NEW ISSUE—BOOK-ENTRY ONLY

Ratings: S&P: BBB-
Fitch: BBB-
(See "RATINGS" herein.)

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

Henry Mayo Newhall Hospital

$109,625,000
CALIFORNIA PUBLIC FINANCE AUTHORITY
REVENUE BONDS
(HENRY MAYO NEWHALL HOSPITAL)
SERIES 2017

Dated: Date of Issuance **Due: October 15, as shown on the inside facing cover page**

The California Public Finance Authority Revenue Bonds (Henry Mayo Newhall Hospital), Series 2017 (the "Bonds") are limited obligations of the California Public Finance Authority (the "Authority"), payable from Revenues (as defined herein), which consist primarily of Loan Repayments made by Henry Mayo Newhall Memorial Hospital dba Henry Mayo Newhall Hospital (the "Hospital") under the Loan Agreement, as described herein, payments made by the Hospital on Obligation No. 6, issued under the Master Indenture, as described herein and from certain funds held under the Bond Indenture, as described herein. Under the Master Indenture, the Members of the Obligated Group jointly and severally are obligated to make payments on Obligation No. 6 in amounts sufficient to pay when due the principal of and premium, if any, and interest on the Bonds. **The Hospital is currently the sole Member of the Obligated Group established under the Master Indenture.**

The Bonds are subject to optional, mandatory and extraordinary redemption prior to their respective stated maturities, as described herein.

The Bonds are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof 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 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 any of the Bonds, principal of and premium, if any, and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as bond trustee, to DTC, which, in turn, will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein. Interest on the Bonds will be payable on April 15 and October 15 of each year, commencing April 15, 2017.

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 OF THE BONDS, OR THE REDEMPTION PREMIUM 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 OF OR THE REDEMPTION PREMIUM 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 CITY OF SANTA CLARITA, CALIFORNIA, 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 HOSPITAL UNDER THE LOAN AGREEMENT.

This cover page contains certain information for general reference only. It is not intended to be a summary of this transaction. 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 Underwriter, 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 by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and the approval of certain matters for the Hospital by its special counsel, Katten Muchin Rosenman LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriter by Winston & Strawn LLP, New York, New York. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about February 3, 2017.

Ziegler

Date: January 24, 2017


Henry Mayo
Newhall Hospital

MATURITY SCHEDULE

$109,625,000
CALIFORNIA PUBLIC FINANCE AUTHORITY
REVENUE BONDS
(HENRY MAYO NEWHALL HOSPITAL)
SERIES 2017

$15,585,000 Serial Bonds

Maturity (October 15)	Principal Amount	Interest Rate	Yield	CUSIP†
2020	$780,000	5%	2.51%	13057EAF1
2021	1,110,000	5	2.70	13057EAG9
2022	1,125,000	5	2.93	13057EAH7
2023	1,160,000	5	3.17	13057EAJ3
2029	1,575,000	5	3.98*	13057EAM6
2030	1,665,000	5	4.05*	13057EAN4
2031	1,790,000	5	4.11*	13057EAP9
2032	1,910,000	5	4.17*	13057EAQ7
2033	4,470,000	5	4.20*	13057EAR5

$94,040,000 Term Bonds

$20,620,000 5% Term Bonds due October 15, 2037; Priced to Yield 4.33%*, CUSIP† 13057EAK0
$73,420,000 5% Term Bonds due October 15, 2047; Priced to Yield 4.45%*, CUSIP† 13057EAL8

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† *A registered trademark of The American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. CUSIP numbers are provided for convenience of reference only. Neither the Authority, the Hospital, nor the Underwriter assume any responsibility for the accuracy of such numbers.*

* *Yield to call at par on the optional redemption date of October 15, 2026.*

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This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there 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. No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon. The Underwriter has provided the following sentence for inclusion in this Official Statement: *The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

The information set forth herein under the captions "THE AUTHORITY" and "LITIGATION—The Authority" has been furnished by the Authority, and the information relating to DTC and the book-entry system set forth herein under the caption "THE BONDS—Book-Entry System" and in APPENDIX E – "BOOK-ENTRY SYSTEM" hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the Hospital. All other information set forth herein has been obtained from the Hospital 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 Underwriter. 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 made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the Authority, the Hospital or DTC since the date hereof. This Official Statement is being provided to prospective investors in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose. The Authority has not reviewed this Official Statement and is not responsible for any information contained herein, except for the information under the captions "THE AUTHORITY" and "LITIGATION—The Authority."

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER 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.

This Official Statement should be reviewed by each prospective purchaser and its legal, regulatory, tax, accounting, investment and other advisors. Investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether and to what extent the Bonds constitute a legal investment for them. In making any investment decision, investors must rely on their own examination of the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 6 and related documents and the terms of the Bonds, including the risks involved.

References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

A wide variety of other information, including financial information, concerning the Hospital is available from publications and websites of the Hospital and others. Any such information that is inconsistent with the information set forth in the Official Statement should be disregarded. No such information is part of, or incorporated into, this Official Statement, except as expressly noted herein.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "anticipate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions "PLAN OF FINANCING" and "BONDHOLDERS' RISKS" in the forepart of this Official Statement and the statements contained under the caption "MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL INFORMATION" in APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL" hereto.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Hospital does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT
$109,625,000
CALIFORNIA PUBLIC FINANCE AUTHORITY
REVENUE BONDS
(HENRY MAYO NEWHALL HOSPITAL)
SERIES 2017

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement, including the cover page, the inside facing cover page and the Appendices hereto (the "Official Statement"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein or in APPENDIX C have the same meaning as in the Master Indenture (as defined herein) or the Bond Indenture (as defined herein). See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE – Definitions" and "—BOND INDENTURE—Definitions" hereto.

Purpose of this Official Statement

The Official Statement is provided to furnish information in connection with the sale and delivery of $109,625,000 aggregate principal amount of California Public Finance Authority Revenue Bonds (Henry Mayo Newhall Hospital), Series 2017 (the "Bonds").

The Bonds will be issued pursuant to and secured by a bond indenture, dated as of February 1, 2017 (the "Bond Indenture"), between the California Public Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The proceeds of the Bonds will be loaned to Henry Mayo Newhall Memorial Hospital dba Henry Mayo Newhall Hospital (the "Hospital") pursuant to a loan agreement, dated as of February 1, 2017 (the "Loan Agreement"), between the Authority and the Hospital. The proceeds of such loan will be used to (i) refinance $27,200,000 of the California Statewide Communities Development Authority Revenue Bonds (Henry Mayo Newhall Memorial Hospital), Series 2013C (such portion being refunded being referred to herein as the "Refunded Bonds" and such portion remaining outstanding being referred to herein as the "2013C Bonds"), which were used to finance and refinance the acquisition, construction, rehabilitation, remodeling and other capital improvements at certain health facilities owned and operated by the Hospital, (ii) finance, refinance and reimburse the acquisition, construction, rehabilitation, remodeling and other capital improvements of certain health facilities to be owned and operated by the Hospital (the "Project") and (iii) pay certain costs incurred in connection with the issuance of the Bonds and the refunding of the Refunded Bonds. See "PLAN OF FINANCING" herein.

