisions of the Master Indenture, at such banking institution or securities intermediary as the Obligated Group Members shall from time to time designate in writing to the Master Trustee for such purpose (the “Depository Bank(s)”) and which has entered into a deposit account control agreement (the “Account Control Agreement”) with the Obligated Group Members and the Master Trustee.

Gross Revenues and amounts in the Gross Revenue Fund may be used and withdrawn by any Obligated Group Member at any time for any lawful purpose, except that on the event that any Obligated Group Member is delinquent for more than one business day in the payment of any Required Payment with respect to any Master Indenture Obligation issued pursuant to a Related Supplement, the Master Trustee, upon notice from any Obligated Group Member or actual knowledge of such delinquency, shall notify the Corporation and the Depository Bank(s) of such delinquency, and exclusive control over the Gross Revenue Fund shall be exercised by the Master Trustee and as provided in the Account Control Agreement. During any period that the Gross Revenue Fund is subject to the exclusive control of the Master Trustee, the Master Trustee shall use and withdraw from time to time amounts in said fund, to make Required Payments as such payments become due (whether by maturity, prepayment, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments on Master Indenture Obligations, ratably, without any discrimination or preference, and to such other payments in the order which the Master Trustee, in its discretion, shall determine to be in the best interests of the Holders of the Master Indenture Obligations, without discrimination or preference. During any period that the Gross Revenue Fund is subject to the exclusive control of the Master Trustee, no Member shall be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Master Trustee in its sole discretion so directs for the payment of current or past due operating expenses of such Obligated Group Member; provided, however, that Members shall be entitled to withdraw amounts not constituting Gross Revenues from the Gross Revenue Fund and may submit requests to the Master Trustee as to which expenses to pay out of Gross Revenues and in which order.

The security interest in Gross Revenues described above will be perfected, to the extent that such security interest may be perfected, under the UCC by filing and maintenance of UCC financing statements. See “Security and Enforceability—Perfection of a Security Interest” below.

See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Gross Revenues Pledge.

***Additional Indebtedness.*** Indebtedness in addition to the Bonds may be incurred by Obligated Group Members and secured on a parity with Master Indenture Obligations for the purposes, upon the terms and subject to the conditions provided in the Master Indenture. Each Member will be jointly and severally obligated for the payment

of any and all amounts payable under the Master Indenture Obligation. Subject to the conditions therein, the Master Indenture also permits Obligated Group Members to incur secured and unsecured indebtedness in addition to Master Indenture Obligations and to enter into Guarantees. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Limitation on Indebtedness.”

**Debt Service Coverage.** The Master Indenture requires that the Obligated Group maintain an Annual Debt Service Coverage Ratio for each Fiscal Year, commencing \_\_\_\_\_, of not less than \_\_\_\_\_. An Event of Default will be triggered if the Annual Debt Service Coverage Ratio for any two consecutive Fiscal Years is less than \_\_\_\_\_. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Debt Service Coverage.”

**Master Indenture Obligations.** Under the Master Indenture, the Obligated Group Representative is authorized by the Obligated Group Members to incur, pursuant to a supplement to the Master Indenture, on behalf of the Obligated Group Members, Master Indenture Obligations to evidence or secure Indebtedness (or other obligations of an Obligated Group Member not constituting Indebtedness). The Obligated Group Members are jointly and severally liable with respect to the payment of each Master Indenture Obligation, including Obligation No. 1, incurred under the Master Indenture. The Corporation has issued Obligation No. 1 under the Master Indenture to evidence its obligation to make Loan Repayments under the Loan Agreement. Payments of the principal (or Redemption Price) of, and interest on Obligation No. 1 are required to be sufficient to pay the principal (or Redemption Price) of, and interest on the Bonds, when due. The Corporation and Prima are the current Obligated Group Members. [Other than Obligation No. 1, on the date of the issuance of the Bonds, there will be no other Master Indenture Obligations outstanding under the Master Indenture.][Monitor re Union Bank]

[As of \_\_\_\_\_, the Corporation is obligated on approximately \$\_\_\_\_\_ (including principal and interest) of additional long-term indebtedness, none of which is secured by any Master Indenture Obligations.]

### **Replacement of Obligation No. 1**

The Bond Indenture provides that at the option of the Corporation and without the consent of any Holders, Obligation No. 1 may be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation upon the terms and conditions set forth in the Master Indenture. The Master Indenture provides that at the option of the Obligated Group Representative and without the consent of any Holders of Master Indenture Obligations, Master Indenture Obligations, including Obligation No. 1, may be surrendered and delivered to the Master Trustee for cancellation upon satisfaction of certain requirements that include receipt by the Master Trustee and the Holders of the Master Indenture Obligations, including the Bond Trustee as the Holder of Obligation No. 1, of: (i) a request of the Obligated Group Representative requesting such surrender and delivery and stating that the Obligated Group Representative (and each other Member of the Obligated Group) has become a member of an obligated group (the “New Obligated Group”) under a replacement master indenture and that an obligation or obligations are being issued to the Holder under such replacement master indenture (the “Replacement Master Indenture”); (ii) an executed obligation (the “Replacement Obligation”) issued under the Replacement Master Indenture and registered in the name of the Holder with the same tenor and effect as the previous Master Indenture Obligation of such Holder, duly authenticated by the Master Trustee under the Replacement Master Indenture; (iii) a certified copy of the Replacement Master Indenture; (iv) certain opinions of counsel described in the Master Indenture; and (v) any of the following: (a) an officer’s certificate showing that the New Obligated Group, after giving effect to the Replacement Obligation and assuming that the New Obligated Group constitutes the Obligated Group under the Master Indenture, could have incurred at least one dollar of Long-Term Indebtedness pursuant to the Master Indenture immediately following the execution and delivery of the Replacement Master Indenture, (b) an Officer’s Certificate showing that the unrestricted assets of the New Obligated Group will be not less than 70% of the unrestricted net assets of the Obligated Group for the most recent Fiscal Year of the Obligated Group for which audited Obligated Group Financial Statements are available, or (c) written notice of such replacement of Master Indenture Obligations shall have been given by the New Obligated Group to each Rating Agency then maintaining a rating on any Master Indenture Obligation or Related Bond, and the then current rating shall not be withdrawn if such withdrawal will result in less than two Rating Agencies remaining or, if the then current rating is below A3 or its equivalent, the then current rating shall not be lowered by any Rating Agency as a result of such replacement of Master Indenture Obligations and delivery of the Replacement Obligations. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Replacement of Master Indenture Obligations” and “—BOND INDENTURE—Replacement of Obligation No. 1.”

FOR A FURTHER DESCRIPTION OF THE PROVISIONS OF THE BOND INDENTURE, THE LOAN AGREEMENT AND THE MASTER INDENTURE, SEE APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS.”

### **Security and Enforceability**

***Security for Master Indenture Obligations.*** All Master Indenture Obligations issued and Outstanding under the Master Indenture are equally and ratably secured by the Master Indenture except to the extent specifically provided otherwise in the Master Indenture. Any one or more series of Master Indenture Obligations may, so long as any Liens created in connection therewith constitute Permitted Liens, be secured by security (including, without limitation, letters of credit, lines of credit, insurance, Liens on Property of the Members, or security interests in a depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not extend to any other Indebtedness (including any other Master Indenture Obligations or series of Master Indenture Obligations). Consequently, the Related Supplement pursuant to which any one or more series of Master Indenture Obligations is issued may provide for such supplements or amendments to the provisions of the Master Indenture, as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Master Indenture Obligations entitled thereto.

***Perfection of a Security Interest in Gross Revenues.*** Each Obligated Group Member (currently the Corporation and Prima) grants to the Master Trustee a security interest in all of the Gross Revenues of such Member and agrees to perfect the grant of a security interest in the Gross Revenues to the extent, and only to the extent, that such security interest may be perfected by filing and maintenance of financing statements under the UCC. The security interest of the Master Trustee may not be effective against third parties with perfected security interests. Even if perfected, the grant of a security interest in Gross Revenues may be subordinate 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, including collateral assignment, in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal or state bankruptcy laws that may affect the enforceability of the Master Indenture or grant of a security interest in Gross Revenues and (vi) liens on investments and investment accounts constituting Gross Revenues in favor of secured parties who have entered into control agreements with respect to such investments and investment accounts.

***Enforceability of the Master Indenture, the Loan Agreement and Obligation No. 1.*** The legal right and practical ability of the Bond Trustee to enforce rights and remedies under the Loan Agreement and of the Master Trustee to enforce its rights and remedies under the Master Indenture and Obligation No. 1 may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors rights and by application of equitable principles. In addition, enforcement of such rights and remedies will depend upon the exercise of various remedies specified by such documents, which, in many instances, may require judicial actions that are subject to discretion and delay, that otherwise may not be readily available or that may be limited by certain legal principles.

The Corporation and Prima will be the initial Obligated Group Members. The joint and several obligation described herein of each Obligated Group Member to make payments of debt service on a Master Indenture Obligation, the proceeds of which Master Indenture Obligation were not loaned or otherwise made available to that Obligated Group Member may not be enforceable to the extent that the payments (i) will be made on a Master Indenture Obligation issued for a purpose that is not consistent with the charitable purposes of the entity from which the payment or transfer is requested or is subject to the application of charitable trust principles or state laws, regulations, policies or procedures which may vary from jurisdiction to jurisdiction; (ii) will be made from any property that is donor restricted or that is subject to a direct or express trust that does not permit the use of the property for payments; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the entity from which payment or transfer is requested; or (iv) will be made pursuant to any loan violating applicable usury laws. Due to the absence of clear legal precedent in this area, the extent to which the property of any Obligated Group Member may be applied or transferred as described above cannot be determined and could be substantial.

An Obligated Group Member may not be required to make payments on a Master Indenture Obligation or transfers for the purpose of making payment on a Master Indenture Obligation issued by or for the benefit of another Obligated Group Member to the extent that any payment or transfer would render the paying or transferring Obligated Group Member insolvent or would conflict with, not be permitted by or would be subject to recovery for the benefit of other creditors of the Obligated Group Member under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear precedent in the law as to whether payments by any Obligated Group Member on a Master Indenture Obligation for the purpose of making payments on a Master Indenture Obligation issued by or for the benefit of another Obligated Group Member or other person may be avoided by a trustee in bankruptcy in the event of a bankruptcy of the Obligated Group Member or by third party creditors in an action brought pursuant to California fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under California fraudulent conveyances statutes, a creditor of a guarantor may avoid any obligation incurred by a guarantor, if, among other bases therefor, (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty, and (ii) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or California fraudulent conveyances statutes, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force any Obligated Group Member to pay debt service on a Master Indenture Obligation issued by or for the benefit of another entity, a court might not enforce the obligation in the event it is determined that the paying entity is analogous to a guarantor and that fair consideration or reasonably equivalent value for the guaranty was not received and that the incurrence of the obligation has rendered and will render the paying entity insolvent or the paying entity is or will thereby become undercapitalized.

There exists, in addition to the foregoing, common law authority and authority under certain statutes pursuant to which courts may terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out its purposes. Such court action may arise on the court's own motion or pursuant to a petition of the state Attorney General or 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 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.

***Amendments to Master Indenture, Bond Indenture and Loan Agreement.*** Certain amendments to the Master Indenture may be made with the consent of the holders of not less than a majority of the principal amount of outstanding Master Indenture Obligations. These amendments may adversely affect the security of the Holders of the Bonds, and a majority may be composed wholly or partially of the holders of Master Indenture Obligations other than Obligation No. 1. Certain amendments to the Bond Indenture and the Loan Agreement may be made with the consent of the Holders of not less than a majority of the outstanding principal amount of the Bonds outstanding under the Bond Indenture. Such amendments may adversely affect the security of the Holders of the Bonds. SEE APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Supplements and Amendments," "—BOND INDENTURE—Modifications or Amendment of the Bond Indenture" and "—Amendment of Loan Agreement."

***Bankruptcy.*** In the event of bankruptcy of a Member of the Obligated Group, the rights and remedies of the Bondholders are subject to various provisions of the federal Bankruptcy Code. If a Member of the Obligated Group were to file a petition in bankruptcy, payments made by that Member of the Obligated Group 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 a Member of the Obligated Group's liquidation. Security interests and other liens granted to a 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 such 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 such property, as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee and the Master Trustee, other than the right to apply pledged Gross Revenues to payment of the Obligations.

The Members of the Obligated Group can use the Gross Revenues and proceeds thereof to pay the necessary operating expenses of the project or system from which such Gross Revenues or proceeds are derived, despite any security interest of the Master Trustee therein, but such funds might not be available to such Members to pay other creditors and for the financial rehabilitation of the Obligated Group. The rights of the Bond Trustee and Master Trustee to enforce their respective interests and liens could be delayed during the pendency of the rehabilitation proceeding.

A Member of the Obligated Group could file a plan for the adjustment of its debts in any such proceeding, which could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. In a case under chapter 11 of the Bankruptcy Code, creditors are not authorized to file a plan for the reorganization of the debtor. 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 conditions are that the plan shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if (with certain exceptions) creditors holding at least two-thirds in dollar amount and more than one-half in number of the claims in the class which vote to accept or reject the plan 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 a Member, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Loan Agreement or the Master Indenture 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.

In addition, the obligation of the Corporation to pay principal and interest with respect to the Bonds is not secured by a lien on or security interest in any assets or revenues of the Corporation or the Obligated Group other than the pledge under the Master Indenture on Gross Revenues, payments made on Obligation No. 1 and the lien on certain funds held by Trustee under the Bond Indenture, as described in APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS.” Except with respect to such pledge of Gross Revenues and such funds held under the Bond Indenture, in the event of a bankruptcy of the Corporation, Holders would not have a claim against the Corporation or be unsecured creditors of the Corporation.

### **Limited Liability of the Authority**

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF THE BONDS, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED 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, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR 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 OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE PROGRAM PARTICIPANT SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE BOND INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT.

## PLAN OF FINANCE

### General

The Bonds are being issued for the purposes of (1) financing [and refinancing] the construction, improvement, equipping, renovation, rehabilitation, remodeling and other capital projects on or about the Hospital facilities operated by the Corporation in Greenbrae, California (the “Project”) and (2) paying certain costs of issuance related to the Bonds. For more information about the Project, see APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—FACILITIES—Facilities and the Project” and “—Funding the Project.”

### “Green Bond” Designation

The Corporation is committed to sustainability and has a long-term vision for environmental practices related to the completion of the Project and future operations. These environmental practices reflect the values of the Corporation’s community, and are an extension of the Corporation’s commitment to serving the health care needs of the surrounding community. The Corporation is designating the Bonds as “Green Bonds” based on the green and sustainable elements of the Project discussed herein and in accordance with the Green Bond Principles as promulgated by the International Capital Market Association in June 2017. Owners of the Green Bonds do not have any security other than as provided in the Indenture nor do such owners of the Green Bonds assume any specific project risk related to the Project funded thereby.

*Use of Proceeds.* The Project is registered with the U.S. Green Building Council (“USGBC”) as a new construction project, and will be consistent with many of the standards set by the USGBC. The Corporation has committed to comply with the requirements for LEED\* certification at the [silver] level. In order to implement this objective, the Corporation is working with Green Building Services, a team of consultants specializing in the LEED healthcare requirements. In addition, the architects are working from the healthcare-specific best practices outlined in the Green Guide for Health Care, a guide for healthy and sustainable building design, construction, and operations for the healthcare industry.

The Hospital is located on a relatively hilly campus with an elevation between 10 feet and 130 feet above mean sea level. As a result of this topography and an existing storm drain system, storm water runoff from the campus drains into Corte Madera Creek and eventually into the San Francisco Bay. Storm water runoff can be disruptive to the natural flow of water through the environment, and can increase pollution in natural waterways. To limit these negative impacts, the Project includes a storm water management plan that reduces impervious surfaces, promotes ground absorption, and captures and treats the storm water runoff from 90 percent of the average annual rainfall using acceptable best management practices.

The Project intends to promote water efficiency by limiting or eliminating the use of potable water or other natural water resources for landscape irrigation. The initial goal is to reduce potable water consumption for irrigation by 50 percent from a calculated midsummer baseline case. Additionally, water use during construction will be restricted to critical uses, such as dust control.

In order to reduce the environmental and economic impacts of excessive energy use at the Hospital, the Project targets energy performance levels beyond the prerequisite standards. The Corporation intends to demonstrate a percentage improvement in the proposed building performance rating compared with the baseline building performance rating. One such design example is to use emergency lighting only during evening hours, an idea for which the Project seeks an innovation in design credit under LEED as a strategy resulting in significant, measurable environmental performance. To supplement these energy efficiency design principles, the Project will include photovoltaic panels on the central aisles on top of the new parking structures.

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\* Leadership in Energy and Environmental Design (“LEED”) is a voluntary, third-party building certification process developed by the USGBC, a non-profit organization. The USGBC developed the LEED certification process to (i) evaluate the environmental performance from a whole-building perspective over a building’s life cycle, (ii) provide a definitive standard for what constitutes a “green building,” (iii) enhance environmental awareness among architects and building contractors, and (iv) encourage the design and construction of energy-efficient, water-conserving buildings that use sustainable or green resources and materials.

During the construction phase, the Project intends to divert debris from disposal in landfills and to instead redirect recyclable or reusable materials back to the manufacturing process or appropriate sites. The commitment is to recycle and/or salvage nonhazardous construction and demolition debris, with some of this sorting to occur onsite. These efforts will comply with County of Marin Ordinance No. 3389 regarding Construction and Demolition Waste Recovery. The Project also has the goals of reducing indoor air quality problems resulting from construction and to promote the comfort and well-being of construction workers and building occupants. The Project entails an indoor air quality management plan for the construction and preoccupancy phases of the building in order to facilitate these objectives. The use of indoor air contaminants that are odorous, irritating, and/or harmful will be reduced. All adhesives and sealants used on the interior of the building will comply with the adopted standards for Volatile Organic Compound limits for the different architectural finish applications.

***Process for Evaluation and Selection.*** As discussed above, the Corporation has consistently addressed sustainability in the context of the Project. The Corporation’s Board of Directors approved the Project in 2010 in order to expand and improve healthcare services in the community and meet all seismic safety regulations issued by the State of California. Construction began in 2016 and is expected to conclude by 2020. When completed, the Project will give the community a state-of-the-art, energy efficient hospital. For more information about the Corporation’s history and the Project, see “INTRODUCTION – Overview” and “FACILITIES—Facilities and the Project” in APPENDIX A attached hereto.

As the Project proceeds, the Corporation intends to monitor and evaluate certain metrics related to the following environmental and energy measures: (1) storm water design; (2) water efficient landscaping; (3) building systems set to operate at optimal efficiency; (4) construction waste management; (5) construction air quality management; (6) low emitting materials, adhesives, sealants, paints and flooring; and (7) emergency lighting used only during evening hours.

***Management of Proceeds.*** The Corporation will deposit the net proceeds of the Bonds into the Project Fund (as defined in the Indenture). The Corporation will track the net proceeds as these funds are expended for the Project.

***Reporting.*** Annually, until the net proceeds of the Bonds are fully allocated, the Corporation intends to provide disclosure regarding the amount of net proceeds allocated to the Projects. Disclosures will be made through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, accessible at [www.emma.msrb.org](http://www.emma.msrb.org), and the annual disclosure will be made when the Corporation provides its Annual Report (defined herein). See “CONTINUING DISCLOSURE” herein. Once all net proceeds of the Bonds are allocated and disclosure regarding such allocation is made, no further such disclosures will be provided. The Corporation has committed to a number of design and operational characteristics in anticipation of LEED [silver] certification, and will consider making its LEED certification public when achieved. Such reports and updates are provided on a voluntary basis and are not included as part of the Continuing Disclosure Agreement.

## **ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds related to the Bonds. The proceeds to be received from the sale of the Bonds will be applied as set forth in the following table.

The estimated sources and uses of funds is set forth below:

	<u>Bonds</u>	<u>Other</u> <u>Bonds</u>	<u>Total</u>
<b>Sources of Funds</b>			
Par Amount of the Bonds	\$	\$	\$
Original Issue			
Discount/Premium			
<b>Total</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Uses of Funds</b>			
Deposit to Project Fund	\$	\$	\$
Issuance Costs <sup>(1)</sup>			
<b>Total</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Includes underwriters' discount, legal fees, printing costs, the Authority's fees and expenses, the Bond Trustee's fees and other miscellaneous issuance costs.

### CONTINUING DISCLOSURE

Because the Bonds are limited obligations of the Authority, payable solely from amounts received from the Corporation and other Members of the Obligated Group, 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. Accordingly, 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 ("Rule 15c2-12") promulgated under the Securities Exchange Act of 1934.

The Corporation[, on behalf of the Obligated Group,] has covenanted, in the continuing disclosure agreement to be executed in connection with issuance of the Bonds (the "Continuing Disclosure Agreement"), for the benefit of Holders and Beneficial Owners of the Bonds to provide [to the Bond Trustee, as dissemination agent,] for dissemination (i) certain financial information and operating data relating to the Obligated Group by not later than [five] months following the end of the Obligated Group's fiscal year (which currently is December 31) (referred to as the Annual Report), commencing with the report for the December 31, 2018 fiscal year (due \_\_\_\_\_, 20\_\_), (ii) within [45] days after the end of each fiscal quarter of each year, commencing with the fiscal quarter ending \_\_\_\_\_, 20\_\_, certain unaudited financial information relating to the Obligated Group, and (iii) notices of the occurrence of certain enumerated events. The Annual Report and the notices of certain enumerated events will be filed by [the dissemination agent on behalf of] the Corporation, in readable PDF or other acceptable electronic form, with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB). These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12. A default under the Continuing Disclosure Agreement is not deemed to be a default under the Bond Indenture, the Loan Agreement or the Master Indenture. See APPENDIX D – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

### BONDHOLDERS' RISKS

The purchase of the Bonds involves investment risks that are discussed throughout this Official Statement. Prospective purchasers 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 Obligated Group specifically. These should be read together.