Henry Mayo Newhall Hospital

The Hospital is a California nonprofit public benefit corporation based in the Santa Clarita Valley located in northern Los Angeles County and is exempt from federal income taxation under section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in section 501(c)(3) of the Code. The Hospital operates a 238-bed hospital (including an acute care rehabilitation unit and a closed adult psychiatric unit), the newly constructed Henry Mayo Education Center, two parking facilities, an ambulatory care and outpatient therapy center, facilities providing outpatient

services and several medical office buildings. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL" hereto for additional information about the Hospital.

The Master Indenture

The Hospital is a party to that certain Master Trust Indenture, dated as of December 1, 2013, as supplemented and amended to date (as from time to time amended and supplemented pursuant to its terms, the "Master Indenture"), between The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), and the Hospital, as the sole member of the Obligated Group and acting as Obligated Group Representative. For information regarding the Master Indenture, see APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE" hereto.

Security for the Bonds

The Bonds are secured under the provisions of the Bond Indenture and Loan Agreement and will be payable from Revenues, which consist primarily of payments made by the Hospital under the Loan Agreement (the "Loan Repayments"), from payments made by the Hospital on Master Indenture Obligation No. 6 ("Obligation No. 6") issued under the Master Indenture pursuant to the Supplemental Master Indenture for Master Indenture Obligation No. 6 dated as of February 1, 2017 ("Supplement No. 6"), between the Master Trustee and the Hospital, and from certain funds held under the Bond Indenture.

The Hospital will issue Obligation No. 6 pursuant to the Master Indenture. **The Hospital is currently the sole Member of the Obligated Group**. Pursuant to the Master Indenture, the Hospital and any future Member of the Obligated Group agree to make payments on Obligation No. 6 in an amount sufficient to pay, when due, the principal of and premium, if any, and interest on the Bonds. Each Obligated Group Member is jointly and severally obligated to make payments on all Obligations issued under the Master Indenture, including Obligation No. 6. Obligation No. 6 will entitle the Bond Trustee, as the holder thereof, to the benefit of the covenants, restrictions and other obligations imposed upon the Obligated Group under the Master Indenture. The Bonds are secured solely by the Loan Agreement and Obligation No. 6. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

As security for Obligations issued under the Master Indenture, each Member of the Obligated Group pledges and grants to the Master Trustee a security interest in such Member's Gross Revenues. In addition, the Obligations issued under the Master Indenture are secured by that certain Deed of Trust with Fixture Filing and Security Agreement (as supplemented prior to the date hereof and in connection with the delivery of Obligation No. 6, the "Deed of Trust") and a security interest in certain fixtures, furnishings and equipment now or hereafter owned by the Hospital and located on or at the Deed of Trust Property. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture—Grant of Security Interest in Gross Revenues" and "—The Deed of Trust" herein.

Bondholders' Risks

There are risks associated with the purchase of the Bonds. See the information under the heading "BONDHOLDERS' RISKS" in this Official Statement for a discussion of certain of these risks.

THE AUTHORITY

The following information has been provided by the Authority for use herein. While the information is believed to be reliable, none of the Bond Trustee, Master Trustee, the Hospital, the Underwriter, nor any of their respective counsel, members, officers or employees makes any representations as to the accuracy or sufficiency of such information.

The Authority is a joint powers agency organized pursuant to a Joint Powers Agreement among Kings County and the Housing Authority of Kings County and certain other cities and counties, including the City of Santa Clarita, California, 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 (the "Code").

The Authority has entered into, sold and delivered obligations, and will in the future enter into, sell and deliver obligations, other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Bond Indenture and the Loan Agreement. The holders of such obligations of the Authority have no claim on the security for the Bonds and the holders of the Bonds will have no claim on the security of such other obligations issued by the Authority.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference.

General

The Bonds are being issued pursuant to the Bond Indenture in the aggregate principal amount set forth on the cover of this Official Statement. The Bonds will be delivered in fully registered form without coupons. The Bonds will be dated the date of issuance and will be payable as to principal, subject to the redemption provisions set forth herein, on the dates and in the amounts as set forth on the inside facing 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 of $5,000 or any integral multiple thereof. See "THE BONDS—Book-Entry System" herein.

The Bonds will bear interest at the rates per annum set forth on the inside facing cover page hereof. Payment of the interest on any Bond shall be made on April 15 and October 15 of each year, commencing April 15, 2017 (each, an "Interest Payment Date") to the Holder thereof as of the Record Date (which will be the first day of the month during which the Interest Payment Date falls, whether or not a Business Day) for each Interest Payment Date (except with respect to interest in default, for which a special record date shall be established), and shall be computed on the basis of a 360-day year composed of twelve (12) thirty (30) day months.

So long as Cede & Co. is the registered owner of the Bonds, principal of and premium, if any, 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 in APPENDIX E) for subsequent disbursement to the Beneficial Owners. See APPENDIX E – "BOOK-ENTRY SYSTEM" hereto.

If the book-entry system for the Bonds is ever discontinued, payment of interest on the Bonds will be made by check mailed by first-class mail on each Interest Payment Date to each Holder thereof as of the Record Date at its address as it appears on the bond registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account within the United States of America

designated by the Holder at least one Business Day prior to the Record Date. Payment of the principal or redemption price of the Bonds will then 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 after October 15, 2023, 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 Hospital), from any source of available funds, in whole or in part (in such maturities as may be specified by the Hospital or, if the Hospital does not designate such maturities, in inverse order of maturity, and by lot within a maturity), on any date on or after October 15, 2026, at a Redemption Price equal to 100% of 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 October 15, 2037 are subject to redemption prior to their stated maturity in part, by lot (or paid at maturity, as the case may be) from Mandatory Sinking Account Payments on such October 15 set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Account Payment Date (October 15)	Mandatory Sinking Account Payment
2034	$4,725,000
2035	5,010,000
2036	5,305,000
2037†	5,580,000

† **Maturity.**

The Bonds maturing on October 15, 2047 are subject to redemption prior to their stated maturity in part, by lot (or paid at maturity, as the case may be) from Mandatory Sinking Account Payments on such October 15 set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Account Payment Date (October 15)	Mandatory Sinking Account Payment
2038	$7,530,000
2039	3,605,000
2040	3,785,000
2041	3,980,000
2042	4,185,000
2043	4,395,000
2044	10,640,000
2045	11,185,000
2046	11,755,000
2047†	12,360,000

† **Maturity.**

Extraordinary Redemption of Bonds. The Bonds 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 Hospital given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion) at least thirty-five (35) days prior to the date fixed for redemption), in whole or in part (in such maturities as may be designated by the Hospital or, if the Hospital does not designate such maturities, in inverse order of maturity, and by lot within a maturity), on any date, from hazard insurance or condemnation proceeds received with respect to the Facilities 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. Failure by the Bond Trustee to mail notice of redemption (or failure by any such Holder or Holders to receive said notice) to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Effect of Redemption. The Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

Rescission of Notice of Redemption. Any notice of optional redemption may be rescinded by written notice given by the Hospital to the Bond Trustee no later than five Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as notice of such redemption was given.

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

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 of the Bonds in the total aggregate principal amount due on such maturity and will be deposited with DTC. See APPENDIX E – "BOOK-ENTRY SYSTEM" hereto.

The Hospital and the Authority cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Hospital nor the Authority is responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant (as defined in APPENDIX E) to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In the Loan Agreement, the Hospital agrees to make the Loan Repayments to the Bond Trustee, which payments, in the aggregate, are required to be in an amount sufficient for the payment in full of all amounts payable with respect to the Bonds, including the total interest payable on such Bonds to the date of maturity of such Bonds or earlier redemption, the principal amount of such Bonds, any redemption premiums, and certain other fees and expenses (the "Additional Payments"), less any amounts available for such payment as provided in the Bond Indenture. The Bonds are otherwise payable solely from amounts received by the Authority or the Bond Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or Obligation No. 6, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Bond Indenture, but not including any Additional Payments or Administrative Fees and Expenses or any moneys required to be deposited to the Rebate Fund (the "Revenues"), 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 Hospital, concurrently with the issuance of the Bonds will issue Obligation No. 6 under the Master Indenture to the Bond Trustee pursuant to which the Obligated Group Members agree to make payments to the Bond Trustee in amounts sufficient to pay, when due, the principal of and premium, if any, and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture" below.

The Master Indenture

Joint and Several Obligations. Under the Master Indenture, any Obligated Group Member may be authorized to incur, for itself and on behalf of the other Obligated Group Members, Obligations to evidence or secure indebtedness or for any other lawful purpose. All Obligated Group Members are jointly and severally liable with respect to the payment of each Obligation incurred under the Master Indenture, including Obligation No. 6. **The Hospital is currently the sole Member of the Obligated Group.**

Grant of Security Interest in Gross Revenues. Pursuant to the Master Indenture, each Obligated Group Member, so long as any of the Obligations remain outstanding, is obligated to deposit all of the

Gross Revenues of the Obligated Group in a deposit account or securities account designated as the "Gross Revenue Fund" and, has granted a security interest (to the extent permitted by law) to the Master Trustee in the Gross Revenue Fund and all of the Gross Revenues of the Obligated Group to secure the performance by the Obligated Group Members of their obligations under the Master Indenture. The security interest in Gross Revenues has been perfected to the extent the same may be perfected by filing under the Uniform Commercial Code of the State of California (the "UCC") and executing a Deposit Account Control Agreement, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Security and Enforceability—Perfection of a Security Interest" herein. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Particular Covenants of the Members—Gross Revenue Pledge" hereto.

The Deed of Trust. To secure its obligations to make the Required Payments and its other obligations, agreements and covenants under the Master Indenture, the Hospital has granted the Deed of Trust on the Deed of Trust Property to the Master Trustee, which Deed of Trust includes a security interest in certain fixtures, furnishings and equipment located thereon. The Deed of Trust Property includes the "core" hospital facilities of the Hospital. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—FACILITIES" hereto for further information regarding such "core" hospital facilities. The Deed of Trust, as amended in connection with the delivery of Obligation No. 6, will secure on an equal and ratable basis the Obligations issued under the Master Indenture, including but not limited to Obligation No. 6. An ALTA title insurance policy in an amount equal to the principal amount of all Outstanding Obligations insuring the Deed of Trust will be delivered at the time of issuance of the Bonds. Pursuant to the Master Indenture, the Master Trustee and the Hospital may agree to amendments to the Deed of Trust without the consent of or notice to the Holders of any Bonds to secure additional Obligations. In addition, the Master Trustee is permitted to release or subordinate certain portions of the Deed of Trust Property under certain conditions set forth in the Master Indenture. No such release or subordination will require the consent of the holders of the Bonds or the Bond Trustee. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Particular Covenants of the Members—Deed of Trust; Against Encumbrances" hereto. See also "BONDHOLDERS' RISKS—Factors Affecting Value of the Deed of Trust Property; Limitations on Remedies Under the Deed of Trust" herein.

Master Trustee's Conditional Obligation to Foreclose. The Master Trustee is authorized by the Deed of Trust to foreclose on certain real property owned by the Hospital following certain Events of Default. However, the Master Trustee is not obligated to take possession unless the Master Trustee determines that certain conditions relating to its potential liability under applicable environmental laws have been satisfied. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—Master Indenture" hereto.

Covenant against Liens. Pursuant to the Master Indenture, each Obligated Group Member agrees that it will not create, assume or suffer to exist any Lien upon Property of the Obligated Group unless all Obligations are secured prior to or equally and ratably with any such Indebtedness or other obligation secured by such Lien. Notwithstanding the foregoing, each Member may create, assume or suffer to exist Permitted Liens. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Particular Covenants of the Members—Deed of Trust; Against Encumbrances" hereto.

Additional Indebtedness. The Obligated Group Members may incur additional indebtedness, provided that the Obligated Group meets certain requirements prescribed by the Master Indenture. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Particular Covenants of the Members—Limitation on Indebtedness" hereto. The additional indebtedness may be

incurred as an Obligation issued under the Master Indenture or as other indebtedness and, subject to the provisions of the Master Indenture, may be secured or unsecured.

Outstanding Indebtedness. Upon issuance of the Bonds, the aggregate principal amount of Obligations issued and outstanding under the Master Indenture will be $228,195,000 and are as follows: Master Indenture Obligation No. 1 related to the Series 2013A Bonds, Master Indenture Obligation No. 2 related to the Series 2013B Bonds, Master Indenture Obligation No. 3 related to the Series 2013C Bonds, Master Indenture Obligation No. 5 related to the Series 2014 Bonds and Obligation No. 6 related to the Bonds. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—OTHER STATISTICAL AND FINANCIAL INFORMATION—Outstanding Indebtedness" hereto.

Security and Enforceability

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

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

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

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

(ii) if the purpose of the debt created and evidenced by Obligation No. 6 is not consistent with the charitable purposes of the Obligated Group Member from which such payment is requested or

required, or if the debt was incurred or issued for the benefit of an entity other than a nonprofit corporation that is exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code;

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

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

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

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

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

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

For a further description of the provisions of the Bond Indenture, the Loan Agreement, the Master Indenture and Supplement No. 6, including covenants that secure the Bonds, events of default, acceleration and remedies under the Master Indenture, see APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS" hereto.

Bankruptcy. In the event of bankruptcy of an Obligated Group Member, the rights and remedies of the Bondholders are subject to various provisions of the Federal Bankruptcy Code. If an Obligated Group Member were to file a petition in bankruptcy, payments made by that Obligated Group Member during the 90-day (or, in some cases involving payments to "insiders", one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of such

Obligated Group Member's liquidation. Security interests and other liens granted to the Bond Trustee or the Master Trustee and perfected during such preference period also may be avoided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group Member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property, as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of the Obligated Group Member, including Gross Revenues, could be used for the financial rehabilitation of such Obligated Group Member despite any security interest of the Master Trustee therein. The rights of the Bond Trustee and the Master Trustee to enforce their respective security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

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

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

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 OF THE BONDS, OR THE REDEMPTION PREMIUM 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 OF OR THE REDEMPTION PREMIUM 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 CITY OF SANTA CLARITA, CALIFORNIA, 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 HOSPITAL UNDER THE LOAN AGREEMENT.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for the Hospital's fiscal years ending September 30, the estimated amounts required, upon issuance of the Bonds and the application of the proceeds thereof, to be made available for the payment of principal due on the Bonds (including by mandatory sinking account redemption), for the payment of interest on the Bonds, for the total debt service on the Bonds, for the total debt service on the Series 2013A Bonds, Series 2013B Bonds, Series 2013C Bonds, Series 2014 Bonds and other outstanding debt, including capital leases (collectively, the "Other Outstanding Indebtedness") and total debt on the Bonds and Other Outstanding Bonds. All amounts have been rounded to the nearest whole dollar.