## General

Except as noted under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” the Bonds are payable from Loan Repayments made pursuant to the Loan Agreement and from funds provided under Obligation No. 1 and the Bond Indenture. No representation or assurance can be made that the Corporation will realize revenues in amounts sufficient to pay principal of and interest on the Bonds or that the Obligated Group will be able to make sufficient payments on Obligation No. 1.

The Obligated Group Members are 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 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 (the “State”), and other federal, state and local government agencies. The future financial condition of the Obligated Group could be adversely affected by, among other things, changes in the method, timing and amount of payments to the Obligated Group 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 (“ACOs”), value based purchasing, bundled payments and other health reform payment mechanisms, including a “single-payor” system), 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 by the Obligated Group pursuant to Obligation No. 1 and, consequently, on the Bonds. In addition, the tax-exempt status of the Obligated Group Members and, therefore, of the Bonds, could be adversely affected by, among other things, an adverse determination by a governmental entity, noncompliance with governmental regulations or legislative changes, including changes resulting from current or future health care reform legislation or initiatives. See “—Tax-Exempt Status and Other Tax Matters” below.

## Hospital Lease Termination

The Corporation leases the Hospital from the District. The Hospital Lease will expire on December 1, 2045 unless terminated prior to that date in accordance with its terms. The Hospital Lease may be terminated for, among other reasons, failure by the Corporation to make the lease payments and other required payments thereunder to the District, and failure to comply with the other terms and conditions of the Hospital Lease. Termination of the Hospital Lease may also occur if the property is taken in part or in full by an agency or entity exercising the power of eminent domain. Any award or damages paid as a result of full or partial condemnation would be paid to the District. Should the Hospital Lease be terminated or the Hospital taken by the power of eminent domain, the Corporation would not have sufficient revenues to make payments under the Hospital Lease or payments with respect to the Bonds. For more information, see APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—CORPORATE STRUCTURE—The Hospital Lease.”

## Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of hospitals and health systems similar to those operated by the Corporation and its affiliates 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 conditions and results of operations of one or more Obligated Group Members and, in turn, the ability of the Corporation or the Obligated Group to make payments under the Loan Agreement and Obligation No. 1, as applicable.

***Federal Health Care Reform and Deficit Reduction.*** The Patient Protection and Affordable Care Act, as enacted in March 2010 and as subsequently amended (the “ACA”), impacts 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 resulted in new payment models with the risk of lower hospital 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. It is unclear how efforts

to repeal the legislation and lawsuits to challenge its provisions will be resolved. Uncertainties regarding implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself creates risk. Requirements for state “health information exchanges” could fundamentally alter the health insurance market by giving the health information exchanges a rate-setting role, negatively impacting hospital providers.

In recent years, federal policymakers have undertaken various efforts to reduce the federal deficit, principally by reducing federal spending on entitlement programs, including Medicare and Medicaid. Additional attempts to curb federal entitlement program spending are likely, and federal deficit reduction efforts would 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 “—Health Care Reform” below.

***Tax Reform.*** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. In particular, federal tax reform legislation that was signed into law on December 22, 2017 significantly changes the income tax rates for individuals and corporations, repeals the alternative minimum tax for corporations, and significantly modifies the alternative minimum tax for individuals for tax years beginning after December 31, 2017.

***Debt Limit Increase.*** Through legislation, the federal government has 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.

***Rate Pressure from Insurers and Purchasers.*** Certain health care markets, including many communities in California, are strongly impacted by large health insurers and, in some cases, by 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 payers, may have a material adverse impact on health care providers, particularly if major purchasers put increasing pressure on payers 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 delay, and/or continuing obligations to care for managed care patients without receiving payment. In addition, disputes with non-contracted payers may result in an inability to collect billed charges from these payers.

***Medicare.*** Inpatient hospitals and other health care providers rely to a high degree on payment from the federal Medicare program, and future payment changes are predicted. Recent, as well as future, changes in the underlying law and regulations, as well as in payment policy and timing, create uncertainty and could have a material adverse impact on hospitals’ payment streams from Medicare. With health care and hospital spending reported to be increasing faster than the rate of general inflation, Congress and CMS may take action in the future to decrease or change Medicare outlays for hospitals and physicians.

***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 economic difficulties may constrain corporate and personal spending, limit the availability of credit and increase the national debt and federal and certain state government deficits. To the extent that unemployment rates are high, employers reduce their workforces and their budgets for employee health care coverage, or 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 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. 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 some or all of their

medical and hospital services. These conditions may give rise to increases in health care providers' uncollectible accounts, or "bad debt," uninsured discount 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, which may cause health care providers to use more of their unrestricted funds for capital planning.

***Nonprofit Health Care Environment.*** The significant tax benefits received by nonprofit, tax-exempt hospitals have increasingly caused the business practices of such hospitals 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 Congress, the Internal Revenue Service (the "IRS"), state attorneys general, 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 reporting requirements on hospitals and health systems, including through Schedule H, Schedule J and Schedule K of the IRS Form 990 ("Form 990"). Proposals to stiffen 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 providers and have a material adverse effect on the Obligated Group. 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 facilities. In California, nearly all hospitals are affected by State seismic safety standards requiring certain hospital facilities to be substantially modified, replaced or closed. Damage from earthquakes, floods, fires, other natural causes, deliberate acts of destruction, or various facilities system failures may occur. 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.

***Construction Risks.*** Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of materials and labor, and adverse weather conditions. Such events could delay occupancy. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and labor and other factors. Cost overruns could cause the costs to exceed available funds.

***Government "Fraud" Enforcement.*** "Fraud" in government funded health care programs is of significant concern to the federal government 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 impacts a broad spectrum of hospital and other health care provider commercial activity, including licensing, billing, accounting, recordkeeping, medical staff oversight, medical necessity determinations, quality assurance, 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 in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of 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 may carry significant sanctions. The government periodically conducts widespread investigations covering categories of services or certain accounting, coding or billing practices.

**Hospitals as Major Employers.** Hospitals are major employers with mixed technical and nontechnical workforces. Labor costs, including salary, 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; (iii) imposing joint employer status on employers using contract, staffing agency or other temporary labor; (iv) penalizing employers of undocumented immigrants; and (v) complying with the employer requirements of the ACA. Legislation or regulation on any of the above or related topics could have a material adverse impact on the Corporation. Additionally, 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.

**Personnel Shortage.** 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 nurse shortages will become more acute over time, as practitioners retire and patient volume exceeds the growth in 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 staff 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. 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 impact to 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 hospital care. These developments could result in higher health care costs, significant capital investments, reductions in patient populations, lower utilization of hospital service and/or new sources of competition for hospitals.

**Competition and Consumer Choice.** Hospitals increasingly face competition from 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 where hospitals realize their highest margins, thus negatively affecting programs that are economically important to hospitals. Specialty hospitals may treat only profitable classifications of patients, leaving full-service hospitals with higher acuity and/or lower paying patient populations. These new 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 a competitor's facilities. Hospitals and other health care providers face increased pressure to be transparent and provide information about cost and quality of services, which may lead to a loss of business as consumers and others make choices about where to receive health care services based upon publicly available information.

**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, to significant numbers of uninsured Americans. These programs often pay hospitals and physicians at levels that may be below the actual cost of the care provided. As Medicaid and other state health care programs are partially funded by states, the often precarious financial condition of states may result in lower funding levels and/or payment delays in the future. These could have a material adverse impact on hospitals 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 care providers may be affected by negative financial and liability impacts on physicians. Costs of insurance, including self-insurance, may increase dramatically.

## **Nonprofit Health Care Environment**

The tax-exempt status afforded nonprofit health care organizations is the subject of increasing regulatory and legislative threats. As nonprofit tax-exempt organizations, the Obligated Group Members are subject to federal, state and local laws, regulations, rulings and court decisions relating to organization and operation, including operation for charitable purposes. At the same time, the Corporation conducts large-scale 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 hospitals 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 whether nonprofit hospitals may not confer community benefits that exceed or equal 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 questions 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 Obligated Group.

***Congressional Hearings.*** A number of House and Senate Committees, including the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Committee on Finance, have conducted hearings and/or investigations into issues related to nonprofit tax-exempt health care organizations. These hearings and investigations have included a nationwide investigation of hospital billing and collection practices, charity care and community benefit and prices charged to uninsured patients and possible reforms to the nonprofit sector. These hearings and investigations may result in new legislation.

***Nonprofit Legislation.*** Legislative proposals that could have an adverse effect on the Obligated Group Members 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 ability to undertake capital projects or develop new services; (iv) a requirement that nonprofit health care institutions pay real property tax and sales tax on the same basis as for-profit entities; (v) mandates to provide 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.

***Tax-Exempt Bond Examinations.*** IRS officials have indicated that resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. Schedule K of Form 990 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 2004, the IRS began a compliance program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation and benefits to their officers and other insiders. 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 continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-

exempt organizations and, 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. Form 990 requires detailed disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be a compliance risk. The Form 990 also requires the disclosure of information on community benefit as well as reporting of information related to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private-use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The Form 990 is intended to provide enhanced transparency as to the operations of exempt organizations. It is likely that the IRS will use detailed information to assist in its enhanced enforcement efforts. See “—Tax-Exempt Status and Other Tax Matters” below.

**Revisions to Form 990, Schedule H.** As described below in “—Tax-Exempt Status and Other Tax Matters” the ACA contains new requirements for tax-exempt hospitals through Section 501(r) of the Code. Schedule H of Form 990, which hospitals must use to report their community benefit activities, has been revised to require details on how a hospital determines eligibility for free or discounted care (if the federal poverty guidelines are not used). Consistent with Section 501(r) of the Code, Schedule H now requires hospitals to describe billing and collection practices permitted under the hospital facility’s policies, as well as information about the hospital’s emergency medical care policy, financial assistance policy, and community health needs assessments. Hospitals must complete all of Schedule H, including lines that relate to community health needs assessments.

**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. 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 State Attorney General to ensure that their charitable purposes are being carried out, that their fundraising and investment activities comply with State law and that the terms of charitable gifts are followed.

**California Auditor Investigation of Exempt Status of Nonprofit Hospitals.** In August 2011, California’s Joint Legislative Audit Committee directed the California Bureau of State Audits to investigate whether the State’s nonprofit hospitals are providing enough charity care and community benefit to justify their tax-exempt status. A report was issued in August 2012 that summarized the findings and recommended that the California Legislature (i) amend state law to include requirements with respect to the amount of community benefits a hospital provides, (ii) define a standard methodology for calculating the community benefits a hospital delivers, and (iii) amend state law to allow assessment of a penalty against hospitals that are not in compliance with submitting community benefit plans to the Office of Statewide Health Planning and Development (“OSHPD”). See “—Tax-Exempt Status and Other Tax Matters” below.

**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 debt collection procedures and communicate proactively through the entire cycle of care to patients on the options available to them within the policies. [The Corporation has adopted and maintains such policies.]

**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. Typically, urban, inner-city hospitals and other health care providers may treat significant numbers of indigents. These 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 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 also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal 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 in certain circumstances on the assertion 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.

The foregoing are some examples of the challenges and examinations facing nonprofit health care organizations. 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 health care organizations, including the Obligated Group Members. 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 Obligated Group Members, and, in turn, the ability of the Corporation to make payments under the Loan Agreement and of the Obligated Group to make payments under Obligation No. 1.

### **Federal Budget Cuts**

The Budget Control Act of 2011 mandates significant reductions and spending caps on the federal budget for fiscal years 2012–2021, including a reduction of 2% on all Medicare payments during this period. Subsequent legislation enacted by Congress extended these reductions through 2025. There is a substantial risk that Congress will act to extend or increase these across-the-board reductions.

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 Obligated Group. 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 the Obligated Group.

### **Health Care Reform**

The discussion herein describes risks associated with certain existing federal and State laws, regulations, rules, and governmental administrative policies and determinations to which the Obligated Group and the health care industry are subject. While these are regularly subject to change, many of the existing provisions were enacted by or promulgated pursuant to the ACA, to which opposition has been expressed by President Trump and the Secretary of DHHS, as well as the majority leaders of each chamber of Congress and members of their caucuses. It is not possible to predict with any certainty whether or when the ACA or any specific provision or implementing measure will be repealed, withdrawn or modified in any significant respect, but a unified administration and majority in both chambers of Congress could enact legislation, withdraw, modify or promulgate rules, regulations and policies, or make determinations affecting the Obligated Group, any of which individually or collectively could have a material adverse effect on the operations, financial condition and financial performance of the Obligated Group.

President Trump and certain Congressional leaders have included a repeal of all or a portion of the ACA in statements concerning their respective legislative agendas, and Congress has taken steps to repeal and replace parts of the ACA. The repeal effort, to date, has focused on individual and employer mandates, exchanges, insurance industry regulations, Medicaid expansion, and the taxes to pay for these elements of the ACA. If a repeal in whole or in part were to occur, it is unclear when or if a replacement plan would be implemented. A repeal could result in additional pressure on Medicaid and Medicare funding and could have the effect of reducing the availability of health insurance

to individuals who were previously insured, resulting in greater numbers of uninsured individuals, and could otherwise materially adversely affect the Obligated Group. Tax reform legislation signed into law on December 22, 2017 reduces to zero dollars the penalty for failure to obtain minimum essential coverage beginning in 2019, essentially repealing the individual mandate of the ACA.

There can be no assurances that any existing health care laws and regulations will remain in their current form. Further, there can be no assurances that any potential changes to the laws and regulations governing health care would not have a material adverse financial or operational impact on the Obligated Group.

**Therefore, the following discussion should be read with the understanding that significant changes could occur in 2018 and beyond in many of the statutory and regulatory matters discussed.**

***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. 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. 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 and future actions 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 Obligated Group Members. 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 result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. Further, the ACA establishes the criteria for the new Qualified Health Plans ("QHPs") that may participate in the state run exchanges. A QHP must meet certain minimum essential coverage requirements. However, 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, and/or the cost containment measures and pilot programs that the ACA requires, may offset these benefits. A negative impact to the hospital industry overall will likely result from scheduled cumulative reductions in Medicare payments; such reductions are substantial. 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 other third-party payors.

Health care providers could be further subjected to decreased reimbursement as a result of implementation of recommendations of the Independent Payment Advisory Board ("IPAB"). In the event that the projected Medicare per capita growth rate exceeds a target growth rate in any year, IPAB is directed to make recommendations for cost reduction, 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. To date, IPAB members have not been appointed by President Trump.

Beginning in 2014, the ACA created 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 have a positive impact for hospitals 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 relatively 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 Obligated Group Members, and upon the operations, results of operations and financial condition of the Obligated Group, taken as a whole, cannot be predicted.

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. The ACA has created a value-based purchasing system for hospitals under which a percentage of payments will be 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" and bundled provider payments. 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 has expanded access to Medicaid and the scope of services covered thereunder. With respect to access, Medicaid may be available to all individuals with incomes of less than 138% of the federal poverty level, depending on whether a state opts to expand such coverage. The ACA allows states, beginning in 2014, to expand Medicaid eligibility to non-elderly, non-pregnant individuals who are not otherwise eligible for Medicare, if they have incomes of less than 138% of the federal poverty level. To assist states with the cost of covering such newly eligible individuals, the federal government has paid 100% of the new cost for a limited number of years. Thereafter, the cost share is expected to decrease to 90%. However, the U.S. Supreme Court's decision in *National Federation of Independent Business v. Sebelius* (2012) made expansion of Medicaid an option 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. Additionally, Medicaid reimbursement rates differ by state and the effect of expanded Medicaid enrollment must be determined on a state-by-state basis.

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 provides 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.

With respect to charity care, the ACA contains many features from previous tax exempt reform proposals, including a set of sweeping changes applicable to charitable hospitals exempt under Section 501(c)(3) of the Code. The ACA: (i) imposes new eligibility requirements for 501(c)(3) hospitals, coupled with an excise tax for failures to meet certain of those requirements; (ii) requires mandatory IRS review of the hospitals' entitlement to exemption; (iii) sets forth new reporting requirements, including information related to community health needs assessments and audited financial statements; (iv) requires hospitals to adopt and publicize a financial assistance policy, limit charges to patients who qualify for financial assistance to the amounts generally billed to insured patients and prohibits the use of gross charges, and control the billing and collection processes; and (v) imposes further reporting requirements on the Secretary of the Treasury regarding charity care levels. Failure to satisfy these conditions may result in the imposition of fines and the loss of tax exempt status.

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, the BBA 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.

On January 30, 2017, President Trump issued an executive order requiring federal agencies to remove two previously implemented regulations for every new regulation added. President Trump also issued an executive order directing each federal agency to set up a “regulatory reform task force” to review existing regulations and eliminate those which are costly or unnecessary. Based on these executive orders and the present political climate, there can be no assurances that any existing health care laws and regulations will remain in their current form. Further, there can be no assurances that any potential changes to the laws and regulations governing health care would not have a material adverse financial or operational impact on the Corporation.

In May 2017 the U.S. House of Representatives voted to adopt the American Health Care Act (the “AHCA”), which would replace portions of the ACA, including eliminating the individual and large employer mandate to obtain or provide health insurance coverage, respectively, imposing a per capita cap on federal funding of Medicaid programs, or permitting the transition of federal funding to block grants, and permitting states to seek waivers of certain federal essential health benefit and pre-existing condition requirements. In June 2017, the U.S. Senate proposed a corresponding bill containing substantially similar provisions as described above with respect to the AHCA but with other slight variations from the bill approved by the House of Representatives.

In addition to legislative changes, ACA implementation and the ACA insurance exchange markets can be significantly impacted by executive branch actions. On January 20, 2017, President Trump issued an executive order requiring all federal agencies with authorities and responsibilities under the ACA to “exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay” parts of the ACA that place “a fiscal burden ... or a cost, fee, tax, penalty, or regulatory burden” on states, individuals or health care providers.

On October 12, 2017, President Trump signed an executive order directing the Department of Labor to consider proposing regulations or revising guidance enabling the formation of association health plans so that they would be exempt from certain ACA requirements such as the essential health benefits mandate. The executive order also: (i) provides for the Secretaries of the Treasury, Labor and DHHS to consider proposing regulations or revising guidance to expand access to short-term health plans that are limited under the ACA; (ii) provides for the Secretaries of the Treasury, Labor and DHHS to consider proposing regulations or revising guidance to expand how workers use employer-funded accounts to purchase their own policies; and (iii) sets a priority of limiting consolidation throughout the health care system.

Additionally, on October 12, 2017, the Trump Administration announced that cost-sharing reduction payments will no longer be made to insurers, which are still required to offer cost-sharing to certain low-income plan members under the ACA. Cost sharing reduction payments help offset deductibles and other out-of-pocket expenses for exchange health insurance coverage for approximately seven million individuals earning up to 250 percent of the federal poverty level. The Congressional Budget Office previously reported that if cost-sharing reduction payments were to end, premiums for silver-level plans would increase by 20 percent, before premium tax credits are accounted for, in 2018. On October 13, 2017, eighteen states and the District of Columbia filed suit in the U.S. District Court for the Northern District of California challenging the Trump Administration’s action and asking the court to issue a preliminary injunction mandating the continuance of cost-sharing reduction payments, which request was denied. On October 17, 2017 the chairman and ranking member of the Senate Committee on Health, Education, Labor, and Pensions announced a bipartisan proposal intended to continue cost-sharing reduction payments, but no such legislation has been passed to date.

These recent actions have the potential to significantly impact the insurance exchange market by reducing the number of plans available on exchanges and/or increasing insurance premiums. The Corporation cannot predict the effect of any such executive actions on the business or financial condition of the Obligated Group, though such effects could be material.

There can be no assurances that any current health care laws and regulations, in addition to the ACA, will remain in their current form. There can be no assurances that any potential changes to the laws and regulations

governing health care would not have a material adverse financial or operational impact on the Obligated Group Members. Therefore, the preceding discussion should be read with the understanding that significant changes could occur in 2017 and beyond in many of the statutory and regulatory matters discussed.

**California Health Care Reform.** The State has enacted several laws intended to implement the ACA within the required federal timeframes. Among the steps taken to date to implement or advance the ACA, the State established a state health insurance exchange which operates under a brand name, “Covered California”; the State 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; and legislation was enacted prohibiting insurers from denying health coverage based on preexisting conditions. In addition, the State is also running a dual-eligibles pilot program with federal funding. The implementation of health care reform has extended coverage under Medi-Cal to approximately four million more Californians in three years and added new services such as treatment for substance abuse and mental health.

### **Patient Service Revenues**

Net patient service revenues realized by the Obligated Group Members are derived from a variety of sources. A substantial portion of the net patient service revenues is derived from third-party payors which pay for the services provided to covered patients. These third-party payors include the federal Medicare program, the Medi-Cal program and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to the Obligated Group Members in amounts that may not reflect the Obligated Group Members’ direct and indirect costs of providing services to patients.

The financial performance of the Obligated Group Members has been and could be in the future adversely affected by the financial position, the insolvency of, the bankruptcy of or other delays in receipt of payments from third-party payors that provide coverage for services to its patients.

Health care providers have been and continue to be affected significantly by changes made in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of this statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs.

**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 provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, skilled nursing care, hospice and some home health care, and Medicare Part B covers physician services, outpatient hospital services, diagnostic tests, outpatient therapy and some supplies. 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.

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. The Medicare program reimburses hospitals based on a fixed schedule of rates based on categories of treatments or conditions. These rates change over time and there is no assurance that these rates will cover the actual costs of providing services to Medicare patients. Further, it is anticipated there will be reductions in rates paid to Medicare managed care plans that may ultimately be passed on to providers.

The ACA institutes multiple mechanisms for reducing costs to the Medicare program and thus reimbursement to hospitals, while also promoting new and innovative health care delivery models, including the following:

**Value-Based Purchasing Program.** Since federal fiscal year 2013, Medicare inpatient payments to hospitals are 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 the reduction of hospital inpatient care payment by 2% for federal fiscal year 2017 and subsequent federal fiscal years. This reduction may be offset by incentive payments 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.