Fiscal Year Ending September 30	Principal	Interest	Total Debt Service on the Bonds	Total Debt Service on Other Outstanding Indebtedness	Total Debt Service
2017	$ -	$ 1,096,250	$ 1,096,250	$ 12,976,414	$ 14,072,664
2018	-	5,481,250	5,481,250	12,488,810	17,970,060
2019	-	5,481,250	5,481,250	11,859,167	17,340,417
2020	-	5,481,250	5,481,250	10,765,046	16,246,296
2021	780,000	5,461,750	6,241,750	9,549,576	15,791,326
2022	1,110,000	5,414,500	6,524,500	9,265,466	15,789,966
2023	1,125,000	5,358,625	6,483,625	9,308,366	15,791,991
2024	1,160,000	5,301,500	6,461,500	9,326,021	15,787,521
2025	-	5,272,500	5,272,500	10,505,031	15,777,531
2026	-	5,272,500	5,272,500	10,503,953	15,776,453
2027	-	5,272,500	5,272,500	10,505,331	15,777,831
2028	-	5,272,500	5,272,500	10,499,370	15,771,870
2029	-	5,272,500	5,272,500	10,504,975	15,777,475
2030	1,575,000	5,233,125	6,808,125	5,981,450	12,789,575
2031	1,665,000	5,152,125	6,817,125	5,971,950	12,789,075
2032	1,790,000	5,065,750	6,855,750	5,934,450	12,790,200
2033	1,910,000	4,973,250	6,883,250	5,908,950	12,792,200
2034	4,470,000	4,813,750	9,283,750	3,383,825	12,667,575
2035	4,725,000	4,583,875	9,308,875	3,361,825	12,670,700
2036	5,010,000	4,340,500	9,350,500	3,320,056	12,670,556
2037	5,305,000	4,082,625	9,387,625	3,283,575	12,671,200
2038	5,580,000	3,810,500	9,390,500	3,278,288	12,668,788
2039	7,530,000	3,482,750	11,012,750	1,656,719	12,669,469
2040	3,605,000	3,204,375	6,809,375	5,862,438	12,671,813
2041	3,785,000	3,019,625	6,804,625	5,862,800	12,667,425
2042	3,980,000	2,825,500	6,805,500	5,864,644	12,670,144
2043	4,185,000	2,621,375	6,806,375	5,862,313	12,668,688
2044	4,395,000	2,406,875	6,801,875	5,865,019	12,666,894
2045	10,640,000	2,031,000	12,671,000	-	12,671,000
2046	11,185,000	1,485,375	12,670,375	-	12,670,375
2047	11,755,000	911,875	12,666,875	-	12,666,875
2048	12,360,000	309,000	12,669,000	-	12,669,000

PLAN OF FINANCING

The Bonds are being issued to (i) refinance at a premium the Refunded Bonds, which were used to finance and refinance the acquisition, construction, rehabilitation, remodeling and other capital improvements at certain health facilities owned and operated by the Hospital, (ii) finance, refinance and reimburse the acquisition, construction, rehabilitation, remodeling and other capital improvements of certain health facilities to be owned and operated by the Hospital and located in the City of Santa Clarita (the "Project") and (iii) pay certain costs incurred in connection with the issuance of the Bonds and the refunding of the Refunded Bonds. See "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—FACILITIES—The Project" in APPENDIX A attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds (with all amounts rounded to the nearest whole dollar).

Estimated Sources of Funds		
Principal Amount		$109,625,000
Original Issue Premium		5,447,912
	Total	$115,072,912
Estimated Uses of Funds		
Refunding the Refunded Bonds		$28,617,596
Deposit to Project Fund		85,000,000
Costs of Issuance [(1)]		1,455,316
	Total	$115,072,912

[(1)] Costs of Issuance includes, among other costs, legal fees, Underwriter's discount, Authority fees, printing costs, rating agency fees and title insurance costs.

CONTINUING DISCLOSURE

Because the Bonds are limited obligations of the Authority, payable solely from amounts received from the Hospital, 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 financial or operating data. The Hospital has undertaken all responsibilities for any continuing disclosure to Holders of the Bonds, as described below, and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

The Hospital has covenanted for the benefit of Holders and Beneficial Owners of the Bonds to provide to Digital Assurance Certification, L.L.C., as dissemination agent, for dissemination (i) certain financial information and operating data relating to the Hospital by not later than one hundred fifty (150) days following the end of Hospital's fiscal year (which currently is September 30) (the "Annual Report"), commencing with the report for fiscal year ending September 30, 2017, and (ii) notices of the occurrence of certain enumerated events. The Annual Report and the notices of material events will be filed by the dissemination agent on behalf of the Hospital with the Electronic Municipal Market Access system (referred to as "EMMA") of the Municipal Securities Rulemaking Board ("MSRB"). See APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto for the specific nature of the information to be contained in the Annual Report and the notices of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

Additionally, the Hospital has covenanted that it will file, or caused to be filed, with the EMMA system of the MSRB, not later than sixty (60) days after the end of each fiscal quarter (except the fourth fiscal quarter), commencing with the fiscal quarter ending December 31, 2016, unaudited financial information for the Hospital for such fiscal quarter, including a balance sheet, a cash flow statement and a statement of operations. See APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

During the five years immediately preceding the date hereof, the Hospital has been in compliance in all material respects with any previous undertaking with regard to Rule 15c2-12 to provide financial information and data, operating data or notices of material events.

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 Hospital specifically. These should be read together.

General

Except as noted under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein, the Bonds are payable solely from Loan Repayments made pursuant to the Loan Agreement and funds provided under Obligation No. 6 and the Bond Indenture. No representation or assurance can be made that the Hospital will realize revenues in amounts sufficient to make the payments under the Loan Agreement or Obligation No. 6, and, thus, to pay principal of, premium, if any, and interest on the Bonds.

The Hospital is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare, Medicaid and other payors and is subject to actions by, among others, the 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, and other federal, state and local government agencies. The future financial condition of the Hospital could be adversely affected by, among other things, changes in the method, timing and amount of payments to the Hospital 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 and other health reform payment mechanisms), 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 Hospital and the future Obligated Group Members pursuant to the Loan Agreement and Obligation No. 6 and, consequently, on the Bonds. In addition, the tax-exempt status of the Hospital 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 health reform legislation or initiatives. Loss of tax-exempt status by the Hospital could adversely affect the tax-exempt treatment of interest on the Bonds. See "—Tax-Exempt Status and Other Tax Matters" below.

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of hospitals similar to the Hospital 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 the Hospital and, in turn, the ability of the Hospital to make payments under the Loan Agreement and Obligation No. 6.

Federal Health Care Reform. Federal health care reform legislation, the Patient Protection and Affordable Care Act (the "ACA"), was enacted in March 2010. This legislation addresses almost all aspects of hospital and provider operations and health care delivery, and has changed and is changing how health care services are covered, delivered, and reimbursed. These changes are resulting in lower hospital reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for health care providers to assess, and alter, their business strategy and practices, among other consequences. Health care reform 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 will be subject to structural and operational changes and challenges for a substantial period of time. The full ramifications of health care reform may also become apparent only over time and through later regulatory and judicial interpretations. Portions of the ACA have already been limited, delayed or nullified as a result of executive action, legislative amendments and judicial interpretations and future actions may further change its impact. President Donald Trump has indicated his intention and initiated the process to either repeal the ACA or to rescind certain provisions thereof. The uncertainties regarding the implementation or rescission of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

Debt Limit Increase. Through legislation, the federal government has created a debt "ceiling" or limit on the amount of debt that may be issued and outstanding 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. The 2015 Budget Act suspended the debt limit until March 15, 2017.

Management is unable to predict what impact any future failure to increase the federal debt limit may have on the operations and financial condition of the Hospital, although such impact could be material and adverse. Additionally, the market price or marketability of the Bonds in the secondary market may be materially adversely impacted by any failure of Congress to increase the federal debt limit.

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 state attorneys general, the Internal Revenue Service (the "IRS"), Congress and state legislatures have held hearings and carried out audits regarding the conduct of tax-exempt organizations, including tax-exempt hospitals. Citizen organizations, such as labor unions and patient advocates, have also focused public attention on the activities of tax-exempt hospitals and health systems and raised questions about their practices. The IRS imposes certain reporting requirements on hospitals and health systems, including through Schedule H, Schedule J, and Schedule K of the Form 990. Proposals to increase the regulatory requirements for nonprofit hospitals' retention of tax-exempt status, such as by establishing a minimum level of charity care, have also been introduced repeatedly in Congress. These challenges and examinations, and any

resulting legislation, regulations, judgments or penalties, could materially change the operating environment for nonprofit providers and have a material adverse effect on the Hospital, taken as a whole. Significant changes in the obligations of nonprofit, tax-exempt hospitals and challenges to or loss of the tax-exempt status of non-profit hospitals generally, or the Hospital in particular, could have a material adverse effect on the Hospital. See "—Tax-Exempt Status and Other Tax Matters—Maintenance of Tax-Exempt Status of Interest on the Bonds" below.

Capital Needs vs. Capital Capacity. Hospitals and other health care operations are capital intensive. Regulation, technology and physician/patient expectations require constant and often significant capital investment. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—FACILITIES" hereto. In California, seismic requirements mandated by the State may require that many hospital facilities be substantially modified, replaced or closed. Estimated construction costs are substantial and actual costs of compliance may exceed estimates. Total capital needs may exceed capital capacity. Furthermore, capital capacity of hospitals and health systems may be reduced as a result of recent credit market dislocations, and it is uncertain how long those conditions may persist. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—FACILITIES—Seismic Compliance" hereto for information relating to the seismic compliance status for the Hospital's facilities.

Reliance on Medicare. Inpatient hospitals rely to a high degree on payment from the federal Medicare program and future payment restraints 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 are expected to take action in the future to decrease or restrain Medicare outlays for hospitals and physicians. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—STATISTICAL AND FINANCIAL INFORMATION—Sources of Net Patient Service Revenues" hereto for information relating to the Hospital's revenues from Medicare payments.

Rate Pressure from Insurers and Major 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 payors, may have a material adverse impact on hospitals and other health care providers, particularly if major purchasers put increasing pressure on payors to restrain rate increases. Business failures by health insurers also could have a material adverse impact on contracted hospitals and other health care providers in the form of payment shortfalls or delays, and/or continuing obligations to care for managed care patients without receiving payment. In addition, disputes with non-contracted payors may result in an inability to collect billed charges from these payors. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—STATISTICAL AND FINANCIAL INFORMATION—Sources of Net Patient Service Revenues" hereto.

Violations and Sanctions. The government and/or private "whistleblowers" often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal, monetary and other penalties, including suspending essential hospital and other health care provider payments from the Medicare or Medicaid programs, or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force health care providers to enter into monetary settlements in exchange for releases of liability for past conduct, as well as agreements imposing prospective restrictions and/or mandated compliance requirements on health care providers. Such negotiated settlement terms may have a materially adverse impact on hospital and

other health care provider operations, financial condition, results of operations and reputation. Multi-million dollar fines and settlements for alleged intentional misconduct, fraud or false claims are not uncommon in the health care industry. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the hospital and health care sector. Many large hospital and other health care provider systems are likely to be adversely impacted.

Personnel Shortages. From time to time, shortages of physicians and nursing and other medical 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. A new influx of patients with insurance coverage, as a result of health care initiatives, may exacerbate personnel issues. Hospital operations, patient and physician satisfaction, financial condition and future growth could be negatively affected by physician and nursing and other medical technical personnel shortages, resulting in material adverse impact to hospitals. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—MEDICAL STAFF" hereto for information relating to the Hospital's active physicians.

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 could result in higher hospital costs, reductions in patient populations, lower utilization of hospital service and/or new sources of competition for hospitals.

Proliferation of Competition and Increasing 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 for which hospitals realize their highest margins, thus negatively affecting programs that are economically important to hospitals. Specialty hospitals may attract specialists as investors and may seek to treat only profitable classifications of patients, leaving full-service hospitals with higher acuity and/or lower paying patient populations. These sources of competition may have a material adverse impact on hospitals, particularly where a group of a hospital's principal physician admitters may curtail their use of a hospital service in favor of competing facilities. See "APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—SERVICE AREA AND COMPETITION" hereto for information concerning competition relating to the Hospital.

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 arid others make choices about where to receive health care services based upon reports about cost and quality.

Labor Costs and Disruption. The delivery of health care services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impact on hospital and health care provider operations and financial condition. Hospital and health care employees are increasingly organized in collective bargaining units and may be involved in work actions of various kinds, including work stoppages and strikes. Overall costs of the hospital workforce are high, and turnover is high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These

factors may materially increase hospital costs of operation. At the same time, health care organizations will be under increasing pressure to reduce the cost of delivering care to patients, including the cost of salary and benefits, in order to compete in a transparent price market. Workforce disruption may negatively impact hospital revenues and reputation. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—EMPLOYEES" hereto for information relating to the Hospital's employees.

State Medicaid Program. State Medicaid (known as "Medi-Cal" in California) and other state health care programs are an important payor source to many hospitals and may become a proportionately larger source of revenue as federal health care reform is implemented, expanding Medicaid coverage to significant numbers of uninsured Americans. This program often pays hospitals, physicians and other health care providers at levels that may be below the actual cost of the care provided. As Medi-Cal is partially funded by the State, the financial condition of the State could affect funding levels and/or cause payment delays. These could have a material adverse impact on hospitals. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—STATISTICAL AND FINANCIAL INFORMATION—Sources of Net Patient Service Revenues" hereto for information relating to the Hospital's revenues from Medi-Cal payments.

Pension and Benefit Funds. As large employers, health systems 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 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.

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. Health systems may be affected by negative financial and liability impacts on physicians. Costs of insurance, including self-insurance, may increase dramatically. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—INSURANCE AND LITIGATION" hereto for information relating to the Hospital's insurance.

Other Class Actions. 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 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 hospitals and health systems in the future. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—INSURANCE AND LITIGATION" hereto for information relating to litigation concerning the Hospital.

Facility Damage. Hospitals and health systems are highly dependent on the condition and functionality of their physical facilities. Damage from earthquakes, floods, fires, other natural causes, deliberate acts of destruction, or various facilities system failures may have a material adverse impact on operations, financial conditions and results of operations.