**Market Basket Reductions.** Commencing upon enactment of the ACA and through September 30, 2019, the annual Medicare market basket updates for hospitals have been, and will be, reduced. The market basket adjustments for inpatient hospital care have averaged approximately 2% to 4% annually in recent years. The ACA calls for reductions in the annual market basket updates ranging from 0.10% to 0.75% each year through federal fiscal year 2019. The market basket reduction for federal fiscal year 2018 is -0.75%. In addition, the market basket updates are subject to productivity adjustment. The productivity adjustment for fiscal year 2018 is -0.6%. The reductions in market basket updates and the productivity adjustments will have a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare. The combination of reductions to the market basket updates and the imposition of the productivity adjustments may, in some cases and in some years, result in reductions in Medicare payments per discharge on a year-to-year basis.

**Hospital Acquired Conditions Penalty.** Effective October 1, 2014, CMS began reducing Medicare payments by 1% for all Diagnosis-Related Groups (“DRGs”) to hospitals that are in the top quartile nationally for their rate of hospital-acquired conditions. Effective July 1, 2011, federal payments to states for Medicaid services related to preventable health conditions were prohibited.

**Readmission Rate Penalty.** Beginning in federal fiscal year 2013, Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for three patient conditions (acute myocardial infarction, pneumonia and heart failure) are reduced based on a risk-adjusted measure of the hospital’s readmissions performance. The maximum penalty of 3% has applied since fiscal year 2015. In fiscal year 2015, CMS expanded the patient conditions assessed for this penalty to include acute exacerbation of chronic obstructive pulmonary disease, elective total hip arthroplasty, and total knee arthroplasty. Effective fiscal year 2017, CMS expanded the program to include patients admitted for coronary artery bypass graft surgery.

**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 and Medicaid enrollees) will see 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. The extent to which these reductions are offset depends considerably on whether the state in which the hospital is located expanded Medicaid eligibility. Medicare DSH payments will continue to decrease as the number of uninsured also decreases.

On September 13, 2013, CMS issued a final rule confirming its methodology, which accounted for statewide reductions in uninsured and uncompensated care, and reduced Medicaid DSH allotments to each state. Under this final rule, the federal share of Medicaid DSH payments was reduced by \$500 million in fiscal year 2014 and \$600 million in fiscal year 2015. Such reductions have been delayed several times, most recently under the Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”), but are scheduled to take effect October 1, 2018, which extended cuts through fiscal year 2025.

**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 whether through

adjustments to benchmark payments or other federal policy changes could in turn affect the scope of coverage of these plans or cause plan sponsors to negotiate lower payments to providers.

**Quality Improvement Covenants.** Health care insurers are required to include quality improvement covenants in their contracts with hospital providers, and are required to report their progress on such actions to the Secretary of the DHHS. Commencing January 1, 2015, health care insurers participating in the health insurance exchanges are allowed to contract only with hospitals with more than 50 beds that have implemented programs designed to ensure patient safety and enhance quality of care. The effect of these provisions upon the process of negotiating contracts with insurers or the costs of implementing such programs cannot be predicted.

**Center for Medicare and Medicaid Innovation.** The ACA creates a Center for Medicare and Medicaid Innovation (“CMMI”) to test innovative payment and service delivery models and to implement various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care. Demonstration efforts include, bundled payments under Medicare and Medicaid. Other provisions encourage the creation of new health care delivery models, such as accountable care organizations (described below) or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. CMMI has begun testing new payment and service delivery models by instituting mandatory pilot programs. For example, the Comprehensive Care for Joint Replacement (“CJR”) Model is currently in effect. Other proposed mandatory models include extending the CJR model to include hip fracture and cardiac episode payment models for acute myocardial infarction hospitalization and coronary artery bypass graft surgery, although these proposals have been delayed and it is not possible to predict whether they will be further delayed, amended or retracted. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

For information concerning the Medicare payments received by the Obligated Group for the fiscal years ended December 31, 2015, 2016 and 2017, see APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—SOURCES OF REVENUE—Patient Service Revenue.”

**Hospital Inpatient Reimbursement.** Hospitals generally are paid for inpatient services rendered to Medicare beneficiaries under the inpatient prospective payment system (the “IPPS”). Under the IPPS, for each covered hospitalization, Medicare pays a predetermined base operating payment and a separate predetermined base payment for capital-related costs. Each hospitalization of a Medicare beneficiary is classified into one of several hundred diagnosis-related groups, or DRGs. The IPPS payment rate is not linked directly to the hospital’s actual cost of treating a particular patient. It is a fixed sum, generally based on national DRG rates and a Hospital Wage Index intended to reflect geographic differences in the cost of labor. Several hospital characteristics are reflected in payment adjustments, including an indirect medical education adjustment, the disproportionate share adjustment to pay certain hospitals for a portion of the higher costs of treating a large proportion of poor patients and for indirect costs of operating in areas accessible to poor patients and outlier case adjustments (an additional payment for selected cases of unusually long stays or high costs). Therefore, the actual cost of care, including capital costs, may be more or less than the DRG rate. In addition, DRG rates are subject to adjustment by CMS, including reductions mandated by the ACA, and are further 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 “—The Medicare Program” 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” rule 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. With some exceptions, beneficiaries whose stays are not expected to extend past two midnights should not be admitted and should instead be billed as outpatient. Enforcement of the “Two-Midnight” rule was ultimately delayed until 2015. Effective October 1, 2015, responsibility for initial review of inpatient admissions shifted from Medicare administrative contractors to quality improvement organizations (“QIO”), and recovery audit contractors will conduct reviews for providers referred by the related QIO. Effective January 1, 2016, the “Two-Midnight” rule was revised 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 removed the inpatient payment cuts under the “Two-Midnight” rule for fiscal year 2017 and onward. 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 Outpatient Prospective Payment System (“Outpatient PPS”), 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. Generally, the Outpatient PPS rates are adjusted annually based on estimated cost increases and other factors, including productivity and budget neutrality adjustments. These adjustments are typically positive, and often range from 0.5% to 2.5%. However, occasionally, because of statutory formulas and other legislative and administrative actions, these adjustments can be negative, and Medicare payments to hospitals can be reduced as a result. Moreover, Congress often takes action to specify payment update reductions, which can have the effect of constraining or reducing hospital payments. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

***Medicare Physician Payment.*** 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. From 2003 to 2015, Congress provided temporary relief from scheduled “negative” updates that would have reduced physician payments. In April of 2015, Congress enacted MACRA, which eliminated the cut to physician payments required by the SGR formula, and substituted annual 0.5% payment increases through 2019. Payment rates will be frozen at 2019 levels through 2025. While the immediate payment cuts associated with the SGR formula have been eliminated, it is possible that future legislative action will be taken that would once again trigger physician payment reductions.

Furthermore, MACRA moved Medicare physician reimbursement from a fee-for-service to a pay-for-performance model that will continue to control the growth of physician payments based on clinical outcomes and quality reporting. In addition to the base payment methodology, physicians can earn merit-based payments based on factors including compliance with meaningful use of certified electronic health records technology and demonstration of quality-based medicine.

Beginning January 1, 2019, and carrying through 2025, physician payment adjustments will occur through the Quality Payment Program’s two reimbursement tracks—the Merit-based Incentive Payment System (“MIPS”) or an Advanced Alternative Payment Model (“APM”). In calculating physician payment adjustments, MIPS streamlines existing quality and value programs, accounting for physician performance under the meaningful use of electronic health records incentive program, the value-based modifier, and physician quality reporting system. Payments to physicians participating in APMs similarly accounts for performance under such programs. Beginning January 1, 2026, and effective January 1 of each subsequent calendar year, physician payments will be increased 0.75% for physicians who adequately participate in APMs, and 0.25% for those in MIPS. The outcomes of these programs, including the likelihood of being revised or expanded or their effect on health care organizations revenues or financial performance cannot be predicted, and it remains unclear what effect this legislation will have on the Obligated Group Members. For example, these programs may encourage more physicians to retire, not accept Medicare (or only accept Medicare Advantage). Alternatively, or in addition to other externalities of the implementation of these programs, increased focus and performance scoring on resource use may impact utilization of health care resources. Furthermore, implementation of a quality payment system will likely require regular reporting to CMS and greater internal resources to monitor performance and prevent payment reductions.

***Off-Campus Provider-Based Departments.*** Some health care providers bill for services as “provider-based entities” and, as such, are subject to CMS’s provider-based regulations. Beginning January 1, 2017, off-campus hospital outpatient departments that were not billing Medicare as provider based as of November 2, 2015 generally will not be eligible for payment under the Outpatient PPS with the exception of certain emergency services. To date, CMS has determined that such non-emergency services performed at these facilities will be paid under the physician fee schedule, but it is not known what payment system may be designated in the future. The new payment methodology

for these locations and services has resulted in lower payments to hospitals than in previous years for providing the same services. A hospital outpatient department is considered to be “off-campus” if it is located more than 250 yards from a main provider hospital or a remote location of a hospital. Administrative and judicial review are unavailable for determinations relating to applicable payment systems or determinations whether a provider department is considered an off-campus hospital outpatient department.

***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 pre-determined 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.

***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.

***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% of the total amount. 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.

***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. CMS also contracts with 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.

***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. The ACA provides significantly enhanced federal funding for states to expand their Medicaid program to virtually all non-

elderly, non-disabled adults with incomes up to 138% of the federal poverty level. Attempts to balance or reduce the federal and state budgets, including the balanced budget requirements in California, may negatively impact spending for Medicaid and other state health care programs spending.

**California Medi-Cal.** Medi-Cal is the California Medicaid program. Prior to July 2013, the State selectively contracted with general acute care hospitals to provide inpatient services to Medi-Cal patients through the Selective Provider Contracting Program (“SPCP”). Legislation enacted in 2010 directed the State Department of Health Care Services (“DHCS”) to replace the SPCP, which provided for per-diem payments, with reimbursement according to DRGs. Effective July 1, 2013, the SPCP was replaced by the DRG-based payment methodology, which was phased in over a three-year period. 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 APR-DRG payment methodology, 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 adjustments in certain circumstances. It is anticipated that some California hospitals will see decreases in Medi-Cal payments while other hospitals will receive increases. Management does not believe that these changes have had any material impact on the financial condition of the Corporation.

At this time, a significant amount of legislation regarding Medi-Cal has been proposed. However, management is unable to determine the impact that any current or future proposed legislation 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 fiscal years 2014–2016, decreasing to 90% of the costs of this expansion in fiscal year 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. The State expanded Medi-Cal under the ACA, and it is uncertain to what extent the risk of lower reimbursement rates under Medi-Cal may be mitigated if the increased Medi-Cal utilization replaces previously uncompensated patients. Furthermore, there can be no assurance that legislation will not be adopted that would materially alter federal financing to the states in support of the Medicaid program, and there can be no assurance that any such legislation will not materially adversely affect the Obligated Group. See also “Health Care Reform” above.

For information concerning the Medi-Cal payments received by the Obligated Group, for the fiscal years ended December 31, 2015, 2016 and 2017, see APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—SOURCES OF REVENUE—Patient Service Revenue.”

**California Hospital Fee Program.** 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. The California Medi-Cal Hospital Reimbursement Initiative, or Proposition 52, which passed in November 2016, extends the hospital fee program indefinitely and puts projections in place to prevent diversion of funds from the program. See APPENDIX A – “[Add Cross-Reference.]”

**Medicare and Medicaid Audits.** Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments 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.

***Disproportionate Share Payments.*** The federal Medicare and the State Medi-Cal programs each provide additional payment for hospitals that serve a disproportionate share of certain low-income patients. Marin General Hospital does not qualify as a disproportionate share hospital under the Medi-Cal program. The ACA substantially reduces Medicare and Medicaid payments to disproportionate share hospitals. There can be no assurance that payments to disproportionate share hospitals will not be further decreased or eliminated in the future.

***California State Budget.*** The State enacted a balanced fiscal year 2017-18 budget, which took effect on July 1, 2017. However, 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 actions that the Governor, the State legislature or voters—via ballot initiative—may take in the future. It is reasonable to expect, however, that cost containment measures, including aggressive management of the State’s health care spending, will be pursued to keep the State’s budget in balance, which may have an adverse effect on the financial condition of the Obligated Group. Examples of past such actions are set forth below:

- Aggressive health care cost-containment efforts by the Governor and the State legislature to help eliminate prior years’ budget deficits, including the State’s substantial cuts to health care provider reimbursement, including Medi-Cal payments to hospitals. For example, California enacted legislation to reduce its 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’s request for 10% reductions in Medi-Cal payments for certain outpatient services and for long-term care. In May 2013, the Ninth Circuit Court of Appeals upheld the reductions, and in January 2014, the U.S. Supreme Court declined to review the Ninth Circuit Court of Appeals ruling.
- The significant expansions to Medicaid programs—Medi-Cal in California—under the ACA. This expansion will require additional program funding. Federal funding is available for some of this expansion, but it is conditioned on states maintaining specified beneficiary eligibility criteria and California has sought to limit program eligibility in recent years to reduce program costs. In May 2016, individuals 19 years of age and younger became eligible for full scope Medi-Cal benefits regardless of immigration status. This population was previously only eligible for restricted scope Medi-Cal, which only covers emergency medical conditions. This expansion will require additional program funding, and will be funded with State funds if federal participation is not available.
- While federal funding is available to facilitate Medicaid program expansion, this funding is expected to be temporary. The Medicaid program expansion and the expected longer-term loss of federal financial support to offset longer-term expansion-related costs may require the State to reduce provider reimbursement rates further.

***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 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 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. Commercial insurers are also adopting total cost of care and pay for performance strategies with providers. 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 organization 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. Disputes with HMOs, PPOs and other managed care payors may result in mediation, arbitration or litigation. Health care organizations from time to time have disputes with HMOs, PPOs and other managed care payors concerning payment and contract interpretation issues.

There is no assurance that the Obligated Group Members 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 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. The 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 Obligated Group Member were to terminate its agreement with any of the major managed care payors or not agree to terms proposed by such payors, it could have a significant material adverse impact on the financial condition of the Obligated Group Member.

With implementation of the ACA, substantial numbers of individuals are choosing health insurance under the health insurance exchanges, increasing the number of individuals covered in the individual market. 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.

For information concerning the managed care payments received by the Obligated Group for the fiscal years ended December 31, 2015, 2016 and 2017, see APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—SOURCES OF REVENUE—Patient Service Revenue.”

***International Classification of Diseases, 10th Revision Coding System.*** In 2009, CMS published the final rule adopting the International Classification of Diseases, 10th Revision coding system (“ICD-10”), which became effective in October 2015. 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. In September 2015, CMS approved a “crosswalk” approach to coding conversion for Medicaid agencies in California, Louisiana, Maryland and Montana. Rather than full conversion to the new ICD-10 system, those states instead will be allowed to convert ICD-10 claims into ICD-9 codes for calculating payments under Medicaid fee-for-service programs. While this crosswalk approach creates risk of payment delays and potential errors, most Medicaid claims, particularly in California, are covered under capitated Medicaid managed care plans which do not bill for specific services under the coding system. At this time, however, it is not possible to predict the effects of full, or crosswalk, ICD-10 implementation.

***Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures.*** Health plans, Medicare, Medicaid, 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 shifts payments from paying for volume to paying for value, based on various health outcome measures. Published rankings such as “score cards,” “pay for performance” and other financial and non-financial incentive programs are being introduced to affect the 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 Obligated Group Members. 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 for Human Research Protections, one of the agencies responsible for monitoring federally funded research. In addition, the National Institutes of Health (“NIH”) 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 Office of Inspector General (“OIG”) in its recent “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 NIH and other agencies of the U.S. Public Health Service. 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 the Corporation 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 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, requiring execution of 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 also authorizes the Secretary of DHHS to 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 hospital and to nearly all individuals and entities with which a hospital does business. Fraud investigations, settlements, prosecutions and related publicity can have a material adverse effect on hospitals. See “Enforcement Activity,” below. Major elements of these often highly technical laws and regulations are generally summarized below.

**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 limits. FCA investigations and cases have become common in the health care field and may cover a range of activity from submission of intentionally 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 compliance agreements. The FCA provides for potentially severe penalties: treble damages, attorneys’ fees and civil fines of \$5,000 to \$11,000 per claim. In June 2016, the Department of Justice (“DOJ”) issued a rule that more than doubles civil monetary penalties under the FCA. These increases took effect on August 1, 2016 and apply to FCA violations after November 2, 2015. The new penalties significantly increase the potential financial exposure resulting from an FCA violation.

The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called “qui tam” actions. Qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the federal government or recover independently if the government does not participate. The FCA has become one of the federal government’s primary weapons 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. Some regulators and whistleblowers have asserted that claims submitted to governmental payers that do not comply fully with regulations or guidelines come within the scope of the FCA. Recently, the U.S. Supreme Court in *Universal Health Services, Inc. v. United States ex rel. Escobar* held that the theory of “implied false certification” can be used as a basis for FCA liability when (1) a claim does more than merely request payment and makes specific representations about the nature of the goods or services provided and (2) the failure to disclose noncompliance with material statutory, regulatory or contractual provisions makes the representations “misleading half-truths.” The application of this new standard is evolving and could lead to an increase in FCA claims in the health care industry based on this theory of liability.

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 ACA requires that providers return identified overpayments within the later of 60 days of identification or the date any corresponding cost report is due or the overpayment becomes an “obligation” under the FCA. 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. A March 14, 2016 CMS final rule clarified that an overpayment is considered to have been identified 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). That same 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. 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.

**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 (or to induce a referral) for any item or service that is paid by any federal or state health care program. The Anti-Kickback Law potentially applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions. 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 wrongful.

Violations or alleged violations of the Anti-Kickback Law may 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 act (which may be each item or each bill sent to a federal program), imprisonment and exclusion from the Medicare and Medicaid programs, any of which could have a significant detrimental effect on the financial stability of most hospitals. In addition, civil monetary penalties of \$74,792 per item or service in noncompliance (which may be each item or each bill sent to a federal program) or 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 Referral Law.** The federal “Stark” statute (“Stark” or the “Stark Law”) prohibits the referral of Medicare 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, or immediate family member, has a financial relationship unless that relationship fits within a Stark 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 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, which constitute “financial relationships” would fall within the meaning of the Stark statute, 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 statute.

Medicare may deny payment for all services performed based on a prohibited referral and a hospital that has billed for prohibited services may be obligated to notify and refund the amounts collected from the Medicare program. For example, if an office lease between a hospital and a large group of heart surgeons is found to violate Stark, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the lease; a potentially significant amount. The 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 is 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 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. 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 Law or impose civil monetary penalties.

**State “Fraud” and “False Claims” Laws.** Hospital providers in California also are subject to a variety of State laws related to false claims (similar to the FCA or that are generally applicable false claims laws), anti-kickback (similar to the federal Anti-Kickback Law or that are generally applicable anti-kickback or fraud laws), and physician referral (similar to Stark). 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. California also has an FCA-type law that applies to fraudulent claims presented to an insurance company, which thus goes beyond the scope of the FCA and California’s directly analogous statute, which are limited to fraudulent claims for which the federal government is required to pay or reimburse a portion or all of the claim. Under the California law, codified in Section 1871.7 of the California Insurance Code, a person who submits a fraudulent claim to an insurance company is subject to civil fines ranging from \$5,000 to \$10,000 per fraudulent claim, plus an additional assessment of no more than three times the amount of each claim, and may be subject to criminal penalties under the California Penal Code as well. Similar to the FCA, actions under this Insurance Code section may be initiated by private parties.

**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 are 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 is implemented), and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and 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, HITECH, and Other Privacy and Security Requirements.** HIPAA, along with other federal and various state statutes, addresses the confidentiality of individuals’ health information. HIPAA’s detailed privacy standards extend not only to patient medical records, but also to a variety of demographic, clinical and financial information held by “covered entities,” *i.e.*, hospitals and other entities governed by HIPAA. HIPAA’s privacy standards prohibit the use and disclosure of, and access to, “Protected Health Information” (“PHI”), a broadly defined term, unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. The HIPAA privacy standards also give individuals the rights to know how their PHI is being used or disclosed, to access and amend their PHI, and obtain information about certain disclosures of their PHI. They also obligate covered entities to provide Notices of Privacy Practices to individuals, which detail how the entities use and disclose PHI and how individuals can exercise their rights in respect of their PHI. These requirements often impose communication, operational, and accounting obligations that add costs and create potentially unanticipated sources of liability.

HIPAA contains security standards that require covered entities to implement certain administrative, physical, and technical security standards to protect the integrity, confidentiality and availability of electronic PHI. HIPAA also implemented transaction standards that dictate the use of standard transaction formats, code sets and standard identifiers in connection with certain electronic health care transactions between health plans and health care providers, including activities associated with the billing and collection of health care claims.

HIPAA imposes civil monetary penalties for violations and criminal penalties for violations of its privacy and security standards, and these civil penalties have now been increased through provisions in the Health Information Technology for Economic and Clinical Health Act (the “HITECH Act”), which was enacted as part of the economic stimulus legislation. The revised civil monetary penalty provisions of HITECH establish a tiered system of minimum penalties, ranging from a minimum of \$110 per violation for an unknowing violation to a minimum of \$55,010 for an uncorrected violation due to willful neglect. Maximum penalties may reach \$1,650,300 for identical violations.

The HITECH Act also (i) granted enforcement authority of HIPAA to state attorneys general, (ii) extended the reach of HIPAA beyond “covered entities,” (iii) imposed a breach notification requirement on HIPAA covered entities, (iv) limited certain uses and disclosures of PHI, and (v) restricted covered entities’ permissible marketing communications.

The breach notification obligation, in particular, may expose covered entities such as hospitals to heightened liability. Under HITECH, in the event of a 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 and investigates the incident through the DHHS Office for Civil Rights (“OCR”), the administrative office that is tasked with enforcing HIPAA. The OCR may also investigate breaches involving fewer than 500 affected individuals.

Recent settlements of HIPAA breaches 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. In addition to the costs associated with any such penalties and settlements, covered entities may incur significant costs associated with investigating and handling potential privacy and security breaches.

Enforcement activity is expected to increase in future years in other respects as well. Criminal penalties may be enforced against persons who obtain or disclose personal health information without authorization. DHHS is also beginning to perform periodic audits of health care providers and group health plans to ensure that required policies under the HITECH Act are in place.

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, although certain requirements have a longer timeframe. Key aspects of the HIPAA Omnibus Rule, some of which are discussed above in the paragraphs discussing the HITECH Act, include, but are not limited to: (i) a new standard for what constitutes a breach of PHI, (ii) 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, (vii) expanded rights of individuals to receive electronic copies of their PHI, and (viii) stricter requirements regarding the protection of genetic information. While the effects of the HIPAA Omnibus Rule cannot be predicted at this time, the obligations imposed thereunder could have a material adverse effect on the financial condition of the Obligated Group.

Under HIPAA, covered entities must include certain required provisions in their contractual relationships with their business associates. Business associates are organizations that perform functions on behalf of covered entities, and receive PHI from the covered entities in order to carry out those functions. Business associates are 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 policy, procedure 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, a covered entity may in certain circumstances be held liable for a breach by its 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.

In addition to HIPAA and HITECH, a number of other laws address the confidentiality of individual health information. These other laws may impose more stringent privacy requirements than HIPAA does. For instance, federal laws place additional confidentiality requirements on records pertaining to alcohol and substance abuse treatment at certain facilities. California and other states have adopted laws that afford greater protection to certain types of particularly sensitive health information, such as behavioral health records. California and many other states have also adopted broad data breach notification laws that extend to 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 Obligated Group Members.

***Electronic Health Record Requirements.*** 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. Beginning in 2015, hospitals and physicians that have not satisfied the performance and reporting criteria for demonstrating meaningful use will have their Medicare payments significantly reduced. 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.

***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.

California medical privacy laws penalize the unlawful use or disclosure of, patients’ medical information, as well as unauthorized access to such information, which the laws define as the inappropriate access, review, or viewing of patient medical information without the direct need to do so for purposes of diagnosis, treatment or other lawful use. Administrative penalties under these medical privacy laws may reach \$250,000 per violation or for each reported event.

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, the public nature of security incidents 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 hospital’s reputation and materially adversely affect business operations.

In any hospital, there can 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.

***Exclusions from Medicare or Medicaid Participation.*** The government may exclude a hospital from Medicare/Medicaid program participation if it is 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 hospital would be decertified from program participation and no program payments can be made. Any

hospital exclusion could be a materially adverse event. In addition, exclusion of hospital or independent contractors or their employees under Medicare or Medicaid may be another source of potential liability for hospitals or health systems based on services provided by those excluded employees.

***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 Penalty Law.*** The federal Civil Monetary Penalty 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 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. The federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (the “Civil Penalties Inflation Adjustment Act”) required that federal agencies, including OIG, increase civil monetary penalty amounts annually to reflect adjustments for inflation; the Civil Penalties Inflation Adjustment Act additionally required that federal agencies “catch up” civil monetary penalty amounts to reflect prior years of inflation.

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 requiring execution of potentially burdensome corrective action plans, potentially could be 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 \$103,139 per offense and exclusion from the Medicare and Medicaid programs. Over the last few years, the federal government has increased its enforcement of EMTALA. 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. Certain states, including California, can levy penalties against hospitals that experience certain significant patient care events, including those that are classified as posing “immediate jeopardy” to patient health and safety. In California, the administrative penalty for such incidents occurring on or after April 1, 2014 is up to a maximum of \$75,000 for the first incident, up to \$100,000 for the second, and up to \$125,000 for the third and every subsequent violation within three (3) years.

***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 increase their cost; may result in legal liability, damages, injunctions or fines; and 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 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 hospital, 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 hospital could have materially adverse consequences to a health system taken as a whole.

## **Business Relationships and Other Business Matters**

***Integrated Delivery Systems.*** Hospitals 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 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 DOJ jointly issued guidance regarding waivers and safe harbors to enable providers to participate in the Medicare Shared Savings Program (“MSSP”). There can be no assurance that such waivers or other regulations or guidance 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 in affiliating with for-profit entities that the IRS will determine that compensation practices or business arrangements result in 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, or otherwise could incur losses or damage reputations 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 unknown channels. Such new endeavors could adversely affect the financial and operating condition or reputation of an organization.

See APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—CORPORATE STRUCTURE—The Corporation, the Affiliates and the Obligated Group.”

**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” 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.

***Accountable Care Organizations.*** The ACA established the MSSP, which seeks to promote accountability and coordination of care through the creation of 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. 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.

To qualify as an ACO, organizations must agree to be accountable for the overall care of their Medicare beneficiaries, have adequate participation of primary care physicians, define processes to promote evidence-based medicine, report on quality and costs, and coordinate care. The ACO and MSSP final rules were published in November 2011 and June 2015; however, the regulations are complex and it remains unclear whether the qualification requirements will be a formidable barrier for providers. It is probable 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 ACOs that do qualify, it is not clear if the savings will be adequate to recoup the initial investment. In addition, although the regulation provides for waivers of certain federal laws, there may remain regulatory risks for participating hospitals, as well as financial and operational risks. The applicable regulating bodies have published guidance for ACOs to follow in order to comply with the law, but the published guidance is complex.

In particular, because the federal ACO regulation would not preempt state law, California providers participating as a federal ACO must be organized and operated in compliance with California’s existing statutes and regulations. Numerous organizations have formed ACOs and been selected by CMS to participate in the MSSP. 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, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring change in infrastructure and organization. The potential impacts of these initiatives and the regulation for 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 offer reduced rates to underinsured and uninsured patients that may have low to moderate income.

***Hospital Medical Staff.*** The primary relationship between a hospital and physicians who practice in it 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 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 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 ratio in certain parts of the State is below the national average, and the shortage of physicians could become a significant issue for hospitals and health care systems in the State. Difficulties in recruiting or retaining physicians may reduce the volume or range of clinical services that a hospital is capable of providing and may, consequently, decrease patient service revenues.

**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 (“HRSA”) published proposed 340B Drug Pricing Program Omnibus Guidance in the Federal Register, which could have had a negative effect on hospitals participating as covered entities in the 340B program. This proposed guidance was withdrawn on January 30, 2017. Whether HRSA will adopt new guidance in the future and what effects such guidance may have on hospitals participating in the 340B Program are unknown.

In the 2018 outpatient prospective payment system final rule, CMS announced that it will reduce payments for separately payable drugs and biologicals (excluding drugs on pass-through payment status vaccines) purchased through the 340B Program from Average Sales Price (“ASP”) plus 6 percent to ASP minus 22.5 percent, which is a 28 percentage point reduction in payments for 340B Program drugs. CMS confirms in the preamble to the final rule that the 340B drug payment reduction will not apply to 340B-acquired drugs in non-excepted off-campus provider-based departments in 2018, but that CMS may consider extending the payment reduction to these facilities in 2019. A number of plaintiffs, including the American Hospital Association, have filed a lawsuit challenging the cut in 340B Program drug payments on the grounds that CMS’s action is arbitrary and capricious and has exceeded its statutory authority.

**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, clinics, physicians and others, may adversely affect the utilization and/or revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

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.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of the 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.

**Action by Purchasers of Hospital Services and Consumers.** 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.

**Pension and Benefit Funding.** As large employers, hospitals and health care providers 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..”

Organizations that are controlled by or under common control with other entities may be jointly and severally liable for the defined benefit pension plan obligations of these entities, by virtue of the “controlled group” rules under the Internal Revenue Code of 1986, as amended (the “Code”) and the Employee Retirement Income Security Act of 1974, as amended. To the extent that a plan sponsor is unable to or does not meet the plan’s minimum funding standards or if there are unfunded liabilities upon plan termination, members of the controlled group are jointly and severally liable, and any excise tax applicable to the unpaid required minimum funding contributions can be levied against the controlled group. The rules permit the Pension Benefit Guaranty Corporation (“PBGC”), the federal agency charged with insuring and monitoring defined benefit plans, to impose a lien on the controlled group if required minimum funding contributions and unpaid amounts total more than \$1 million. The PBGC also has the authority to recover from the members of the plan sponsor’s controlled group amounts that the PBGC pays, or assumes the obligation to pay, to plan participants and beneficiaries in connection with a termination of an underfunded plan. The PBGC may also attach a lien to the assets of the plan sponsor’s controlled group members to secure its claims for recovery.

For information about the Corporation’s benefit plans, see APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—FINANCIAL INFORMATION—Retirement and Benefit Plans.”

***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 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. Certain employees of the Corporation are currently covered by collective bargaining agreements. See APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—OTHER INFORMATION—Employees.”

***Class Actions.*** Nonprofit 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. In recent years, consumer class action litigation has emerged as a potentially significant source of litigation liability for nonprofit hospitals and health systems. These class action suits have most recently focused on hospital billing and collections practices, 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 nonprofit hospitals and health systems in the future.

***Wage and Hour Class Actions and Litigation.*** 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 similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to 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 class actions. For large employers, such as hospitals and health 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.

***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 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.

***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 and nursing staffs and difficulties in recruiting individuals to these medical professions are predicted to result in

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. 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 conditions and results of operations 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.

California imposes mandatory nurse staffing ratios for all hospital patient care areas, which have been consistent since January 1, 2008. The impact on California hospitals will vary by facility, but the required staffing, in aggregate, is more costly than prior staffing patterns.

**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 of punitive damages.

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.

**Information Systems.** 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—HIPAA, HITECH, and Other Privacy and Security Requirements” 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 Obligated Group Members 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 Obligated Group Members.

**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 PHI or other sensitive 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. Information technology systems are also vulnerable to random attacks, computer viruses, and physical or electronic break-ins. 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 Obligated Group Members have taken, and continue to take, measures to protect their information technology systems against such cyberattacks and other events and issues that could result in breaches, but there can be no assurance that a Member will not experience a significant breach. If such a breach occurs, the financial consequences of such a breach could have a material adverse impact on the Obligated Group.

### **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 that 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, including those which may affect the Corporation, 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 between the Corporation and another party, including potential affiliation with such other party's obligated group. As a result, it is possible that the current organization and assets of the Corporation may change from time to time.

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.

See APPENDIX A – “MARIN GENERAL HOSPITAL AND AFFILIATES—STRATEGIC INITIATIVES—Affiliations and Joint Ventures.”

***Increasing Cost of Modern Technology.*** Technological advances in recent years have forced hospitals to acquire sophisticated and costly equipment to remain competitive. Moreover, the growth of e-commerce may also result in a shift in the way that health care is delivered, *i.e.*, from remote locations. For example, physicians will be able to provide certain services over the internet and pharmaceuticals and other health services may be purchased online. If, due to financial constraints, the Obligated Group Members were less able to acquire new technology required to remain competitive, the Obligated Group Members could lose market share, and the financial condition of the Obligated Group could be materially adversely affected.

***Payment Card Industry Security Standards.*** Health care providers have seen significant changes in the method, amount of transactions and dollar amount of patient payments. Health care providers recognize that financial data security is a paramount concern as is continuing to protect and secure patient information. Chip cards used at Europay, MasterCard and Visa (“EMV”) terminals protect against counterfeit transactions by replacing static data with dynamic data. Merchants are in the process of migrating to EMV chip card technology to improve the security of the card-present payments infrastructure. As a result, EMV is being introduced to health care providers.

Beginning October 1, 2015, the liability for card-present fraud shifts to whichever party is the least EMV-compliant in a fraudulent transaction. This means in practice that if a health care provider has not updated its system to accept chip cards and fraud occurs when a chip card is inserted into the terminal, the health care provider would be liable for the costs. It is not mandatory to begin using EMV compliant terminals on or after October 1, 2015 and there are no fines or other penalties currently in place, however, a health care provider that does not use EMV-compliant terminals may face much higher costs in the event of a large data breach.

## **Tax-Exempt Status and Other Tax Matters**

***Maintenance of the Tax-Exempt Status of the Members of the Obligated Group.*** The tax-exempt status of the Bonds depends upon maintenance by each Obligated Group Member, that receives or benefits from the proceeds of the Bonds of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and other permissible purposes and their avoidance of transactions that may cause their 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 relationships with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

The ACA also contains requirements for tax-exempt hospitals through Section 501(r) of the Code. Under the ACA, each tax-exempt hospital facility is required to (i) conduct a community health needs assessment at least 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 and adopt a written 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). A failure to comply with the provisions of Section 501(r) and the final regulations issued thereunder could result in a loss of tax-exempt status or otherwise subject revenues of a hospital facility to federal income tax.

In addition, the Treasury Department is required to review information about each tax-exempt 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 Corporation participates in a variety of joint ventures and transactions with physicians either directly or indirectly. Management 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.

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 organization. These audits examine a wide range of possible issues, including tax-exempt bond financings, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, political contributions and other matters.

If the IRS were to find that any Obligated Group Member has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by the Obligated Group Member potentially could result in loss of tax exemption of the Bonds and of other tax-exempt debt of the Obligated Group Member, and defaults in covenants regarding 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 Obligated Group Member. For these reasons, loss of tax-exempt status of the Obligated Group Member could have a material adverse effect on the financial condition and results of operations of the Obligated Group.

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.

In addition, 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 currently penalize the exempt organization itself, so there would be no direct impact on an Obligated Group Member or the tax status of the Bonds if an excess benefit transaction were subject to IRS enforcement, pursuant to these “intermediate sanctions” rules. However, these intermediate sanctions do not replace other remedies available to the IRS, including revocation of tax-exempt status.

***State and Local Tax Exemption.*** Until recently, 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 a community needs assessment, to adopt an 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 Attorney General in supervising nonprofit health systems. It is likely that the loss by any Member of the Obligated Group of federal tax exemption would also trigger a challenge to its respective state tax exemption. Depending on the circumstances, such event could be material and adverse.

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. For example, a court in New Jersey recently decided that a nonprofit hospital should pay property taxes on almost all of its property because it did not meet the legal test that it operated as a nonprofit, charitable organization during certain years. At this time, it is uncertain whether this state-specific case will have a negative impact on the broader nonprofit hospital community. 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.

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 Obligated Group 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 issuers 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. The Authority has covenanted in the 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 resources will be invested in audits of tax-exempt bonds, including the use of bond proceeds, in the charitable organization sector, with specific reviews 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 have 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 includes 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 record-keeping procedures. IRS representatives indicate that more questionnaires may be sent to additional nonprofit organizations.

Effective with the 2008 tax year, tax-exempt organizations must also complete Schedules H, K and J to Form 990, 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.

There can be no assurance that responses by any Member of the Obligated Group to a questionnaire or Form 990 will not lead to an IRS review that could adversely affect the market value of the Bonds or of other outstanding tax-exempt indebtedness of the Obligated Group. Additionally, the Bonds or other tax-exempt obligations issued for the benefit of the Obligated Group Members 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, or could otherwise affect the economic value or marketability of the Bonds. See "TAX MATTERS" herein (including in particular a description of recently introduced federal legislation).

The Corporation believes that the Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds, as described under the caption "TAX MATTERS." No 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, nor that future legislative action might not limit or remove the tax-exempt status of interest on the Bonds. See "TAX MATTERS" herein.

***Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code.*** As tax-exempt organizations, the Obligated Group Members are limited with respect to their 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 Member's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Obligated Group and might lead to loss of tax exemption of interest on the Bonds and other tax-exempt debt of the Obligated Group.

## **Other Risk Factors**

***Earthquakes.*** Many hospitals in California are in close proximity to active earthquake faults. A significant earthquake in Northern California could have a material adverse effect on the Corporation and could result in material damage and temporary or permanent cessation of operations at the Corporation's facilities. The Corporation currently does not carry earthquake insurance coverage.

California law requires each acute care hospital in the State to evaluate and upgrade its patient care facilities to meet stated seismic standards by 2008 or, in certain cases, by 2030; ultimate deadlines depend on each acute hospital building's structural performance category. OSHPD has been directed to review previously established seismic performance categories for hospital buildings using new software technology known as "HAZUS." Reevaluation under HAZUS may result in buildings not being required to meet any new seismic standards until 2030. California law has been amended to allow various types of extensions of the 2008 deadline to 2013, 2015, 2016, 2018 or 2020, provided that the facility qualifies for such extension and certain requirements are met in enumerated time periods, including demonstrating to OSHPD reasonable progress towards meeting the ultimate deadlines. Upon completion of the Project in 2020, the Corporation's health facilities are expected to be fully compliant with the State's seismic standards. See APPENDIX A – "MARIN GENERAL HOSPITAL AND AFFILIATES—FACILITIES—Facilities and the Project" and "—Funding of the Project."

***Construction Risks.*** 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. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and labor and other factors. Cost overruns could cause the costs to exceed available funds. Construction costs have historically inflated in California between 15% and 20% annually making some projects financially prohibitive. The Corporation has begun construction of the Project under the terms of a guaranteed maximum price contract. The Corporation has already obtained funding for approximately 82% of the cost of the Project. For further information, see APPENDIX A – "MARIN GENERAL HOSPITAL AND AFFILIATES—FACILITIES—Facilities and the Project" and "—Funding of the Project."

***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 – "MARIN GENERAL HOSPITAL AND AFFILIATES—FINANCIAL INFORMATION—Investment Policies."

***Contributions.*** A negative change in economic conditions, including a recurrence of a recession, or declines in the public equities market or private investment holdings of potential philanthropy sources, may have an adverse impact on the Corporation's total receipt of charitable contributions. Failure to collect committed donations or to receive sufficient additional pledges of support may impair the Corporation's ability to complete its construction projects or to develop programs or services that are dependent on charitable contributions. No assurances can be given that the Corporation will receive charitable contributions as anticipated or consistent with historical levels. See APPENDIX A – "MARIN GENERAL HOSPITAL AND AFFILIATES—SOURCES OF REVENUE—Fundraising" for information regarding the Corporation's [completion of its] capital campaign for the Project.

***Epidemics, Pandemics and Disasters.*** An epidemic or pandemic, or a natural or man-made disaster could occur and result in an abnormally high demand for health care services, damage the facilities of the Corporation, interrupt utility service to the facilities, or otherwise impair the Corporation's operations and the generation of revenues from the Corporation's facilities. For example, if an outbreak of an infectious disease such as the Zika virus or Ebola virus were to occur nationally or in the Corporation's service area, its business and financial results could be adversely affected. The treatment of a highly contagious disease at the Corporation's hospital facilities may result in a temporary shutdown or diversion of patients.

***Other Future Risks.*** In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Obligated Group Members, or the market value of health care revenue bonds, including the Bonds, to an extent that cannot be determined at this time.

(a) Adoption of legislation or implementation of regulations that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates applicable to hospitals and other health care providers.

(b) Reduced demand for the services of health facilities that might result from decreases in population or loss of market share.

(c) Efforts by insurers and governmental agencies to limit the cost of hospital services and to reduce the utilization of hospital facilities by such means as preventative 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.

(d) Regulatory actions, which might limit the ability of hospitals to undertake capital improvements at its facilities or to develop new institutional health services.

(e) Cost and availability, in sufficient amounts, of any insurance, such as professional liability, fire, automobile and general comprehensive liability coverage, which health care facilities of a similar size and type generally carry.

(f) Development of health maintenance and other alternative health delivery programs, which could result in decreased usage of inpatient hospital facilities.

## **ABSENCE OF MATERIAL LITIGATION**

### **The Authority**

To the knowledge of the Authority, 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 against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Bonds, the completeness or accuracy of this Official Statement or the existence or powers of the Authority relating to the sale of the Bonds.

### **The Obligated Group**

There is no controversy or litigation of any nature now pending against any Obligated Group Member or, to the knowledge of its officers, threatened, which would restrain or enjoin the sale, execution, issuance or delivery of the Bonds or in any way contest or affect (i) the validity of the Bonds or (ii) any proceedings of the Obligated Group Members taken concerning the issuance or sale of the Bonds or the pledge or application of any moneys or security provided for the payment thereof, or the execution and delivery of Obligation No. 1.

As with most health care providers, the Obligated Group Members are subject to certain legal actions that, in whole or in part, are not or may not be covered by insurance 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. In addition to the matters described above, there are certain legal actions currently pending against the Obligated Group Members known to management of the Obligated Group Members and for which insurance coverage is uncertain for the above reasons. Management of the Obligated Group Members 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 Obligated Group.

There is no litigation of any nature now pending against any Member of the Obligated Group or, to the knowledge of its officers, threatened, which, if successful, would materially adversely affect the operations or financial condition of the Obligated Group.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“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 alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E 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 the 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 the 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 Archer Norris PLC, counsel to the Obligated Group, regarding the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Code, and on the opinion of Norton Rose Fulbright US LLP, regarding the current qualification of Prima as an organization described in Section 501(c)(3) of the Code. Such opinions are subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the Obligated Group Members concerning the Obligated Group Members' "unrelated trade or business" activities as defined in Section 513(a) of the Code. None of Bond Counsel, counsel to the Obligated Group or Norton Rose Fulbright US LLP has given any opinion or assurance concerning Section 513(a) of the Code and none of Bond Counsel, counsel to the Obligated Group or Norton Rose Fulbright US LLP can give or has given any opinion or assurance about the future activities of the Corporation or Prima, 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 Obligated Group Members to be organized and operated in accordance with the IRS's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or failure of the Corporation 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. 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 disagree, 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 contained in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Obligated Group by its counsel, Archer Norris PLC, for the Authority by its special counsel, Orrick, Herrington & Sutcliffe LLP, and for the Underwriters by Norton Rose Fulbright US LLP. Certain legal matters relating to the federal tax-exempt status of Prima will be passed upon by Norton Rose Fulbright US LLP.

## **UNDERWRITING**

Pursuant to a Bond Purchase Contract (the “Purchase Contract”), Morgan Stanley & Co. LLC, as the Representative of the Underwriters, has agreed to purchase the Bonds at a purchase price of \$\_\_\_\_\_, which amount represents the par amount of the Bonds[, plus/less original issue premium/discount of \$\_\_\_\_\_], less the Underwriters’ discount of \$\_\_\_\_\_. The Purchase Contract provides that the Underwriters will purchase all of the Bonds, if any are purchased, and contains the agreements of the Corporation to indemnify the Underwriters and the Authority against certain liabilities. [The Purchase Contract also provides that the Corporation will pay the fees of counsel to the Underwriters.]

Morgan Stanley & Co. LLC, as an Underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Bonds.