Nonprofit Health Care Environment

The tax-exempt status of hospitals and health care organizations is the subject of increasing regulatory and legislative threats. As a nonprofit tax-exempt organization, the Hospital is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. At the same time, the Hospital 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 charitable organization 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 examined to determine compliance with the regulatory requirements for 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. 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, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits, litigation and proposed ballot initiatives. The challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could have a material adverse effect on the Hospital.

Congressional Action. Senate and House committees have conducted hearings and investigations into issues related to nonprofit tax exempt healthcare organizations, including, among others a nationwide investigation of hospital billing and collection practices, charity care and community benefit standards, prices charged to uninsured patients and possible reforms to the nonprofit sector. These hearings and investigations could result in new legislation. Neither the effect of any such legislation on the nonprofit health care sector nor its effect on the Hospital can be determined at this time.

***IRS Examination of Compensation Practices*.** 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"), which examined tax-exempt hospitals' practices and procedures with regard to compensation and benefits paid to these individuals. The IRS Final Report and other recent developments indicate that the IRS (i) will continue to scrutinize

executive compensation arrangements, practices and procedures very closely and (ii) may, in certain circumstances, conduct further investigations or impose fines on tax-exempt organizations.

IRS Form 990 and Schedule K. The IRS Form 990 is used by most not-for-profit organizations exempt from federal income taxation under Section 501(c)(3) of the Code to submit information required by the federal government. The IRS Form 990 requires detailed public disclosure of compensation practices, corporate governance, loans to executive management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The IRS Form 990 also requires disclosure concerning community benefit and compliance with financial assistance policy and billing and collection requirements, as well as reporting of information relating to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities. Schedule K to the IRS Form 990 is intended to enhance transparency as to the operations of exempt organizations and address what the IRS believes is significant noncompliance by tax-exempt organizations with recordkeeping and record retention requirements relating to their outstanding tax-exempt bonds. It is likely that the IRS will use the information provided by the IRS Form 990 and Schedule K to assist in, and expand, its enforcement efforts.

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. Some hospitals and health systems have entered into substantial settlements.

State Oversight. California nonprofit corporations are subject to oversight and examination by state attorneys general to ensure their charitable purposes are being carried out, that their fundraising and investment activities comply with state law, that the terms of charitable gifts are followed, and that acquisitions, dispositions, and reorganizations are in the public interest. This oversight can limit some of the options available to tax-exempt entities in states where the respective Attorney General takes a keen interest in these issues.

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 California nonprofit hospitals are providing enough charity care and community benefit to justify their tax-exempt status. A report was issued on August 9, 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 OSHPD. The California Legislature has considered several legislative proposals in response to the Committee's findings and recommendations. Legislative efforts surrounding the tax-exempt status of nonprofit hospitals in California should be closely monitored.

Challenges to Real Property Tax Exemptions. The real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices, and excessive financial margins and operations that closely resemble for-profit businesses. The challenges and scrutiny of these requirements, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on hospitals and health care providers,

including the Hospital, and, in turn, the ability of the Hospital to make payments under the Loan Agreement and Obligation No. 6.

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.

Health Care Reform

Federal Health Care Reform. In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Educational Reconciliation Act (the "ACA") was enacted. The ACA is impacting the delivery of health care services, the financing of health care costs, the reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. Some of the provisions of the ACA took effect immediately or within a few months of final approval, while others were or will be phased in over time, ranging from one year to ten years. Because of the complexity of the ACA generally, additional legislation may be considered and enacted over time. The ACA has also required, and will continue to require, the promulgation of substantial regulations with significant effects on the health care industry. Thus, the health care industry is the subject of significant new statutory and regulatory requirements and consequently will be subject 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, delayed or nullified as a result of executive action, legislative amendments and judicial interpretations and future actions may further change its impact. President Donald Trump has indicated his intention and initiated the process to either repeal the ACA or to rescind certain provisions thereof. The uncertainties regarding the implementation or rescission of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

The constitutionality of the ACA has been challenged in courts around the country. On June 28, 2012, the U.S. Supreme Court, in its decision in *National Federation of Independent Business v. Sebelius*, held that the individual mandate for individuals to buy health insurance was a constitutional exercise of Congress's power to levy taxes. However, the Court found that the provision of the ACA that requires states to expand Medicaid to all people with an income below 138% of the poverty level or lose the states' existing Medicaid funds, is an improper exercise of Congress' spending powers under the Constitution and amounted to coercion. The Court held that this requirement was severable from the rest of the law; therefore the additional Medicaid funds may still be made available to states which voluntarily agree to the expansion of their Medicaid programs, but Congress cannot withhold all Medicaid funds from those states that opt out of the expansion. As a result, some states have elected not to expand their Medicaid program, which may affect the number of uninsured people to whom the Hospital must provide care. South Carolina has chosen to not to expand Medicaid, which has caused the Hospital to provide care to a higher level of uninsured patients than anticipated by the ACA.

President Trump and Congressional leaders have expressed their desire and initiated the process to repeal the ACA or rescind certain provisions thereof. The ultimate outcome of any legislative efforts to repeal, amend or eliminate or reduce funding for the ACA are unknown.

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 regulation may affect future state oversight or affect the Hospital. The health insurance exchanges may have 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, and because of current efforts to replace and/or repeal the ACA, the effects of these changes upon the financial condition of any third party payor that offers health insurance, the rates paid by third-party payors to providers and, thus, the revenues of the Hospital, and upon the operations, results of operations and financial condition of the Hospital cannot be predicted..

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. As of January 2013, the California Health Benefit Exchange 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. In addition, legislation passed prohibiting insurers from denying health coverage based on preexisting conditions.

- All 58 of the State's counties are covered by Medi-Cal managed plans as of the end of 2014.

- The State is also running a dual-eligibles pilot program with federal funding.

- Covered California launched its insurance website and enrollment websites on time and appears to be largely operational and successful. The single biggest issue faced by Covered California is a byproduct of delays in enrollment eligibility determinations for Medi-Cal.

- The implementation of health care reform has extended coverage under Medi-Cal to an additional four million Californians in three years and added new services such as treatment for substance abuse and mental health. The expansion has already increased State General Fund costs by more than $1 billion annually, and was projected to increase to more than $2 billion by 2017-2018 as the federal government begins to reduce its share of costs beginning in 2017.

Patient Service Revenues

The Medicare Program. Medicare is the federal health insurance system under which hospitals are paid for services provided to eligible elderly and disabled persons. Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the State and The Joint Commission's Healthcare Accreditation Program or DNV Healthcare, Inc. 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, personnel, billing, policies and services.

As the 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 ACA institutes multiple mechanisms for reducing the costs of the Medicare program, some of which are discussed below:

Market Basket Reductions. Generally, Medicare payment rates to hospitals are adjusted annually based on a "market basket" of estimated cost increases, which market basket adjustments for inpatient hospital care have averaged approximately 2-4% annually in recent years. The ACA calls for reductions in the annual "market basket" update amount ranging from 0.10% to 0.75 % each year through federal fiscal year 2019.

Market Productivity Adjustments. Beginning in federal fiscal year 2012 and thereafter, the ACA provides for "market basket" adjustments based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. This adjustment is anticipated to result in an approximately 1% additional annual reduction to the "market basket" update.

Value-Based Purchasing. Beginning in 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 1%, progressing to 2% by federal fiscal year 2017. This reduction may be offset by incentive payments commencing in federal fiscal year 2013 for hospitals that meet or exceed quality standards.