[In September of 2016, Stifel Nicolaus & Company, Incorporated, an Underwriter of the Bonds, contributed funds for an event sponsored by the Marin General Hospital Foundation, as affiliate of the Corporation. The mission of Marin General Hospital Foundation is to inspire philanthropy for the benefit of the Hospital.]

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Authority or the Corporation and to persons and entities with relationships with the Authority or the Corporation, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority or the Corporation (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority or the Corporation. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **FINANCIAL ADVISOR**

H2C Securities Inc., a wholly-owned subsidiary of Hammond Hanlon Camp LLC registered with the Municipal Securities Rulemaking Board and the Securities and Exchange Commission as a municipal advisor, has served as financial advisor to the Obligated Group (the “Financial Advisor”) for purposes of assisting with the

structuring of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification of, nor does the Financial Advisor assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent health care advisory firm and has not been engaged in the underwriting or distribution of the Bonds.

### **INDEPENDENT AUDITORS**

The consolidated financial statements of Marin General Hospital and Affiliates as of and for the years ended December 31, 2017 and 2016, included in APPENDIX B to this Official Statement, have been audited by Moss Adams LLP, independent auditors, as stated in the report appearing therein.

### **RATINGS**

The Bonds have been assigned ratings of “\_\_\_\_” and “\_\_\_\_” by Fitch Ratings, Inc. and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, respectively. The ratings reflect the current assessment of each rating agency of the creditworthiness of the Obligated Group. Such ratings reflect only the views of such organization 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 the Obligated Group. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that any of the ratings mentioned above will remain in effect for any given period of time or that the ratings might not be lowered or withdrawn entirely by the rating agency assigning any such rating, if in its judgment circumstances so warrant. Any downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

### **MISCELLANEOUS**

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1 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. Reference is made to said documents for full and complete statements of the provisions of such documents. 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. 1 and Obligation No. 1 may be obtained during the offering period upon request to the Underwriters and thereafter upon request to the principal corporate trust office of the Bond Trustee.

This Official Statement has been issued by the Authority and approved by the Corporation. This Official Statement is not to be construed as a contract or agreement between the Authority or the Corporation and the purchasers or Holders of any of the Bonds.

APPROVED BY:

MARIN GENERAL HOSPITAL

By: \_\_\_\_\_  
Chief Financial Officer



## **11. Appendix A**

**APPENDIX A**  
**MARIN GENERAL HOSPITAL  
AND AFFILIATES**

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## INTRODUCTION

### Overview

Marin General Hospital (the “Corporation”) is a California nonprofit public benefit corporation headquartered in the unincorporated community of Greenbrae, Marin County (the “County”), California. Marin Healthcare District (the “District”), a local healthcare district organized pursuant to Division 23 of the Health and Safety Code of the State of California, is the sole member of the Corporation. The Corporation and its Affiliates (defined herein), together with the District Clinics (defined herein), comprise an integrated healthcare delivery system in the northern San Francisco Bay Area. The District owns the Marin General Hospital facility (the “Hospital”), a 235-licensed bed tertiary care hospital that is leased and operated by the Corporation. See “CORPORATE STRUCTURE” herein.

As the only full-service acute care provider in its primary service area, the Corporation has a market share of 46.7%. During the fiscal year ended December 31, 2017, the Hospital had approximately 36,500 emergency room visits, 9,400 discharges and 9,100 surgery cases. The Corporation’s service area covers the County, one of the wealthiest counties in the United States. The median household income of the Corporation’s service area is approximately \$101,500, compared to \$65,200 for California and \$56,100 for the United States.

In 2010, the Corporation’s Board of Directors approved plans to construct a \$535 million replacement hospital (the “Project”). The Project enjoys significant financial support from the community and a broad base of donors. In November 2013, County voters approved Measure F, authorizing the District to issue \$394 million in general obligation bonds (the “G/O Bonds”). All of the G/O Bonds have been issued, and the net proceeds thereof have been applied to the cost of the Project. Approximately 82% of the cost of the Project is expected to be funded by the G/O Bonds and through philanthropic contributions, with the remaining cost expected to be funded by the Bonds described in the forepart of this Official Statement (the “Bonds”). See “FACILITIES—The Project” herein for further details regarding the Project.

Under generally accepted accounting principles in the United States, the financial results of the Corporation are combined with those of its Affiliates in the audited consolidated financial statements included as Appendix B to this Official Statement. Unless otherwise indicated, all references in this Appendix A to financial information of the Corporation includes financial results of the Affiliates. For the year ended December 31, 2017, the Corporation reported total revenues of \$464.6 million and excess of revenue over expenses of \$18.7 million. As of December 31, 2017, the Corporation’s total assets were \$372.6 million, total liabilities were \$180.3 million and net assets were \$192.4 million. See “FINANCIAL INFORMATION” herein.

Payments with respect to the Bonds are joint and several obligations of the Corporation and one of its Affiliates, Prima Medical Foundation (“Prima”), as members of an obligated group (the “Obligated Group”) under a master trust indenture (the “Master Indenture”), all as described in such forepart. For the fiscal year ended December 31, 2017, the Obligated Group accounted for 97.3% of total consolidated revenues, 94.7% of total consolidated excess of revenues over expenses and 71.1% of total consolidated net assets of the Corporation and its Affiliates as of and for the fiscal year ended December 31, 2017. See “FINANCIAL INFORMATION” herein and APPENDIX B – “AUDITED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION OF MARIN GENERAL HOSPITAL AND AFFILIATES.”

### History

The Hospital traces its origin back to 1946, when the California legislature created healthcare districts—publicly-created entities given the mandate to improve health care in their communities. The District, like most other healthcare districts, embarked on plans to build a hospital to meet the health care needs of its residents.

Highlights from the Hospital’s history include:

- 1952 – Marin General Hospital opens under the full operation and control of the District.

- 1981 – The District issues general obligations bonds to build the Hospital’s West Wing, adding 78 beds.
- 1985 – The District leases the Hospital to the Corporation under a 30-year lease; soon thereafter, the Corporation enters into an affiliation with California Healthcare Systems.
- 1995 – California Healthcare Systems merges with Sutter Health, which assumes sole corporate membership of the Corporation.
- 2006 – Sutter Health and the District agree to transfer control of the Corporation back to the community.
- 2010 – The District becomes the sole member of the Corporation.
- 2013 – Voters pass Measure F, allowing the District to issue up to \$394 million in general obligation bonds to fund a significant portion of the construction of the Project.
- 2014 – Voters pass Measure R, approving a new lease (the “Hospital Lease”) pursuant to which the Corporation will continue to hold the Hospital’s acute care license and manage the day-to-day operations of the Hospital. The Hospital Lease will expire December 1, 2045 unless terminated prior to that date in accordance with its terms. See “CORPORATE STRUCTURE—The District—The Hospital Lease” herein for further details regarding the Hospital Lease.

### **Mission and Values**

Mission: To provide exceptional healthcare services in a compassionate and healing environment.

Values: To exceed each community member’s highest expectations for quality healthcare.

### **Awards, Accreditations and Recognition**

The Hospital has recently received numerous national and regional awards, accreditations and distinctions, some of which are listed below:

- Healthgrades – For the third year in a row, the Corporation has received the Healthgrades Distinguished Hospital Award for Clinical Excellence which puts the Hospital in the top 5% of hospitals nationwide;
- Commission on Cancer of the American College of Surgeons – Three-year accreditation with Commendation and Outstanding Achievement Award (2017-2020);
- Society of Cardiovascular Patient Care – Chest Pain Center accreditation (2017-2020);
- United Nations Children’s Fund and the World Health Organization – Baby Friendly Designation (2017-2022);
- American Heart/Stroke Association – Stroke Gold Plus Quality Achievement Award (2011-2017); seventh consecutive year;
- American College of Surgeons – Verification as a Level III Trauma Center (2015-2018);
- The Joint Commission – Recertification as a Primary Stroke Center (2016-2018) and earned The Joint Commission’s Gold Seal of Approval for both the Hospital and its behavioral health services (2016-2019);
- Intersocietal Accreditation Commission – Three-year accreditation in Echocardiography (2015-2018),

- Marin Magazine – Across 42 specialties (including primary care), approximately 200 physicians practicing at the Hospital named to the prestigious 415 Top Doctors 2017 (2018);
- National Accreditation Program for Breast Centers – One of only a few such accreditations in the San Francisco Bay Area from the National Accreditation Program for Breast Centers (2016-2019);
- California Medical Association Institute for Medical Quality – Four-year CME accreditation (2016-2020); and
- Blue Shield of California – Designation as Blue Distinction Center in the fields of Spine Surgery as well as Knee and Hip Replacement.
- San Francisco Business Times – Healthiest Employers Award (2017)
- The Leapfrog Group – Top General Hospital (2017)

## CORPORATE STRUCTURE

### The District

**General.** The District is a local health care district organized pursuant to Division 23 of the Health and Safety Code of the State of California (the “State”). The District’s boundaries encompass all of the County, except for almost all of the City of Novato and certain portions of the western part of the County. As described under “INTRODUCTION—Overview” and “—History” above, the District is the sole corporate member of the Corporation, which operates the Hospital pursuant to the Hospital Lease. As sole corporate member of the Corporation, the District has certain oversight and reserved powers with respect to management of the Corporation and operation of the Hospital. The District is not obligated with respect to payments on the Bonds.

It is the policy of the District to confer no authority or powers of the District inherent in the District’s public agency status to the Corporation, and the District retains all of those powers and authorities granted to the District by the State by reason of its status as a political subdivision of the State. The District is committed to exercising its oversight authority as both corporate parent and Hospital owner/lessor consistent with the best interests of the health care needs of the residents of the District, and consistent with the need for long-term successful operations of the Hospital and other health care pursuits of the District. Purposes of the District include, among other things, advocating for, and enhancing the provision of, quality health care in the communities served by the District.

**District Clinics.** The District operates 11 medical care centers established pursuant to Section 1206(b) of the State Health and Safety Code (the “District Clinics”), located in the counties of Marin, Sonoma and Napa. The District Clinics range in size from a single physician practice to a regional center with multiple specialties. Services provided at the District Clinics include primary and internal medicine, cardiovascular, urology, rheumatology, vascular, and endocrine services. Behavioral health services are also provided at certain of the District Clinics.

The District Clinics enable the District to continue to expand its network of physicians in the fulfillment of its mission to provide health care services to the residents of the District’s communities. The District has leasehold interests in the District Clinic facilities, and contracts for the provision of health care services with 54 physicians providing services at the District Clinics. For the fiscal year ended December 31, 2017, there were approximately 258,000 total visits at the District Clinics..

The District Clinics currently operate at a loss. As discussed under “—The Hospital Lease” below, the Corporation funds the operating losses of the District Clinics. For the fiscal years ended December 31, 2016 and 2017, net losses from operation of the District Clinics were \$(8.1 million) and \$(11.4 million), respectively. These losses are reflected as support to related organizations within the Corporation’s audited financial statements.

***The Hospital Lease.*** Pursuant to the Hospital Lease, the Corporation holds the Hospital’s acute care license and manages the day-to-day operations of the Hospital. The Hospital Lease requires that revenues from operation of the Hospital be reinvested into improving patient care, equipment, advanced programs for heart disease, stroke, diabetes, cancer, and seismic upgrades. The Hospital Lease provides for payments to the District from the Corporation of (a) base rent of \$500,000 per year (plus an annual cost of living increase), (b) additional rent if the Corporation meets or exceeds 150 days cash on hand and earnings before interest, depreciation and amortization in excess of stated amounts, (c) District overhead expenses not in excess of \$509,000 per year (plus an annual cost of living increase), and (d) operating deficits of the District’s Clinics (defined herein).

The Hospital Lease will expire on December 1, 2045 unless terminated prior to that date in accordance with its terms. The Hospital Lease may be terminated for, among other reasons, a failure by the Corporation to make the payments to the District described above, and failure to comply with the other terms and conditions of the Hospital Lease. Termination of the Hospital Lease may also occur if the property is taken in part or in full by an agency or entity exercising the power of eminent domain. Any award or damages paid as a result of full or partial condemnation would be paid to the District. Should the Hospital Lease be terminated or the Hospital taken by the power of eminent domain, the Corporation would not have sufficient revenues to make payments under the Hospital Lease or payments with respect to the Bonds.

### **The Corporation, the Affiliates and the Obligated Group**

***General.*** The Corporation is the sole corporate member of Prima and of Marin General Hospital Foundation (the “Foundation”), and has controlling membership interests in Marin Magnetic Resonance Imaging Center, LLC (“MMRIC”) and MGH/SCA, LLC (“MGH/SCA” and, together with Prima, the Foundation and MMRIC, the “Affiliates”). *The Corporation and Prima comprise the Obligated Group under the Master Indenture, and therefore are the only entities that are obligated to make payments with respect to the Bonds.*

***Prima Medical Foundation.*** Prima is a California nonprofit public benefit corporation and a medical foundation established pursuant to Section 1206(l) of the State Health and Safety Code, serving the health care needs of residents of Marin and Sonoma counties. Prima contracts with Prima Medical Group, a California professional medical corporation (“PMG”), which employs or contracts with a total of 92 physicians to provide health care services in 12 physician practice locations (the “Prima Clinics”) located in Greenbrae, Larkspur, Mill Valley, Sausalito, Terra Linda, Novato and Sonoma. In addition to contracting with PMG for professional services, Prima manages the operations of the Prima Clinics, providing all administrative services and managing third-party contracts.

Prima operates to enhance the stability of the local medical community by maintaining a clinically integrated, seamless referral and care system that operates across the region. Under the professional services agreement with PMG, physicians from multiple specialties provide professional medical services to the community including: family medicine, internal medicine, pediatrics, obstetrics and gynecology, pulmonary and critical care medicine, general surgery and orthopedic surgery. In addition, Prima provides community education and research focusing on community needs and working towards making sustainable improvements in health care. For the fiscal year ended December 31, 2017, there were approximately 132,326 visits at the Prima Clinics.

Prima contracts with the Corporation for the provision of certain administrative and staffing services to Prima. Meritage Medical Network (“MMN”), an independent practice association, provides certain administrative services to PMG. MMN also provides utilization management and review services to the Corporation for shared risk contracts with health maintenance organizations.

For the fiscal years ended December 31, 2016 and 2017, Prima’s net losses from operation of the Prima Clinics were \$7.5 million and \$7.4 million, respectively. Prima receives annual financial support from the Corporation, as its sole corporate member, and from Sonoma Valley Health Care District (“SVHCD”) for the operation of Prima Clinics in Sonoma County. For the fiscal years ended December 31, 2016 and 2017, the Corporation contributed \$6.9 million and \$6.8 million, respectively, to Prima for the operation of Prima Clinics located in Marin County. For the fiscal years ended December 31, 2016 and 2017, SVHCD contributed \$594,000 and \$656,000, respectively, to Prima. For more information regarding Prima’s results of operations, see APPENDIX B – “AUDITED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION OF MARIN GENERAL HOSPITAL AND AFFILIATES.”

**Marin General Hospital Foundation.** The Foundation is a California nonprofit public benefit corporation with the mission to inspire philanthropy for the benefit of the Hospital. Since its establishment, the Hospital has benefited greatly from the generosity of its donor community. Philanthropy has strengthened many key programs with upgrades and enhancements, impacting the health and well-being of the Hospital's neighboring communities, and making possible such programs and services as Emergency and Trauma Services, Haynes Cardiovascular Institute, Breast Health Center, Center for Integrative Health and Wellness, and the Braden Diabetes Center. For the fiscal years ended December 31, 2016 and 2017, the Foundation contributed \$3,471,000 and \$2,139,000, respectively, to the Corporation for the benefit of the Hospital's programs. Additionally, as of December 31, 2017, the Foundation has received irrevocable gifts of \$43.4 million in support of the Project, \$5.0 million of which has been disbursed to the Corporation. [For additional information relating to the Foundation's historical fundraising results, see "SOURCES OF REVENUE – Fundraising" herein.]

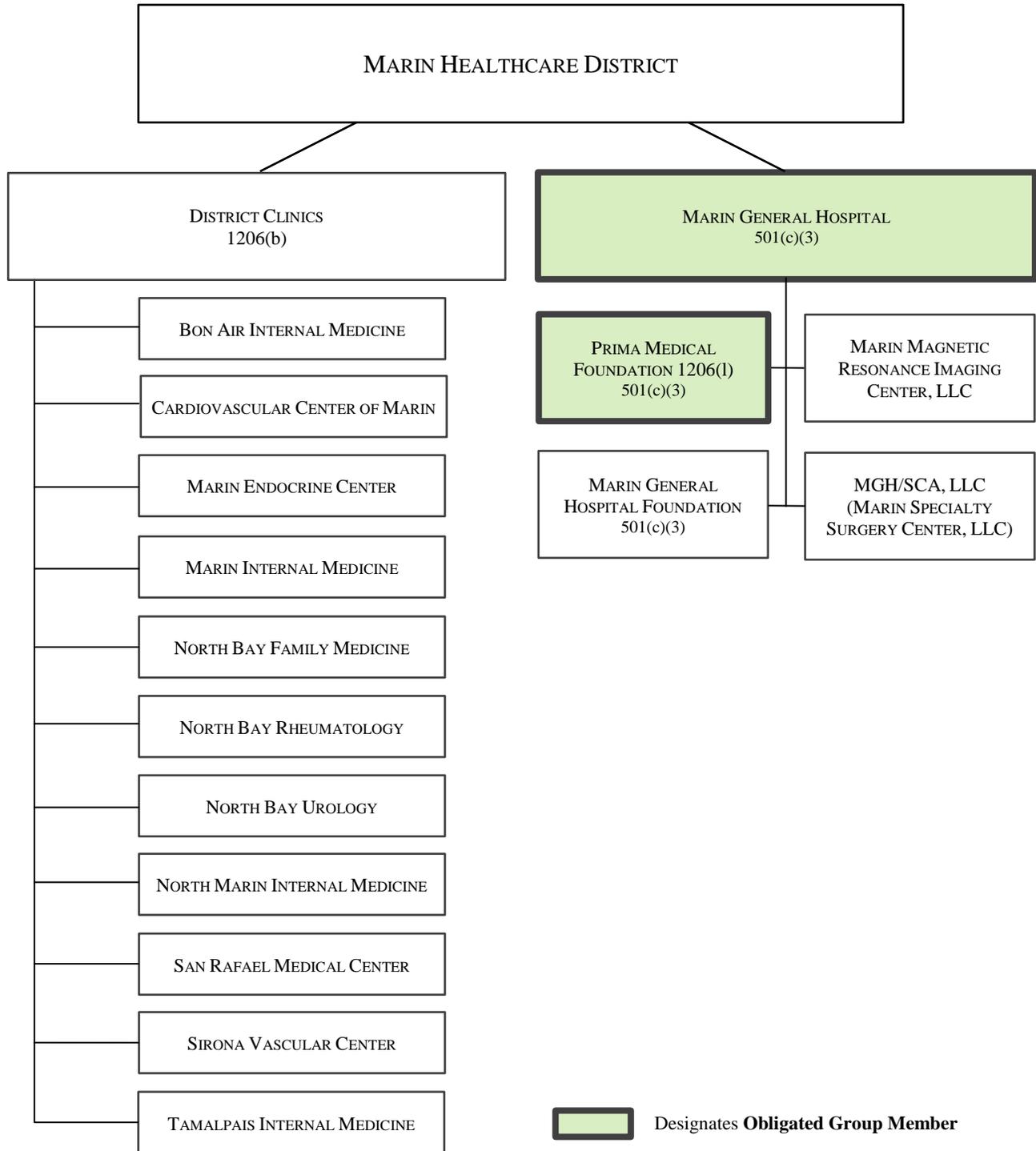
**Marin Magnetic Resonance Imaging Center, LLC.** The Corporation owns a 51% interest in this joint venture which is located in Greenbrae near the Hospital. Physicians, primarily radiologists, own the other 49%. MMRIC has provided high field MRI and CT scanning services to residents of the North Bay since 1984. Professional services are provided by California Advanced Imaging Associates, and the scans are read by radiologists who have subspecialty qualifications in spine, musculoskeletal imaging, brain and body imaging. MMRIC also has an active breast imaging program working closely with the Corporation's Breast Health Center. [Discuss possible ownership percentage transition.]

**MGH/SCA, LLC.** MGH/SCA is a limited liability company, of which the Corporation has a 51% interest and Surgical Care Affiliates, LLC has a 49% interest. MGH/SCA has a 51% interest in Marin Specialty Surgery Center, LLC ("MSSC"), a limited liability company that offers services for nine surgical specialties and has cared for approximately 30,000 patients since 2001. A physician group owns the remaining 49% of MSSC. MSSC's facilities are located in Greenbrae approximately one mile from the Hospital. Primary services rendered by MSSC include pain management, orthopedics, urology, plastic surgery, podiatry and gynecology.

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**Organizational Chart**

The following chart shows the relationships among the District, the District Clinics, the Corporation and the Affiliates.



## GOVERNANCE

### Corporation Board of Directors

The Corporation’s Board of Directors (the “Board”) consists of thirteen members that are allowed three terms of four years each. The Board, made up primarily of community volunteers who have expertise in a variety of fields, is responsible for the day-to-day operations of the Hospital, including patient care, budget oversight, physician credentialing, community services, labor contracts, staffing levels, and facility administration. The Board makes its decisions based on the needs of the community.

Director	Profession	Served Since	Term Expires
Lee Domanico	Chief Executive Officer, the Corporation	2010	2022
Joseph C. Euphrat	Managing Director and Co-Head of Business Development, Clean Fund Commercial PACE Capital, Inc. Chair of the Corporation’s Finance Committee	2014	2018
David Hill, <i>Vice Chairman</i>	Communication Strategist	2010	2022
Ann Kao, MD	Cardiologist and Fellow of the American College of Cardiology Chair of the Board’s Quality and Patient Safety Committee	2010	2022
Paul Kirincic, <i>Chairman</i>	Former Executive Vice President, McKesson	2010	2022
Denise Lucy, EdD	Founder and Executive Director, Institute of Leadership Studies at Dominican University	2018	2022
Gene Marie O’Connell, RN, MS	Former Chief Executive Officer, San Francisco General Hospital Chair of the Board’s Building Committee	2010	2022
Robert Peirce, <i>Treasurer</i>	Former health care executive Treasurer of the Corporation’s Executive Committee	2011	2018
Mara Perez, PhD, <i>Secretary</i>	Non-Profit Business Leader Chair of the Corporation’s Nominating Committee	2010	2022
Walter B. Rose	Co-Chairman of the Board of Directors, Children’s Hospital Los Angeles Chair of the Board’s Strategic Planning and Marketing Committee	2015	2018
Steven A. Schroeder, MD	Professor of Health and Health Care, University of California at San Francisco.	2010	2022
Andrea Schultz	Chair and President, Schultz Foundation	2015	2018
Timothy Sowerby, MD	Physician, Marin Gastroenterology	2010	2022

*Board terms expire at the end of the Corporation’s fiscal year which is December 31.*

### Standing Board Committees

The Board maintains a number of joint standing committees including the Audit Committee, Finance Committee (and its subcommittee, the Investment Committee), Executive Committee, Strategic Planning and Marketing Committee, Human Resources Committee, Nominating Committee, Board Credentialing Committee and Quality and Patient Safety Committee.

### Conflicts of Interest

The Corporation from time to time enters into transactions or arrangements with physician-members of its Board and other individuals and entities (including medical groups) with which its directors are affiliated.

Management of the Corporation believes that such transactions and arrangements are on terms no less favorable to the Corporation than could be obtained from other parties. The Corporation has a written conflict of interest policy pursuant to which directors having any financial interest in any transaction or arrangement involving the Corporation must disclose such conflict and abstain from voting on the matter. The policy also requires each director to complete and sign a conflict of interest disclosure statement annually and to supplement such statement with ongoing disclosures of potential or actual conflicts of interest.

## **EXECUTIVE MANAGEMENT**

**Lee Domanico**  
**Chief Executive Officer**  
**Age: 65**

Lee Domanico joined the Corporation in 2010. Currently, Mr. Domanico is Chief Executive Officer of the District and the Corporation, where he led the transfer of control of the Corporation from Sutter Health to the District. Mr. Domanico was responsible for the financing and development of the operational and governance organization that currently oversees the Hospital. Previously, Mr. Domanico was the Chief Executive Officer of El Camino Hospital in Mountain View, California. Mr. Domanico received a Bachelor of Science Degree in Industrial Engineering from University of Michigan and a Master's Degree in Science in Industrial Engineering from Stanford University.

**Jon Friedenber**  
**Chief Operating Officer**  
**Age: 57**

Jon Friedenber joined the Corporation in 2010. Mr. Friedenber provides the overall direction for internal Hospital operations and serves as an officer of the District. Prior to joining the Corporation, Mr. Friedenber was Vice President of El Camino Hospital, where he founded the Genomic Medicine Institute, South Asian Heart Center, The Fogarty Institute for Innovation and the Center for Technology Integration. Mr. Friedenber received a Bachelor's Degree in Political Science from University of California, Berkeley and a Master's Degree in Political Science from University of California, Davis, and was a fellow at the Wexner Heritage Foundation.

**Liz Kolcun**  
**Marin General Hospital Foundation President & Chief Development Officer**  
**Age: 42**

Liz Kolcun joined the Corporation in May 2016. Previously, Ms. Kolcun served as Chief Development Officer for the Palo Alto Medical Foundation where she led the philanthropy and annual fundraising programs. Earlier in her career, Ms. Kolcun managed all aspects of major gifts fund development at California Pacific Medical Center Foundation. Over her 15-year career in health care philanthropy, she has held responsibility for capital campaigns, individual major and principal gifts, planned gifts, grant writing, direct mail, event planning and philanthropy communications. Ms. Kolcun received a Bachelor's Degree in English from University of Florida, Gainesville.

**Linda Lang**  
**Chief Human Resources Officer**  
**Age: 61**

Linda Lang joined the Corporation in 2015. Previously, Ms. Lang was at Kaiser Permanente, where she was Regional Director/ Employee & Labor Relations, Northern California, overseeing the organization's labor relations and bargaining strategy with a workforce of approximately 65,000. Ms. Lang joined Kaiser in 2010 from Millennium Hotels and Resorts, where she was Vice President, Human Resources for the North American Region. Prior to that, she was a Human Resources Regional Director at Starwood Hotels and Resorts, Worldwide. Ms. Lang received a Bachelor's Degree in Broadcast Communications, Educational Media from San Francisco State University and a Juris Doctor Degree from the University of San Francisco Law School.

**James P. McManus**  
**Chief Financial Officer**  
**Age: 57**

Jim McManus joined the Corporation in 2015. Previously, Mr. McManus was with St. Joseph Health System where he served as Vice President of Finance & Supply Chain Strategies. He has been nationally recognized for developing and implementing supply chain strategy for the organization's 14 hospitals and affiliates. Mr. McManus' career spans 31 years of experience in health care finance with expertise in strategic planning, program development and supply chain management. Prior to joining the St. Joseph Health System in 1997, Mr. McManus served as Vice President and Chief Financial Officer for two hospitals within the Southern California Division of Tenet Healthcare. Mr. McManus received a Bachelor's Degree in Business Administration with an Emphasis in Accounting from California State University at Long Beach. He is a member of the California and American Associations of Certified Public Accountants, serves on various advisory boards, and is involved in various charitable activities in the local community.

**Karin Reese, RN, MS**  
**Chief Nursing Officer**  
**Age: 57**

Karin Reese joined the Corporation in 2015. Previously, she served as Director of Workforce Solutions at MedAssets in Plano, Texas. Ms. Reese has held nursing management positions at Palm Drive Hospital, Swedish Medical Center in Edmonds, Washington, and Kaiser Permanente in Santa Rosa, and faculty positions at Santa Rosa Junior College for over 15 years. She received a Bachelor's Degree in Nursing from Humboldt State University and her [Master's Degree] in Nursing from University of California, San Francisco.

**Joel Sklar, MD**  
**Chief Medical Officer**  
**Age: 69**

Dr. Sklar joined the Hospital's medical staff in 1982 and became Chief Medical Officer in 2010. Dr. Sklar most recently served as both Co-Chief of Cardiology and Medical Director of the Haynes Cardiovascular Institute at the Hospital. He has also been an Assistant Clinical Professor of Medicine at the University of California, San Francisco, School of Medicine since 1986. In his role as Chief Medical Officer, Dr. Sklar is responsible for medical quality and medical staff relations at the Hospital. Dr. Sklar received a Bachelor's Degree in Biology from Williams College and his Medical Degree from University of California, San Diego.

**Mark Zielazinski**  
**Chief Information & Technology Integration Officer**  
**Age: 60**

Mark Zielazinski joined the Corporation in September 2012. Previously, Mr. Zielazinski was Chief Information Officer at Alameda County Medical Center, where his responsibilities included information systems, telecommunications, health information management, and biomedical engineering. From 2001 to 2006, he was the Chief Information Officer at El Camino Hospital. He received a Bachelor's Degree in Political Science from Illinois State University.

## **STRATEGIC INITIATIVES**

### **Affiliations and Joint Ventures**

The Corporation maintains certain joint ventures and affiliations which include MMRIC and MGH/SCA. Additional collaborations with UCSF Medical Center (cardiac surgery, pediatrics, neurosurgery, neonatology, perinatology, and pediatric diabetes) and Stanford University Medical Center (vascular surgery) allow for specialty and sub-specialty services to be provided within the District's community and at the Hospital.

[The Corporation has entered into a non-binding Letter of Intent with UCSF Medical Center by which the two organizations would enter into a strategic alliance to align certain medical facility and physician services in the

communities served by the Corporation. Negotiations on the definitive agreements for the proposed alliance are ongoing and would not result in a transfer of assets or ownership control from the Corporation to UCSF.]

## FACILITIES

### Hospital Bed Complement

The Hospital’s licensed bed capacity is 235 beds as shown below:

**TABLE 1**  
**Licensed Beds and Beds in Service**

<u>License Category</u>	<u>Licensed Beds</u>	<u>Beds in Service</u>
	<u>As of December 31, 2017</u>	<u>As of December 31, 2017</u>
General Acute Care	160	113
Intensive Care	14	14
Pediatric	14	12
Perinatal	22	22
Intensive Care Newborn Nursery	8	8
<b>Total Acute Care</b>	<b>218</b>	<b>169</b>
Acute Psychiatric	17	17
<b>Total</b>	<b>235</b>	<b>186</b>

### Facilities and the Project

The Hospital is located on a 19.7-acre campus, near Greenbrae, California. In addition, the District and Prima, combined, operate 23 medical clinics and care centers located in the surrounding communities, all as described under “CORPORATE STRUCTURE” herein. The Hospital has the only labor and delivery unit in Marin County and has just received the pediatric emergency department designation for the County. The Corporation provides the only services for cancer, spine, diabetes and cardiovascular care for the County. The Hospital’s Level III Trauma Center and emergency department receives 70% of the County’s ambulance traffic, and provides life-saving care for strokes and heart attacks.

In June 2016, the Corporation broke ground on the Project, which includes a four-story, 260,000 square-foot replacement hospital building and a parking structure. The replacement hospital building will house 171 private rooms, an expanded emergency department and 13 operating/procedural suites. Special amenities and landscape features, such as rooftop gardens, solariums, and natural light in every patient room, will support a healing environment for patients and families. The replacement hospital building is expected to open in 2020. The total cost of the Project is expected to be \$535 million. The existing Hospital will continue to operate throughout the Project construction process.

The Project is designed by Perkins Eastman Architects. Vertran & Associates is providing the Project management services and McCarthy Building Companies, Inc. is the general contractor under a guaranteed maximum price contract. Every aspect of the new replacement hospital will meet or exceed the latest state-mandated standards for earthquake safety and will be LEED certified.

The Corporation is committed to sustainability and has a long-term vision for environmental practices related to the completion of the Project and future operations. These environmental practices reflect the values of the Corporation’s community, and are an extension of the Corporation’s commitment to serving the health care needs of the surrounding community. The Project is registered with the U.S. Green Building Council (“USGBC”) as a new construction project, and will be consistent with many of the standards set by the USGBC. The Corporation has

committed to comply with the requirements for LEED certification at the silver rating level. In order to implement this objective, the Corporation is working with Thornton Tomasetti, a team of consultants specializing in the LEED health care requirements. For a more detailed discussion of the Corporation’s environmental practices relating to the Project, see “PLAN OF FINANCE—‘Green Bond’ Designation” in the forepart of this Official Statement.

Below is a current map of the Hospital, with the Project construction area highlighted.



**Funding the Project**

By voter approval in 2013, the District was authorized to issue the G/O Bonds to fund the Project. The District issued \$170 million of the G/O Bonds in November 2015 and the remaining \$224 million of the G/O Bonds in September 2017. In addition, the Corporation has received \$43.4 million in irrevocable philanthropic commitments for the Project, \$5.0 million of which has been disbursed to the Corporation. The remaining Project costs are expected to be paid with proceeds of the Bonds.

**Seismic Compliance**

The State of California (the “State”) issued seismic safety standards in 1994 which have been amended on several occasions. The regulations called for more stringent structural building standards to be in place by January 2013 for buildings remaining in acute care service beyond that date, with a two-year extension in most circumstances upon meeting certain milestone dates, and further extension of the deadlines for achieving compliance in certain circumstances. California law currently imposes a separate more rigorous set of seismic standards that become effective in 2030 for acute care facilities. The Corporation considers the Project as an opportunity to give its community a state-of-the-art hospital, while addressing the State’s seismic safety regulations.

**Information Technology**

The Corporation currently utilizes Paragon, a fully integrated system from Allscripts/McKesson that supports a set of technologies and processes designed to provide consistent, reliable and secure electronic processing of clinical,

financial, operational and administrative information. As part of the construction of the Project, the Corporation plans to continue the use of Paragon to support its clinical information systems.

## SERVICES

The Corporation provides comprehensive health care services through the Hospital, the Prima Clinics, the facilities of the other Affiliates and other outpatient and professional buildings on, adjacent to and at various locations near the Hospital's main campus. Specialty institutes and centers at the Hospital include the Haynes Cardiovascular Institute, Spine and Brain Institute, Braden Diabetes Center, and Family Birth Center. The Corporation also collaborates with UCSF Medical Center in several service lines (cardiac surgery, pediatrics, neurosurgery, neonatology, perinatology, and pediatric diabetes) for purposes of keeping health care local to the District's community.

Services provided at the Hospital include the following:

### Oncology Services

- Breast Cancer Risk Assessment Program
- Mammography with Computer-Assisted Diagnosis
- Breast MRI
- Tumor Profiling/Genomic Testing
- Prostate Brachytherapy
- Robotic Prostatectomy
- Stereotactic Radiosurgery
- Stereotactic Body Radiation Therapy
- Image-Guided Radiation Therapy
- Intensity-Modulated Radiation Therapy

### Surgical Services

- Anesthesiology
- Colorectal Surgery
- General Surgery
- Gynecologic Surgery
- Orthopedic Surgery
- Pain Management
- Plastic / Reconstructive Surgery
- Podiatric Surgery
- Urologic Surgery
- Vascular Surgery

### General Medical Specialties and Services

- Behavioral Health
- Breast Health
- Cancer
- Diabetes
- Emergency Services & Trauma
- Endoscopy
- Family Birth
- Heart & Vascular
- Hospitalist Services
- Imaging
- Integrative Health & Wellness
- Intensive Care
- Laboratory Services
- Orthopedics
- Palliative Care
- Pediatrics
- Rehabilitative Services
- Spine & Brain
- Spiritual Care
- Surgery
- Urology
- Volunteer Services
- Women's Health

## MEDICAL STAFF

### Overview

As of December 31, 2017, 611 physicians were members of the Corporation's medical staff, approximately 94% of whom were board certified, with the remaining members being exempt from board certification per the medical

staff bylaws or being currently in the certification process after recently completing training. The average age of the Corporation’s medical staff is 52 years. Selected medical staff information is set forth in the table below.

**TABLE 2**  
**Medical Staff & Physician Age Analysis**

<b>Department</b>	<b>Average Age</b>	<b>Total Medical Staff</b>	<b>Board Certified</b>
Anesthesia	52	24	
Cardiology	52	19	
Critical Care / Pulmonary	54	29	
Dermatology	53	12	
Emergency Medicine	48	21	
ENT	47	10	
Endocrinology	50	4	
Family Medicine/Internal Medicine	53	95	
Gastroenterology	50	8	
Immunology	56	1	
Infectious Disease	42	3	
Nephrology	56	2	
Neuroscience	56	8	
OB/GYN	53	36	
Oncology	53	10	
Orthopedics	52	18	
Pathology	52	6	
Pediatrics	47	100	
Pediatric Cardiology	53	23	
Psychiatry	52	18	
Radiology	58	85	
Rehabilitation Medicine	57	4	
Rheumatology	49	2	
Surgery	54	66	
Urology	56	7	
<b>Total</b>	<b>52</b>	<b>611</b>	

Source: Corporation records.

The average age of the top ten discharging physicians for the fiscal year ended December 31, 2017 was 48 years. The ten physicians with the most patient discharges from the Hospital in the fiscal year ended December 31, 2017 are listed below:

**TABLE 3  
Top Ten Physicians by Discharge (Hospital)**

<u>Specialty</u>	<u>Age</u>	<u>Discharges</u>	<u>% of Total Discharges</u>
Hospitalist	53	525	6%
Hospitalist	44	405	5%
Hospitalist	45	388	5%
Hospitalist	47	374	4%
Hospitalist	48	361	4%
Hospitalist	46	330	4%
Hospitalist	52	325	4%
Hospitalist	47	318	4%
Hospitalist	55	292	3%
Hospitalist	40	290	3%
<b>Total</b>		<b>3,608</b>	<b>42%</b>

Source: Corporation records.

The Corporation has successfully worked with several primary care physicians and sub-specialists in recruiting new physicians to the area. The Corporation will continue to work closely with the medical staff on physician recruitment to meet the needs of the community. As of December 31, 2017, 54 physicians provided services to the community through the 11 District Clinics and 92 physicians provided services to the community through the 12 Prima Clinics.

### **Nursing Staff**

The Corporation currently employs approximately 527 nurses at the Hospital. To meet its nursing staff needs and to best serve the needs of the patients in delivering excellent care, several strategies have been implemented, including:

- *Relationship Based Care (“RBC”).* RBC is intended to improve safety, quality, patient satisfaction and staff satisfaction. Tenets of the program include: care of self, care of colleagues and care of patients and their families. Nurses participate in a three-day program titled “Reigniting the Spirit of Caring” that employs principles associated with the aforementioned tenets.
- *The 5S Methodology.* Engagement with a multi-disciplinary team using the Sort, Set in Place, Shine, Standardize and Sustain (“5S”) methodology has led to a cleaner environment and significantly reduced safety events. Focus has been on readiness of rooms that will be clean and safe for receipt of patients. This methodology has also been employed to declutter other patient care and storage areas within the Hospital.
- Use of performance boards that track progress on safety, quality, finance and staffing on each Hospital unit.
- Development and certification as an “Ouchless Emergency Department” for pediatrics.

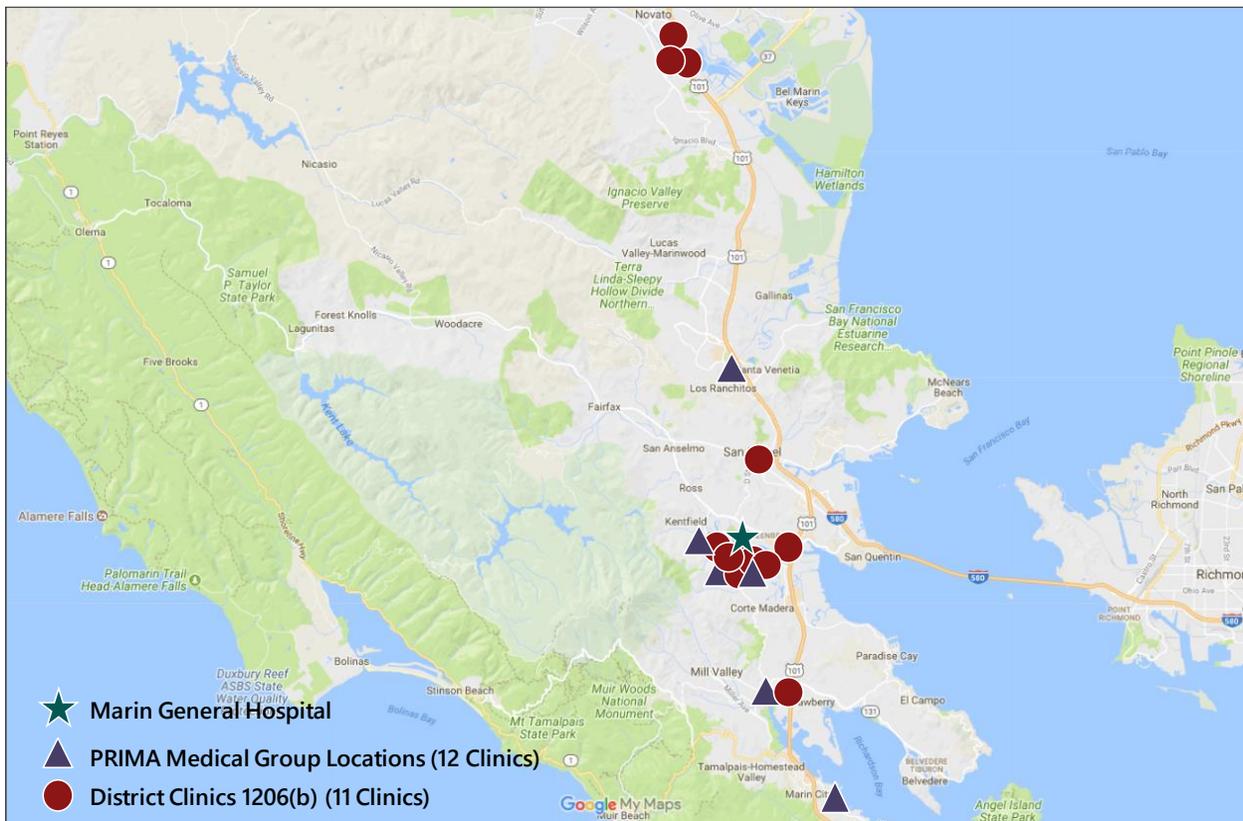
These examples and many others have been established to build an engaged workforce and reduce nursing turnover.

[UPDATE – The registered nurse staff turnover rate at the Hospital for the calendar year ended (i) December 31, 2016 was 2.42%, which compares favorably to the 2015 Hospital Association of Southern California (“HASC”) average of 11.60%, and (ii) December 31, 2017 was 4.0%, as compared to the 2015 HASC average of 6.20%.]

## SERVICE AREA

### Primary & Secondary Service Area

The Hospital’s service area covers most of the County, with services provided to the communities of Belvedere Tiburon, Bolinas, Corte Madera, Dillon Beach, Fairfax, Forest Knolls, Greenbrae, Inverness, Kentfield, Lagunitas, Larkspur, Marshall, Mill Valley, Nicasio, Novato, Olema, Point Reyes Station, Ross, San Anselmo, San Geronimo, San Quentin, San Rafael, Sausalito, Stinson Beach, Tomales, and Woodacre. The defined Primary Service Area (“PSA”) and Secondary Service Area (“SSA”) represents 84% and 14%, respectively, of fiscal year 2016 discharges, the most recent year for which such information is available. The below map shows the Hospital’s PSA and SSA.



Note: Sonoma PRIMA Medical Group location not shown

## Demographics

Resident population is projected to grow at a compounded annual growth rate (“CAGR”) of 0.5% in the PSA and in the combined PSA and SSA, as shown in the tables below.

**TABLE 4**  
**Total Resident Population in Service Areas**

Area	2010	2017	2022	% CAGR (2017 – 2022)
			<i>(Projected)</i>	
PSA	187,590	194,614	199,399	0.5%
SSA	64,270	66,555	68,001	0.4%
Total PSA + SSA	251,860	261,169	267,400	0.5%
California	37,253,956	39,611,295	41,298,900	0.8%
United States	308,745,538	327,514,334	341,323,594	0.8%

Source: ESRI Business Analyst.