Hospital Acquired Conditions Penalty. Beginning in federal fiscal year 2015, Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain "hospital-acquired conditions" have been reduced by 1% of what would otherwise be payable to each hospital for the applicable federal fiscal year.

Readmission Rate Penalty. Beginning in federal fiscal year 2013, Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for certain patient conditions are reduced based on the dollar value of that hospital's percentage of excess preventable Medicare readmissions within 30 days of discharge, for certain medical conditions. The maximum penalty is 3%.

Medicare Disproportionate Share Payments. Beginning in federal fiscal year 2014, the ACA mandates that hospitals receiving supplemental Disproportionate Share ("DSH") payments from Medicare (*i.e.*, those hospitals that care for a disproportionate share of low-income Medicare beneficiaries) are slated to have their DSH payments reduced by 75%. This reduction potentially is adjusted by adding back-payments based on the volume of uninsured and uncompensated care provided by a DSH hospital, and is anticipated to be offset by a higher proportion of covered patients as other provisions of the ACA

go into effect. Separately, beginning in federal fiscal year 2017, Medicaid DSH allotments to each state will also be reduced, based on a methodology to be determined by DHHS, accounting for statewide reductions in uninsured and uncompensated care. The Hospital has qualified as a DSH hospital from time to time, but there can be no assurance that the Hospital will qualify for disproportionate share status in the future.

Hospitals also receive payments from health plans under the Medicare Advantage program. The ACA includes significant changes to federal payments to Medicare Advantage plans. Fluctuations in payments to Medicare Advantage plans by the federal government are common, based on legislative, regulatory and other factors. If federal payments to Medicare Advantage plans are reduced in the future, it could in turn affect the scope of coverage of these plans or cause plan sponsors to negotiate lower payments to providers.

Components of the 2008 federal stimulus package, the American Recovery and Reinvestment Act ("ARRA"), provide for Medicare and Medicaid incentive payments that began in 2011 to hospital providers meeting designated deadlines for the installation and use of electronic health information systems. For those hospital providers failing to meet a 2016 deadline, Medicare payments will be significantly reduced. See also "—Regulatory Environment—The HITECH Act" herein.

In addition to components of the ACA described above, the legislation enacted in the early days of 2013 to avert the "fiscal cliff," the American Taxpayer Relief Act of 2012 ("ATRA"), will also negatively affect hospital Medicare reimbursement. Specifically, ATRA reduces Medicare reimbursement for hospitals by $10.5 billion to help offset the $30 billion cost of deferring a 27% reduction in Medicare physician payments that would otherwise have gone into effect as well as the cost of extending for one year several CMS payment policies that would otherwise have expired.

For the fiscal years ended September 30, 2016 and September 30, 2015, Medicare payments (including Medicare managed care under fee for service and capitated arrangements) represented approximately 37.2% of the inpatient net patient service revenues and 17.7% of the outpatient net patient service revenues of the Hospital (for its fiscal year ended September 30, 2016) and approximately 34.2% of the inpatient net patient service revenues and 17.9% of the outpatient net patient service revenues of the Hospital (for its fiscal year ended September 30, 2015). See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—STATISTICAL AND FINANCIAL INFORMATION—Sources of Net Patient Service Revenues" hereto.

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups ("DRGs"). The actual cost of care, including capital costs, may be more or less than the DRG rate. DRG rates are subject to adjustment by CMS, including reductions mandated by the ACA and the BCA and are subject to federal budget considerations. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. For information regarding the impact of the ACA on payments to hospitals for inpatient services, see "—Patient Service Revenues—Market Basket Reductions" above.

Hospital Outpatient Reimbursement. Hospitals are generally paid for outpatient services provided to Medicare beneficiaries 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. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory formulas or predetermined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients.

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 Hospital' facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Medical Education Payments. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and indirect medical education reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit. Legislation has capped the number of residents recognized by Medicare for reimbursement purposes and has limited reimbursement for both direct and indirect medical education costs.

Reimbursement for Physician Services. Medicare pays for the services of physicians (and certain other professional and ancillary providers) under Medicare Part B based on a national fee schedule called the "resource-based-relative-value scale" ("RB-RVS") that is subject to annual adjustment. Medicare's physician fee schedule was previously limited by the Sustainable Growth Rate ("SGR"), which was widely criticized as an unworkable formula. On April 16, 2015, the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA") was signed into law, replacing the SGR formula with statutorily prescribed physician payment updates and incentives comprising the Quality Payment Program. MACRA shifts physician reimbursement from a fee-for-service to a pay-for-performance model that is intended to control the growth of physician payments and incentivize better clinical outcomes.

Beginning July 1, 2015, MACRA increases physician Medicare reimbursement by 0.5% annually until 2019 and then provides for no additional increases to base physician reimbursement through 2025. Beginning January 1, 2019, physicians can earn merit-based payments through two reimbursement tracks under the Quality Payment Program, which 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. There can be no assurance that payments under this system will be sufficient to cover all of the costs of providing physician services to Medicare patients.

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 employs Medicaid Integrity Contractors ("MICs") to perform post-payment audits of Medicaid claims and identify overpayments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

Medi-Cal Program. Medi-Cal is the Medicaid program in California. In 2010, the California legislature enacted legislation significantly modifying the method of Medi-Cal reimbursement, which became effective on July 1, 2013 for private hospitals and January 1, 2014 for non-designated public

hospitals. Under the previous reimbursement system, the State entered into negotiated contracts with hospitals establishing the reimbursement rates for inpatient hospital services. The new system establishes a "per stay" reimbursement rate for hospital inpatient services 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 new payment method, the California Department of Health Care Services ("DHCS") reimburses hospitals for each inpatient admission based on the APR-DRG for that admission, DHCS assigns the APR-DRG using 3M coding software based on the diagnoses, procedures, patient age and discharge status submitted on the hospital claim form. Each APR-DRG has a relative weight that reflects the typical hospital resources needed to care for a patient in that APR-DRG, relative to the hospital resources needed to take care of the average patient. DHCS establishes a "base rate" each year that is then multiplied by the ADR-DRG for that admission to come to the rate for a particular patient's stay. An "outlier" factor provides additional reimbursement to compensate hospitals for exceptionally expensive stays.

DHCS has indicated that the change in reimbursement methodology is intended to be financially neutral statewide. However, the financial impact on individual hospitals may vary; some hospitals may experience reduced Medi-Cal reimbursement while others experience increased reimbursement. Accordingly, the new APR-DRG reimbursement will be phased in over three years through "transitional rates" that are designed to ensure that the transition to APR-DRGs does not negatively impact access. The ultimate effect on Medi-Cal reimbursement to healthcare providers cannot yet be predicted, given the relatively short period of time the new method has been in place. As this time, a significant amount of legislation regarding Medi-Cal has been proposed. Management is unable to determine the impact that any current of future legislation, if enacted, may have on the financial condition of the Hospital. Because the provider fee results in increased federal Medicaid payments in the form of federal matching fund obligations, there can be no assurance that the federal government will not take legislative or policy action to prohibit the State from imposing the provider fee or otherwise limit such fee in the future.