**TABLE 5**  
**Combined PSA and SSA Population Growth Trends by Age**

Population by Age	2010	2017	2022	% CAGR (2017 – 2022)
			<i>(Projected)</i>	
0 – 24	66,629	69,791	68,488	(0.4%)
25 – 44	61,188	55,199	58,710	1.2%
45 – 64	81,947	81,731	76,973	(1.2%)
65 – 74	23,156	32,320	36,270	2.3%
75+	18,940	22,128	26,959	4.0%

Source: ESRI Business Analyst.

As shown in the table below, median household income for the PSA and the SSA is higher than for California and the United States.

**TABLE 6**  
**Median Household Income in Corporation’s Service Areas**

Area	2017	2022	% CAGR (2017 – 2022)
		<i>(Projected)</i>	
PSA	\$105,811	\$115,671	1.8%
SSA	87,221	98,954	2.6%
Average PSA + SSA	\$ 101,458	\$107,313	1.7%
California	\$ 65,223	\$ 74,370	2.7%
United States	\$ 56,124	\$ 62,316	2.1%

Source: ESRI Business Analyst.

The unemployment rates as of December 31, 2017 for the County, the State and the United States, are shown in the table below.

**TABLE 7**  
**Rates of Unemployment**

<b>Area</b>	<b>Labor Force</b>	<b>Employed</b>	<b>Unemployed</b>	<b>Unemployment Rate</b>
Marin County	141,583	137,533	4,050	2.9%
State of California	19,224,100	18,302,817	921,283	4.8%
United States	160,310,000	153,337,000	6,973,000	4.3%

*Source: U.S. Bureau of Labor Statistics, State of California Employment Development Department.*

As of June 30, 2016, the most recent available date for such information, the largest employers in the County are shown in the table below. The ten largest employers accounted for only 7.9% of total employees in the County.

**TABLE 8**  
**Largest Marin County Employers**

<b>Employer</b>	<b>Industry</b>	<b>Employees</b>	<b>% of County Employment</b>
County of Marin	Government	2,194	1.6%
San Quentin State Prison	Government	1,750	1.3%
Kaiser Permanente Medical Center	Healthcare	1,340	1.0%
Marin General Hospital	Healthcare	1,229	0.9%
BioMarin Pharmaceutical	Healthcare	850	0.6%
Novato Unified School District	Government	800	0.6%
Autodesk, Inc.	Technology	748	0.6%
Fireman's Fund Insurance Co.	Financial	721	0.5%
San Rafael City Schools	Government	650	0.5%
Dominican University	Education	422	0.3%

*Source: "Comprehensive Annual Financial Report" of Marin County, California for the fiscal year July 1, 2015 through June 30, 2016.*

## COMPETITION

For calendar year 2016, which is the most recent year for which market share data is available, discharges from the Hospital accounted for the leading market share of 46.7% of the total discharges in the PSA, and 41.6% of the total discharges in the combined PSA and SSA. The Corporation benefits from its position as the only tertiary care provider in the County.

The following tables summarize the Corporation’s primary competition across its broader regional service area. The Corporation’s closest competitors by location are Kaiser Permanente San Rafael Medical Center (“Kaiser-San Rafael”) and Novato Community Hospital (“Sutter Novato”). Kaiser-San Rafael does not provide OB-GYN services, and Sutter Novato’s services are limited.

**TABLE 9**  
**Major Competitors in Service Area**

Hospital	Location	Distance from Hospital Campus	Hospital Licensed Beds
Marin General Hospital	Greenbrae	--	235
Kaiser Permanente San Rafael Medical Center	San Rafael	6.7 miles	104
Novato Community Hospital (Sutter Health)	Novato	13.6 miles	39
Kaiser Permanente San Francisco	San Francisco	15.0 miles	185
California Pacific Medical Center (Sutter Health)	San Francisco	15.2 miles	313
UCSF Medical Center	San Francisco	16.7 miles	600

*Source: American Hospital Directory, Competitor Websites.*

**TABLE 10**  
**Market Share of Discharges in PSA**

Hospital	2014	2015	2016
Marin General Hospital	47.3%	46.1%	46.7%
Kaiser Permanente San Rafael Medical Center	13.7%	13.9%	14.3%
Novato Community Hospital (Sutter Health)	1.9%	2.3%	2.7%
Kaiser Permanente San Francisco	5.3%	5.0%	4.8%
California Pacific Medical Center (Sutter Health)	9.2%	9.4%	8.2%
UCSF Medical Center	7.4%	7.9%	8.2%
Other	15.2%	15.4%	15.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: OSHPD, State of California Patient Discharge Database.*

**Market Share of Discharges in SSA**

<b>Hospital</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Marin General Hospital	29.6%	25.8%	27.4%
Kaiser Permanente San Rafael Medical Center	19.2%	19.1%	18.7%
Novato Community Hospital (Sutter Health)	17.0%	19.2%	20.2%
Kaiser Permanente San Francisco	4.7%	5.7%	4.5%
California Pacific Medical Center (Sutter Health)	3.7%	3.9%	3.8%
UCSF Medical Center	4.3%	6.2%	5.6%
Other	21.5%	20.1%	19.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: OSHPD, State of California Patient Discharge Database.

**Market Share of Discharges in Combined PSA and SSA**

<b>Hospital</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Marin General Hospital	42.8%	40.7%	41.6%
Kaiser Permanente San Rafael Medical Center	15.1%	15.3%	15.4%
Novato Community Hospital (Sutter Health)	5.8%	6.8%	7.3%
Kaiser Permanente San Francisco	5.1%	5.2%	4.7%
California Pacific Medical Center (Sutter Health)	7.8%	7.9%	7.0%
UCSF Medical Center	6.6%	7.5%	7.5%
Other	16.8%	16.6%	16.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: OSHPD, State of California Patient Discharge Database.

## Utilization

Utilization data with respect to the Hospital for the fiscal years ending December 31, 2015, 2016 and 2017 is shown in the table below.

**TABLE 11**  
**Historical Utilization Data (Hospital)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Patient Volume</u>			
Discharges	8,774	9,100	9,353
Adjusted Discharges	15,493	15,914	17,102
Staffed Beds	186	186	186
Average Daily Census	112.6	113.6	113.7
Average Length of Stay	4.69	4.57	4.44
Case Mix Index – Adjusted Average			
Length of Stay	3.16	3.08	2.94
Case Mix Index	1.49	1.48	1.51
Total Patient Days	41,113	41,577	41,501
Adjusted Patient Days	72,597	72,709	75,885
Outpatient Visits	200,529	198,606	206,611
Emergency Visits	37,755	36,305	36,502
<u>Surgery Cases</u>			
Inpatient Surgical Cases	2,012	2,007	1,918
Outpatient Surgical Cases	4,503	4,566	4,611
Endoscopy	2,495	2,583	2,560
<b>Total Surgery Cases</b>	<b>9,010</b>	<b>9,156</b>	<b>9,089</b>

Source: Corporation records.

Operating data with respect to the Prima Clinics for the fiscal years ending December 31, 2015, 2016 and 2017 is shown in the table below.

**TABLE 12**  
**Historical Operating Data (Prima Clinics)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Physicians	95	94	92
Facilities	12	12	12
Outpatient Visits	141,710	132,795	132,326
Nurse Practitioners / Certified Midwives	8	12	14

Note: Physician data currently includes independent contractors as well as employed physicians.

Source: Corporation records.

## SOURCES OF REVENUE

### Patient Service Revenue

The payor mix data presented in the tables below are expressed as a percentage of net revenue related to the operations of the Hospital, and of the Prima Clinics, respectively, for the fiscal years ending December 31, 2015, 2016 and 2017.

**TABLE 13**  
**Historical Net Revenue Payor Mix (Hospital)**

Total Net Revenue	2015	2016	2017
Commercial	58.7%	55.5%	54.3%
Medicare	29.3%	29.3%	29.6%
MediCal	7.6%	5.7%	5.7%
Other/Self-Pay	4.4%	9.5%	10.4%
<b>Total Net Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: Corporation records.*

**TABLE 14**  
**Historical Net Revenue Payor Mix (Prima Clinics)**

Total Net Revenue	2015	2016	2017
Medicare	20.7%	17.9%	18.7%
MediCal	5.4%	6.2%	5.7%
Commercial	54.8%	58.0%	56.9%
Other/Self-Pay	19.1%	17.9%	18.7%
<b>Total Net Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: Corporation records.*

### Fundraising

As described under “CORPORATE STRUCTURE—The Corporation, the Affiliates and the Obligated Group,” the Foundation engages in philanthropic efforts for the benefit of the Hospital. For the fiscal years ended December 31, 2016 and 2017, the Foundation contributed \$3,471,000 and \$2,139,000, respectively, to the Corporation for the benefit of the Hospital’s programs. Additionally, as of December 31, 2017, the Foundation has received irrevocable gifts of \$43.4 million in support of the Project, \$5.0 million of which has been disbursed to the Corporation. [Possible insertion of historical fundraising table.]

## FINANCIAL INFORMATION

The following summary information for the Consolidated Statements of Operations and Changes in Net Assets for the fiscal years ended December 31, 2015, 2016 and 2017 and the Consolidated Balance Sheets as of December 31, 2015, 2016 and 2017 have been derived by management from the audited consolidated financial statements of the Corporation and its Affiliates. The financial information for the fiscal years ended December 31, 2016 and 2017 should be read in conjunction with the audited consolidated financial statements and related notes included as Appendix B to this Official Statement.

The Obligated Group accounted for 97.2% and 97.3% of total consolidated revenues, 90.3% and 94.7% of total consolidated excess of revenues over expenses and 68.6% and 71.1% of total consolidated net assets of the Corporation and its Affiliates for the fiscal years ended December 31, 2016 and 2017, respectively. [Temporarily and permanently restricted net assets are those of the Foundation and have been excluded from Obligated Group calculations.] See APPENDIX B – “AUDITED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION OF MARIN GENERAL HOSPITAL AND AFFILIATES FOR FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016.”

*[Remainder of Page Intentionally Left Blank]*

**TABLE 15**  
**Consolidated Statements of Operations and Changes in Net Assets**  
*(\$ in thousands)*

	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Revenue</b>			
Net Patient Service Revenue	\$386,387	\$393,015	\$414,362
Less: Provision for Bad Debts	(9,696)	(8,649)	(8,120)
Net Patient Service Revenue	376,691	384,366	406,242
Capitation Premium Revenue	34,815	40,411	42,533
Contributions	280	1,170	1,277
Other	12,796	13,294	12,650
Net Assets Released from Restrictions	2,247	1,591	1,935
<b>Total Unrestricted Revenues</b>	<b>\$426,829</b>	<b>\$440,832</b>	<b>\$464,637</b>
<b>Operating Expenses</b>			
Salaries and Employee Benefits	210,186	216,263	234,445
Purchased Services	81,155	83,370	85,104
Supplies	47,525	50,626	52,128
Depreciation and Amortization	15,445	16,209	16,644
Rentals and Leases	10,557	11,591	11,211
Referral Claims	6,754	8,240	10,355
Interest	926	1,860	2,326
Other	26,949	23,653	23,531
<b>Total Operating Expenses</b>	<b>\$399,497</b>	<b>\$411,812</b>	<b>\$435,744</b>
<b>Income from Operations</b>	<b>\$27,332</b>	<b>\$29,020</b>	<b>\$28,893</b>
Support to Related Organizations	(5,903)	(8,073)	(11,402)
Loss on Settlement, Net	-	(15,165)	-
Investment Income	82	1,384	3,030
Other Non-Operating Expense	-	-	(1,787)
<b>Excess of Revenues Over Expenses</b>	<b>\$21,511</b>	<b>\$7,166</b>	<b>\$18,734</b>
Less Income Attributable to Noncontrolling Interests	(1,219)	(1,336)	(1,510)
<b>Excess of Revenue over Expenses Attributable to Marin General Hospital and Affiliates</b>	<b>\$20,292</b>	<b>\$5,830</b>	<b>\$17,224</b>
Change in Net Unrealized Gains (loss)	(675)	148	241
Benefit Plan Related Charges	354	(258)	(173)
Other	-	-	535
Net Assets Released from Restrictions for PP&E	2,230	1,880	5,079
<b>Change in Unrestricted Net Assets</b>	<b>\$22,201</b>	<b>\$7,600</b>	<b>\$22,906</b>
<b>Temporarily Restricted Net Assets</b>			
Contributions	16,563	16,446	9,908
Net Assets Released from Restrictions	(4,476)	(3,471)	(7,014)
<b>Change in Temporarily Restricted Net Assets</b>	<b>\$12,087</b>	<b>\$12,975</b>	<b>\$2,894</b>
<b>Change in Net Assets</b>	<b>34,288</b>	<b>20,575</b>	<b>25,800</b>
<b>Net Assets, beginning of year</b>	<b>111,697</b>	<b>145,985</b>	<b>166,560</b>
<b>Net Assets, end of year</b>	<b>\$145,985</b>	<b>\$166,560</b>	<b>\$192,360</b>

**TABLE 16**  
**Consolidated Balance Sheets**  
*(\$ in thousands)*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$88,117	\$82,526	\$90,080
Patient Accounts Receivable	60,120	62,716	70,679
Investments	17,085	47,908	58,031
Other Receivables	2,554	1,935	2,122
Inventories	6,170	6,518	5,986
Estimated Third Party Payor Settlements	6,617	4,896	6,263
Assets Limited as to Use	572	277	430
Other Current Assets	12,818	15,929	13,993
Total Current Assets	<u>\$194,053</u>	<u>\$222,705</u>	<u>\$247,584</u>
Pledges Receivable	11,010	15,565	11,598
Property and Equipment, Net	72,942	81,957	89,042
Beneficial Interests in Trusts	787	847	988
Other Long-Term Assets, Net	16,435	18,118	23,404
Total Noncurrent Assets	<u>\$101,174</u>	<u>\$116,487</u>	<u>\$125,032</u>
<b>Total Assets</b>	<u><b>\$295,227</b></u>	<u><b>\$339,192</b></u>	<u><b>\$372,616</b></u>
<b>Current Liabilities</b>			
Accounts Payable	\$27,403	\$30,393	\$22,846
Accrued Salaries and Related Benefits	23,389	24,540	26,342
Accrued Other Expenses	2,982	19,684	10,634
Payable to Related Parties	2,170	2,259	1,272
Current Portion of Long-Term Debt	1,169	1,799	2,442
Total Current Liabilities	<u>\$57,113</u>	<u>\$78,675</u>	<u>\$63,536</u>
<b>Noncurrent Liabilities</b>			
Long-Term Debt, Net of Current Portion	\$53,377	\$50,523	\$66,106
Capital Lease Obligations	2,929	6,244	9,840
Workers' Compensation Obligation	4,726	4,856	7,788
Pension Benefit Obligation	20,086	21,095	21,726
Post-Retirement Health Obligation	8,811	9,217	9,484
Professional Liability Obligations	2,200	2,022	1,774
Total Noncurrent Liabilities	<u>\$92,129</u>	<u>\$93,957</u>	<u>\$116,718</u>
<b>Total Liabilities</b>	<u><b>\$149,242</b></u>	<u><b>\$172,632</b></u>	<u><b>\$180,254</b></u>
<b>Net Assets</b>			
Unrestricted			
Marin General Hospital	\$106,655	\$114,211	\$136,863
Non-Controlling Interests	11,587	11,631	11,887
Total Unrestricted Net Assets	\$118,242	\$125,842	\$148,750
Temporarily Restricted	27,528	40,503	43,397
Permanently Restricted	215	215	215
Total Net Assets	<u>\$145,985</u>	<u>\$166,560</u>	<u>\$192,362</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$295,227</b></u>	<u><b>\$339,192</b></u>	<u><b>\$372,616</b></u>

## Management's Discussion and Analysis

### *Fiscal Year Ended December 31, 2017 vs December 31, 2016*

For the fiscal year ended December 31, 2017, the Corporation reported excess of revenues over expenses of \$18.7 million compared to fiscal year ended December 31, 2016 excess of revenue over expenses of \$7.2 million. The year over year increase was primarily attributable to a \$15.2 million loss from a legal settlement with a former vendor recorded in fiscal year 2016.

Net patient service revenue (net of provision for doubtful accounts expense) increased to \$406.2 million for an increase of \$21.9 million (5.7%) for the fiscal year ended December 31, 2017 as compared to December 31, 2016. The growth in net patient service revenue was primarily driven by continued volume growth in both inpatient discharges and outpatient visits. Total discharges of 9,353 for the fiscal year ended December 31, 2017 were up 2.8% or 253 discharges compared to the prior fiscal year. Total outpatient visits of 206,611 in the current fiscal year increased by 4.0% or 8,005 visits from the prior fiscal year. In addition, the case mix index of 1.51 was 1.9% higher than the fiscal year ended December 31, 2016.

Total expenses increased from \$411.8 million for the fiscal year ended December 31, 2016 to \$435.7 million in the fiscal year ended December 31, 2017, an increase of \$23.9 million (5.8%) with the increase corresponding to the increases in net revenues and volumes. In particular, salaries and employee benefits increased \$18.2 million (8.4%) to \$234.4 million due to compensation increases and new positions added in line with the Corporation's strategic plans.

The Corporation's investment income increased \$1.6 million from \$1.4 million for the fiscal year ended December 31, 2016 to \$3.0 million for the fiscal year ended December 31, 2017 due to favorable experience in its investment portfolio. Support to related organizations increased \$3.3 million (41.2%) in fiscal year 2017 from the prior fiscal year as a result of two practices and additional physicians in existing practices.

During the fiscal year ending December 31, 2017, net assets increased \$25.8 million (15.5%) to \$192.4 million compared with the prior fiscal year-end due to continued operational growth and philanthropic contributions. Cash and investments of the [Obligated Group] increased by \$10.1 million from fiscal year 2016 due to strong cash collections efforts.

Long-term debt, net of current portion, increased by \$15.6 million from the prior fiscal year, as the line of credit was drawn upon to pay the loss from a legal settlement with a former vendor incurred in fiscal year 2016.

### *Fiscal Year Ended December 31, 2016 vs December 31, 2015*

For the fiscal year ended December 31, 2016, the Corporation reported excess of revenues over expenses of \$7.2 million compared to fiscal year ended December 31, 2015 excess of revenue over expenses of \$21.5 million. The year over year decrease was primarily attributable to a \$15.2 million loss from a legal settlement with a former vendor recorded in fiscal year 2016.

Net patient service revenue (net of provision for doubtful accounts expense) increased to \$384.4 million for an increase of \$7.7 million (2.0%) for the fiscal year ended December 31, 2016 as compared to December 31, 2015. The growth in net patient service revenue was primarily driven by continued volume growth in both inpatient discharges partially offset by a flat outpatient volume. Total discharges of 9,100 for the fiscal year ended December 31, 2016 were up 3.7%, or 326 discharges, compared to the prior fiscal year. Total outpatient visits of 198,606 in fiscal year 2016 increased by 41.0%, or 1,923 visits, from the prior fiscal year. In addition, the case mix index of 1.48 was comparable to the index of 1.49 experienced in fiscal year 2015.

Total expenses increased from \$399.5 million for the fiscal year ended December 31, 2015 to \$411.8 million in the fiscal year ended December 31, 2016, an increase of \$12.3 million (3.1%). Salaries and employee benefits increased \$6.1 million (2.9%) to \$216.3 million due to compensation increases and new positions added in line with the Corporation's strategic plans. For the fiscal year ended December 31, 2016, supplies expense of \$83.4 million

represented an increase of \$2.2 million (2.7%) from the prior fiscal year which correlated with the additional inpatient volumes.

The Corporation's investment income increased \$1.3 million from \$0.1 million for the fiscal year ended December 31, 2015 to \$1.4 million for the fiscal year ended December 31, 2016 due to the creation of an investment portfolio and favorable performance of investments. Support to related organizations increased \$2.2 million (36.8%) in fiscal year 2017 from the prior fiscal year as a result of a new practice and additional physicians in existing practice. The Corporation settled litigation with a former vendor and recognized \$15.2 million in settlement losses.

During the fiscal year ending December 31, 2016, net assets increased \$20.6 million (14.1%) to \$166.6 million compared with the prior fiscal year-end due to continued operational growth and philanthropic contributions. Cash and investments of the [Obligated Group] increased by \$20.9 million from fiscal year 2015 due to strong cash collections efforts. Current liabilities increased by \$21.6 million from the prior fiscal year as a result of the loss from a legal settlement with a former vendor recorded in fiscal year 2016.

### Historic and Pro Forma Coverage of Maximum Annual Debt Service

The following table sets forth the calculation of consolidated Income Available for Debt Service, Maximum Annual Debt Service and Debt Service Coverage (each calculated pursuant to the Master Indenture) as of December 31 for the prior three fiscal years, and on a pro forma basis for the fiscal year ended December 31, 2017, assuming the issuance \$\_\_\_\_\_ par amount of Bonds with an average annual interest rate of \_\_\_\_\_% and approximately level debt service over \_\_\_\_\_ years, on January 1, 2017.

**TABLE 17**  
**Historic and Pro Forma Coverage of Maximum Annual Debt Service**  
*(\$ in thousands)*

	2015	2016	2017	
			Actual	Pro Forma*
<u>Income Available for Debt Service</u>				
Excess of Revenues over Expenses	\$20,292	\$ 5,830	\$17,224	
Plus: Depreciation and Amortization	15,445	16,209	16,644	
Plus: Interest Expense	926	1,860	2,326	
Income Available for Debt Service	<u>\$36,663</u>	<u>\$23,899</u>	<u>\$36,194</u>	
Maximum Annual Debt Service	8,179	8,179	8,179	
Debt Service Coverage	4.5x	2.9x	4.4x	

\* Preliminary, subject to change.

[Add footnotes, assumptions.]

Source: Corporation records.

## Capitalization

The following table sets forth the consolidated capitalization of the Corporation as of December 31 for the prior three fiscal years, and on a pro forma basis for the fiscal year ended December 31, 2017, assuming the issuance of the Bonds on December 31, 2017.

**TABLE 18**  
**Historic and Pro Forma Capitalization**  
*(\$ in thousands)*

	2015	2016	2017	
			Actual	Pro Forma*
<u>Debt</u>				
Current Portion of Long-Term Debt	\$1,169	\$1,799	\$2,373	
Long-Term Debt, Net of Current Portion	53,377	70,522	66,000	
Capital Lease Obligations	2,929	6,244	9,840	
<b>Total Debt</b>	<b>\$57,475</b>	<b>\$78,565</b>	<b>\$78,213</b>	
<u>Net Assets</u>				
Unrestricted	\$118,242	\$125,842	\$148,750	
Temporarily Restricted	27,528	40,503	43,397	
Permanently Restricted (Endowment)	215	215	215	
<b>Total Net Assets</b>	<b>\$145,985</b>	<b>\$166,560</b>	<b>\$192,362</b>	
<b>Total Capitalization</b>	<b>\$203,460</b>	<b>\$245,125</b>	<b>\$270,575</b>	
<b>Debt to Total Capitalization</b>	<b>28.2%</b>	<b>32.1%</b>	<b>28.9%</b>	
Debt to Capitalization Excluding Temporarily & Permanently Restricted Assets	32.7%	38.4%	34.5%	

\* Preliminary, subject to change.

[Add footnotes, assumptions.]

Source: Corporation records.

## Days Cash on Hand

The following table sets forth the consolidated days cash on hand of the Corporation as of December 31, 2015, 2016 and 2017, and on a pro forma basis as of December 31, 2017, assuming the issuance of the Bonds on December 31, 2017. [Discuss OG vs. consolidated; per MGH.]

**TABLE 19**  
**Historic And Pro Forma Consolidated Days Cash On Hand**  
*(\$ in thousands)*

	2015	2016	2017	
			Actual	Pro Forma*
Cash and Cash Equivalents	\$88,117	\$82,526	\$90,780	
Less: Foundation Cash (\$5mm Floor)	(5,642)	(9,933)	(9,822)	
Short Term Investments	-	-	58,032	
Noncurrent Investments	17,085	47,908	(2)	
<b>Total Unrestricted Cash and Investments</b>	<b>\$99,560</b>	<b>\$120,501</b>	<b>\$138,988</b>	
<b>Average Daily Operating Expenses<sup>(1)</sup></b>	<b>\$1,068</b>	<b>\$1,106</b>	<b>\$1,174</b>	
<b>Days Cash on Hand – Total Unrestricted</b>	<b>93.2</b>	<b>109.0</b>	<b>118.4</b>	

(1) Defined as: operating expenses (excluding depreciation and amortization) divided by 365 days.

\* Preliminary, subject to change.

Source: Corporation records.

## Investment Policies

On February 22, 2018, the Board's Finance Committee revised its Investment Policies (the "Investment Policies"), which govern the investment of excess operating cash (corporate portfolio), the pension program and the Foundation funds under its direction and control. The Investment Policies utilize investment managers, defined risk parameters and diversified asset allocation ranges to set market benchmarks. Investments are overseen by the Investment Sub-Committee of the Finance Committee.

The Corporate Portfolio Investment Policy establishes asset allocation guidelines as follows: 5.0% equity and 95% fixed income securities, with an approved variance of 5.0%. The Corporate Portfolio Investment Policy requires a rebalancing to asset allocation guidelines, if necessary, on a quarterly basis. The Investment Sub-Committee monitors compliance with the Corporate Portfolio Investment Policy through periodic reporting. At December 31, 2017, the Corporation's investment allocation was 91.9% in fixed income investments and 8.1% in equities.

The Pension Program Investment Policy establishes asset allocation guidelines as follows: 55.0% equity, 27.0% fixed income securities, 15.0% alternatives and 3.0% cash, with an approved variance of 20.0%. The Pension Program Investment Policy requires a rebalancing to asset allocation guidelines, if necessary, on a quarterly basis. The Investment Sub-Committee monitors compliance with the Pension Program Investment Policy through periodic reporting. At December 31, 2017, the Corporation's investment allocation was 56.3% in equities, 26.5% in fixed income investments, 13.4% in alternatives and 3.8% in cash.

[The Foundation Investment Policy establishes asset allocation guidelines as follows: [0.0%] equity and [0.0%] fixed income securities, with an approved variance of [0.0%] and an allowance up to [0.0%] investing in fixed income for certain funds. The Foundation Investment Policy requires a rebalancing to asset allocation guidelines, if necessary, on a quarterly basis. The Investment Sub-Committee monitors compliance with the Foundation Investment Policy through periodic reporting. At December 31, 2017, the Corporation's investment allocation was [0.0%] in fixed income investments and [0.0%] in equities.]

## Retirement and Benefit Plans

As large employers, health systems may incur significant expenses to fund pension and benefit plans for employees and former employees. 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. [The Corporation maintains a noncontributory defined benefit retirement plan which has been frozen since [2010]. As of December 31, 2017, the plan's unfunded liabilities were \$21,726,000. The Corporation additionally maintains a noncontributory post-retirement health benefit plan which has been frozen since [2010]. As of December 31, 2017, the plan's unfunded liabilities were \$10,521,000.

Prima maintains a 401(k) defined contribution retirement plan covering all employees with certain service requirements. Under the plan, Prima matches 100% of employee contributions up to the first 2% of an employee's compensation and 50% of contributions for the next 2% of that employee's compensation. Eligible employees' contributions vest ratably over five years. Prima's matching contributions were \$115,000 and \$125,000 for the fiscal years ended December 31, 2016 and 2017, respectively.]

For more information regarding these plans, see Note 11 and Note 12 in APPENDIX B – "AUDITED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION OF MARIN GENERAL HOSPITAL AND AFFILIATES FOR FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016."

## OTHER INFORMATION

### Employees

As of December 31, 2017, the Corporation had 1,763 employees, of which 1,204 were full-time employees and the remainder of which were part-time or per diem employees. Management of the Corporation is committed to creating a high level of employee engagement. Management of the Corporation considers its employee relations to be satisfactory.

Fifty-nine percent (59%) of the Corporation's employees, or 1,046 out of 1,763, are subject to collective bargaining agreements, as shown in the table below.

<u>Labor Organization</u>	<u>Approximate Employees</u>	<u>Current Contract Expiration</u>
California Nurses Association (C.N.A)	527	6/30/2019
International Union of Operating Engineers, Stationary Engineers Local 39	18	1/31/2019
Radiology Associates, National United Healthcare Workers	46	9/30/2018
Professional and Vocational Division of Teamsters Union Local No. 856, International Brotherhood of Teamsters, Technical Unit	349	6/30/2021*
Professional and Vocational Division of Teamsters Union Local No. 856, International Brotherhood of Teamsters, Clerical Unit	106	4/13/2018*
<b>Total</b>	<u>1,046</u>	

\* [Confirm ratification/update negotiations.]

### Insurance

**Liability Insurance.** As of December 31, 2017, the Corporation is insured for malpractice and general liability with policy limits of \$30 million per occurrence and \$40 million in annual aggregate with a deductible of \$250 thousand per occurrence, subject to certain limitations. This coverage also includes the District Clinics. In addition, the Corporation has a cyber liability policy with limits of \$5 million per occurrence and \$5 million in annual

aggregate. Prima is insured for malpractice and general liability with policy limits of \$1 million per occurrence and \$5 million in annual aggregate.

***Property Insurance.*** As of December 31, 2017, the Corporation carries commercial property insurance with limits of \$500 million per occurrence, subject to certain sub-limits. A deductible of \$100 thousand applies to property, boiler & machinery and water damage. The policy excludes earthquake.

***Workers' Compensation and Other Insurance.*** As of December 31, 2017, the Corporation purchases workers' compensation insurance with statutory limits and subject to a deductible of \$350 thousand per claim. The directors' and officers' liability coverage has a primary limit of \$5 million and an excess limit of \$15 million, for a total limit of coverage of \$20 million. Prima is insured for workers' compensation claims under a claims made policy.

### **Investigations and Litigation**

As of December 31, 2017, certain claims and complaints arising in the ordinary course of business have also been filed or are pending against the Obligated Group. In the opinion of management, such claims, if disposed of unfavorably, would not have a material adverse effect on the Obligated Group's financial position or results of operations

### **Licenses, Memberships and Accreditations**

The Corporation provides a broad range of inpatient and outpatient acute care services at a primary, secondary and tertiary care level. It is accredited as an acute care hospital and licensed by the Department of Health Services of the State and received a three-year accreditation by The Joint Commission in July 2016. The Corporation is a member of the California Hospital Association and the American College of Surgeons which is the accrediting body for trauma services. The Emergency Department received accreditation as a pediatric emergency department in February 2018. The Corporation is a member of the American Hospital Association and the Healthcare Association of Southern California. The Corporation's cancer care program is accredited by the American College of Surgeons Commission on Cancer.



## **12. MADS Coverage**

(\$ in thousands)

Series	Outstanding Par	Product Type	Tax Status	Maturity	Average Life	Average Coupon	Call Date	CUSIP (last maturity)
MGH Series 2018A Bonds (Proposed)	\$94,075	Fixed	TE	8/1/2045	22.31	4.65%	8/1/2028	NA
MGH Series 2018B Bonds (Proposed)	64,815	Fixed	T	8/1/2045	8.96	4.13%	8/1/2028	NA
MGH Capitalized Leases	12,457	NA	T	NA	3.64	-	NA	NA
Total	\$171,347							
MADS	12,738							

Fiscal Year 2017

Excess Revenue over Expenses	\$17,224
Plus: Depreciation & Amortization	16,644
Plus: Interest	2,326
Income Available for Debt Service	\$36,194

MADS Coverage	2.8x
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**MHD Financials**  
**February 28, 2018**



**To: MHD Finance Committee**  
**From: Jim McManus, CFO**  
**Re: February 2018 Financial Report**  
**Date: March 16, 2018**

**I. General Comments**

These financial statements contain, in summary format, the balance sheet and net support to the District Clinics. The Clinics, as of February 28, 2018 are comprised of 13 locations and 53 practitioners, and are reported as one combined unit.

**II. FY 2018 Income Statement and Budget**

The net District operating loss for the month was \$148,690 which was unfavorable to budget by \$9,866. Income included rental revenue from the hospital lease of \$43,435, interest income and net unrealized investment losses of \$8,221. The District incurred total expenses of \$183,904, including depreciation expense of \$117,971 associated with the MGH 2.0 parking garage which was completed in August, 2016. Expenses also included \$27,228 in community education costs for the annual publication, \$17,206 for legal fees and \$16,667 for the Behavioral Health program support.

Contributions to the District Clinics were \$1,090,658 (\$42,675 unfavorable to budget) and were reimbursed by MGH.

**III. Balance Sheet**

**Assets**

Cash at February 28, 2018 of \$3,031,924 increased by \$156,691 due to the timing of District Clinic expenses and reimbursements. Accounts Receivable increased by \$329,353 from January relating to billing and collection activity for the clinics.

Intercompany Receivables (Payables) of \$1,448,522 represent amounts due from/to MGH for Clinic reimbursements.

Tax revenue receivables are \$5,388,399 and represent amounts due from the County of Marin. The decrease in receivable balance from January of \$13,627 is the result of payments received from the County for debt service which is also reflected in the Assets Limited To Use – Bond Funds balance.

In August 2016, the hospital parking facility was completed and placed into service. The cost of the garage was transferred from Hospital Construction Costs to Parking Garage. The asset is being depreciated over a period of 25 years.

Intangible Assets represent the Cardiovascular Associates of Marin (CAM) asset purchase price that was deemed to be for medical records and other intangibles (\$185,844 and \$675,660 respectively). These balances are reduced each month by amortization over a period of 15 years.



The balance of the proceeds from the bonds issued in November 2015 and the proceeds from the bonds issued in September 2017, net of issuance costs, are reflected in the account "Assets Limited to Use – Bond Funds". Hospital Construction Costs incurred to date are \$197,375,319.

### **Liabilities and Net Assets**

Accounts Payable of \$1,738,501 and Accrued Expenses of \$12,405,436 are comprised of invoices payable and accruals for District, construction, and clinic expenses.

Bonds payable are separated into current (principal due within one year) and non-current (due in greater than one year). Bond Premium represents payments by bond purchasers greater than the face amount of the bond because the stated interest rate of the bonds was higher than the market rate at the date of issuance. The premium is amortized over the life of the bonds as a reduction to interest expense.

The net assets of the District are \$37,067,433.

**Marin Healthcare District  
Balance Sheet  
February 28, 2018**

	<b>02/28/2018</b>	<b>01/31/2018</b>	<b>Change</b>	<b>12/31/2017</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	3,031,924	2,875,233	156,691	3,715,366
Net Patient Accounts Receivable	3,577,886	3,248,533	329,353	3,279,765
Other Receivables	91,449	150,959	(59,510)	93,717
Intercompany Receivables (Payables)	1,448,522	870,846	577,676	359,809
Inventories	15,692	15,692	-	15,692
Tax Revenues Receivable	5,388,399	5,402,026	(13,627)	5,518,615
Prepaid Expenses	541,305	701,389	(160,084)	224,782
<b>Total Current Assets</b>	<b>14,095,177</b>	<b>13,264,678</b>	<b>830,499</b>	<b>13,207,746</b>
Property, plant, and equipment, net	4,998,982	5,043,508	(44,526)	5,088,035
Parking Garage, net	25,049,524	25,131,996	(82,472)	25,214,468
Hospital Construction Costs	172,325,795	165,906,959	6,418,836	161,419,902
Intangible Assets, net	505,527	510,297	(4,770)	515,067
Assets Limited To Use - Bond Funds	241,533,501	266,930,723	(25,397,222)	272,262,340
Notes Receivable	185,089	189,247	(4,158)	195,587
Deposits & Retainers	72,633	72,633	-	72,633
<b>Total Non-Current Assets</b>	<b>444,671,051</b>	<b>463,785,363</b>	<b>(19,114,312)</b>	<b>464,768,032</b>
<b>Total Assets</b>	<b>458,766,228</b>	<b>477,050,041</b>	<b>(18,283,813)</b>	<b>477,975,778</b>
<b>Liabilities and Net assets</b>				
<b>Current Liabilities</b>				
Accounts Payable	1,738,501	1,683,438	55,063	1,851,374
Accrued Expenses	12,405,436	30,511,565	(18,106,129)	31,087,929
Intercompany Payables	1,000,000	1,000,000	-	1,000,000
Current Bond Maturities	6,050,000	6,050,000	-	6,050,000
Current Maturities of Long-Term Obligations	-	-	-	-
<b>Total Current Liabilities</b>	<b>21,193,937</b>	<b>39,245,003</b>	<b>(18,051,066)</b>	<b>39,989,303</b>
Bonds Payable	372,690,000	372,690,000	-	372,690,000
Bond Premium	27,326,604	27,407,973	(81,369)	27,489,342
Long-Term Obligations, Less Current Maturities	488,254	490,841	(2,587)	493,425
<b>Total Liabilities</b>	<b>421,698,795</b>	<b>439,833,817</b>	<b>(18,135,022)</b>	<b>440,662,070</b>
<b>Net Assets</b>				
Net Assets - Beginning Balance	37,313,708	37,313,809	(101)	25,767,421
Net (Loss)/Income	(246,275)	(97,585)	(148,690)	11,546,287
<b>Total Net Assets</b>	<b>37,067,433</b>	<b>37,216,224</b>	<b>(148,791)</b>	<b>37,313,708</b>
<b>Total Liabilities and Net Assets</b>	<b>458,766,228</b>	<b>477,050,041</b>	<b>(18,283,813)</b>	<b>477,975,778</b>

**Marin Healthcare District**  
**Income Statement - Actual vs. Budget**  
**For the Two Months Ended February 28, 2018**

	February Month-to-Date			February Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	\$43,435	\$43,435	\$0	\$86,870	\$86,870	\$0
Other Revenue	0	0	0	0	0	0
Investment Earnings	(8,221)	250	(8,471)	(4,686)	500	(5,186)
<b>Total Income</b>	<b>35,214</b>	<b>43,685</b>	<b>(8,471)</b>	<b>82,184</b>	<b>87,370</b>	<b>(5,186)</b>
Legal Fees	17,206	3,333	(13,873)	20,539	6,667	(13,872)
Accounting Fees	2,500	2,500	0	5,000	5,000	0
Board Compensation	700	1,017	317	1,900	2,033	133
Board Expenses	632	2,083	1,451	632	4,167	3,535
Depreciation Expense	117,971	151,242	33,271	235,942	302,485	66,543
Consulting Fees	0	0	0	0	0	0
Charitable Contributions	0	500	500	0	1,000	1,000
Community Education	27,228	4,167	(23,061)	27,228	8,333	(18,895)
Dues	1,000	1,000	0	2,000	2,000	0
MGH Program Support	16,667	16,667	(0)	33,333	33,333	0
Advertising	0	0	0	0	0	0
<b>Total Expense</b>	<b>183,904</b>	<b>182,509</b>	<b>(1,395)</b>	<b>326,574</b>	<b>365,018</b>	<b>38,444</b>
<b>Net District Operating Income</b>	<b>(148,690)</b>	<b>(138,824)</b>	<b>(9,866)</b>	<b>(244,390)</b>	<b>(277,648)</b>	<b>33,258</b>
<b>Non-Operating Income/Expense</b>						
<b>Clinic Activity</b>						
Net Loss From Clinics	(1,090,658)	(1,047,983)	(42,675)	(2,240,319)	(2,137,784)	(102,535)
MGH Clinic Reimbursement	1,090,658	1,047,983	42,675	2,240,319	2,137,784	102,535
<b>Net Clinic Activity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bond-Related Revenue/Expense</b>						
Tax Revenue	0	0	0	0	0	0
Bond Fund Earnings (transferred to construction in progress)	0	0	0	0	0	0
Bond Issuance Costs	0	0	0	(1,884)	0	(1,884)
<b>Net Income/(Loss)</b>	<b>(\$148,690)</b>	<b>(\$138,824)</b>	<b>(\$9,866)</b>	<b>(\$246,274)</b>	<b>(\$277,648)</b>	<b>\$31,374</b>

Marin Healthcare District  
1206b Clinics  
Summary of Profit & Loss - Accrual Basis  
For the Two Months Ended February 28, 2018

Managed Clinics	# MD/NP	# Of Months	MTD			Monthly Invest/MD	YTD			Avg. Annual Invest/MD
			Actual	Budget	Variance		Actual	Budget	Variance	
San Rafael Medical Center	0.80	2.00	799	(2,519)	3,318	999	(1,250)	(5,155)	3,905	(9,375)
Marin Medical Group (MMG)	3.50	2.00	(51,269)	(46,142)	(5,127)	(14,648)	(119,112)	(95,391)	(23,721)	(204,192)
EI-Ghoneimy	1.00	2.00	(1,215)	(3,792)	2,577	(1,215)	1,869	(7,803)	9,672	11,212
Tamalpais Internal Medicine (TIM)	2.82	2.00	(10,431)	3,057	(13,488)	(3,699)	32,553	7,716	24,837	69,261
Cardiology Associates (CAM)	15.65	2.00	(588,354)	(570,531)	(17,823)	(37,595)	(1,267,416)	(1,160,456)	(106,960)	(485,910)
Urology	4.00	2.00	(117,295)	(59,843)	(57,452)	(29,324)	(250,589)	(120,999)	(129,590)	(375,884)
Vascular Surgery	4.00	2.00	(116,031)	(110,759)	(5,272)	(29,008)	(211,638)	(237,047)	25,409	(317,457)
Marin Endocrine	3.85	2.00	(54,279)	(34,824)	(19,455)	(14,098)	(85,543)	(70,830)	(14,713)	(133,314)
2 Bon Air - Rheumatology/Chase	2.62	2.00	54,426	(4,341)	58,767	20,773	96,719	(8,422)	105,141	221,494
Murphy	3.60	2.00	(7,005)	3,933	(10,938)	(1,946)	(22,357)	9,464	(31,821)	(37,262)
Novato Medical Office	5.00	2.00	(28,429)	(14,726)	(13,703)	(5,686)	(97,618)	(27,929)	(69,689)	(117,141)
<b>Totals</b>	<b>46.84</b>		<b>(\$919,083)</b>	<b>(\$840,487)</b>	<b>(\$78,596)</b>		<b>(\$1,924,383)</b>	<b>(\$1,716,852)</b>	<b>(\$207,531)</b>	
Palliative Care	0.00	0.00	\$5,726	(\$15,239)	\$20,965		\$10,754	(\$31,967)	\$42,721	
After Hours Clinic	0.00	1.00	(\$6,967)	\$0	(\$6,967)		(\$6,967)	\$0	(\$6,967)	
Clinic Administration	0.00	2.00	(\$118,332)	(\$148,671)	\$30,339		(\$233,308)	(\$299,429)	\$66,121	
Behavioral Health (Note 1)	6.40	2.00	(\$57,667)	(\$23,586)	(\$34,081)	(\$9,011)	(\$91,514)	(\$49,536)	(\$41,978)	(\$85,795)
<b>Closed/Inactive Clinics</b>	<b># MD/NP</b>	<b># Of Months</b>	<b>MTD</b>			<b>Monthly Invest/MD</b>	<b>YTD</b>			<b>Avg. Annual Invest/MD</b>
			<b>Actual</b>	<b>Budget</b>	<b>Variance</b>		<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
West Marin Medical Center (Pt. Reyes)	0.00	0.00	5,716	(20,000)	25,716		5,193	(40,000)	45,193	
Soluna Health	0.00	0.00	(50)	0	(50)		(94)	0	(94)	
<b>Totals</b>	<b>0.00</b>		<b>\$5,665</b>	<b>(\$20,000)</b>	<b>\$25,665</b>		<b>\$5,099</b>	<b>(\$40,000)</b>	<b>\$45,099</b>	
<b>Total All Clinics</b>	<b>53.24</b>		<b>(1,090,658)</b>	<b>(1,047,983)</b>	<b>(42,675)</b>		<b>(2,240,319)</b>	<b>(2,137,784)</b>	<b>(102,535)</b>	

Note 1 - Up to \$200K of Behavioral Health Clinic losses is included in the Program Support payments by the District to MGH.