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 for the first three years that Medicaid is expanded, decreasing to 90% of the costs of this expansion in 2020 and thereafter. In June 2012, the Supreme Court held that the federal government cannot withhold existing federal funds for states that refuse to expand Medicaid as required by the ACA. While management of the Hospital cannot predict the effect of these changes to the Medicaid program on operations, results from operations or financial condition of the Hospital, historically Medicaid has reimbursed at rates below the cost of care. Therefore, increases in the overall proportion of Medicaid patients poses a financial risk to the Hospital. It is uncertain to what extent this risk may be mitigated if the increased Medicaid utilization replaces previously uncompensated patients.

For information concerning the Medi-Cal payments received by the Hospital, for the fiscal years ended September 30, 2014, 2015 and 2016, see APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—STATISTICAL AND FINANCIAL INFORMATION—Sources of Net Patient Service Revenues" hereto.

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 with respect 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.

Authorized by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Medicare Integrity Program ("MIP") was established to deter fraud and abuse in the Medicare program. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and insure the "integrity" of the Medicare program. These entities, Medicare zone program integrity contractors ("ZPICs"), formerly known as program safeguard contractors, are contracted by CMS to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of suspected fraud. ZPICs have the authority to deny and recover payments as well as to refer cases to the Office of Inspector General. ZPICs have the ability to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

Medicare and Medicaid audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay Medicare or Medicaid payments to providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the FCA (as defined herein) to include retention of overpayments as a violation. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. The effect of these changes on existing programs and systems of the Hospital cannot be predicted.

California Hospital Provider Fee. In 2009, the State 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 State enacted legislation to extend this program to December 31, 2016 subject to approval from CMS. On June 27, 2016, the State extended the sunset date of the program to January 1, 2018. On November 8, 2016, a ballot initiative sponsored by the California Hospital Association received voter approval, making permanent the program and requiring the proceeds of quality assurance fees paid by hospitals be applied to fund hospital services and health care for children, senior and low-income persons. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—HOSPITAL QUALITY ASSURANCE FEE PROGRAM" hereto.

California State Budget. California enacted a fiscal year 2016-17 State budget, which took effect on July 1, 2016. The fiscal outlook for California is mixed. Positive indicators include California's decreasing unemployment rate in recent quarters, corporate profits trending favorably, housing prices increasing, and the percentage of foreclosures dropping. However, while California's economy continues to generate significant new revenue, the 2016-2017 budget balances new and ongoing commitments with building the State's fiscal reserves by contributing an extra $2 billion to California's "rainy-day fund," which will bring the fund's total to an estimated $6.7 billion by summer 2017. As of the 2016 Budget Act, the State's budget is projected to remain balanced over the next two fiscal years, but is expected to face a shortfall by 2019-2020. Officials have attributed the state's sluggish revenues to such negative

indictors as the recent volatility of the stock market impacting capital gains, as well as declining personal income tax and sales tax revenues.

It is impossible to predict the impact of future financial challenges to the California economy, including threat of future recessions, changes in federal spending policy and other events that could result in budget deficits. It is also impossible to predict what the State's budget will be in future years or the actions that the Governor, the State legislature or voters — via ballot initiative — will take in the future. It is reasonable to expect, however, that the Governor and the State legislature will continue to pursue cost containment measures to keep the State's budget in balance, in part by aggressively managing the State's health care spending, which may adversely affect the financial condition of the Hospital

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that generally use discounts and other economic incentives to reduce or limit the cost and utilization of 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 may 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 the associated 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.

Often, HMO contracts are enforceable for a stated term, regardless of losses and may require health care organizations to care for enrollees for a certain time period, regardless of whether the HMO is able to pay the health care organization. Health care organizations from time to time have disputes with HMOs, PPOs and other managed care payors concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration or litigation.

Failure to maintain contracts could have the effect of reducing a health care organization's market share and net patient services revenues. Conversely, participation may result in lower net income if participating health care organizations are unable to adequately contain their costs. In part to reduce costs, health plans are increasingly implementing, and offering to purchasing employers, tiered provider networks, which involve classification of a plan's network providers into different tiers based on care

quality and cost. With tiered benefit designs, plan enrollees are generally encouraged, through incentives or reductions in copayments or deductibles, to seek care from providers in the top tier. Classification of a hospital in a non-preferred or lower tier by a significant payor may result in a material loss of volume. 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.

For information concerning the managed care payments received by the Hospital for the fiscal years ended September 30, 2014, 2015 and 2016, see APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—STATISTICAL AND FINANCIAL INFORMATION—Sources of Net Patient Service Revenues" hereto.

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"), requiring health care organizations to implement ICD-10 no later than October 2013. DHHS issued several delays for the compliance deadline until the ICD-10 diagnostic code went live on October 1, 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 will need to be retrained, processes redesigned, and computer applications modified as the current available codes and digit size will dramatically increase. Additionally, there is a potential for temporary coding and payment backlog, as well as potential increases in claims errors. Health care organizations will be dependent on outside software vendors, clearinghouses and third-party billing services to develop products and services to allow timely, full and successful implementation of ICD-10. In September 2015, CMS approved a "crosswalk" approach to coding conversion for Medicaid agencies in certain states, including California, allowing such states to convert ICD-10 claims into ICD-9 codes for calculating payments under Medicaid fee-for-service programs. As this time, it is not possible to predict the effects of full, or crosswalk, ICD-10 implementation. Delays in the required implementation may occur if such ICD-10 products and services are not available to health care organizations from these outside sources well in advance of the new October 2014 deadline to allow for adequate testing and installation.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures

Health plans, Medicare, Medicaid, 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 Hospital. 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.

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 or misleading 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, 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.

Laws governing fraud and abuse may apply to a health care organization and to nearly all individuals and entities with which a health care organization does business. Fraud investigations, settlements, prosecutions and related publicity can have a material adverse effect on health care organizations. See "—Enforcement Activity" below. Major elements of these often highly technical laws and regulations are generally summarized below.

The ACA authorizes the Secretary of DHHS to exclude a provider's participation in Medicare and Medicaid, as well as suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

False Claims Act. The federal False Claims Act ("FCA") makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim to the federal government. 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. FCA investigations and cases have become common in the health care field and may cover a range of activity from submission of inflated billings, to highly technical billing infractions, to allegations of inadequate care. Penalties under the FCA are severe and can include damages equal to three times the amount of the alleged false claims, as well as substantial civil monetary penalties. As a result, violation or alleged violation of the FCA frequently results in settlements that require multi-million dollar payments and costly corporate integrity agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the 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.

Under the ACA, the FCA has been expanded to include liability for 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. It is unclear when the regulations implementing this statutory requirement will become final. 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 of a patient (or to induce a referral) or the ordering or recommending of the purchase (or lease) of any item or service that is paid by any federal or state health care programs. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, 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 now constitutes a false or fraudulent claim for purposes of the FCA. Another amendment provides that an Anti-Kickback Statute 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 Statute. The new standards could significantly expand criminal and civil fraud exposure for transactions and arrangements where there is no intent to violate the Anti-Kickback Statute.

Violations or alleged violations of the Anti-Kickback Law most often result in settlements that require multi-million dollar payments and onerous corporate integrity agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. A criminal violation may be prosecuted as a felony, subject to potentially substantial fines, imprisonment and exclusion from the Medicare and Medicaid programs, any of which would have a significant detrimental effect on the financial stability of most hospitals. In addition, significant civil monetary penalties may be imposed. Increasingly, the federal government and qui tam relators are prosecuting violations of the Anti-Kickback Law under the FCA. See the discussion under "—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 prohibits the referral by a physician of Medicare and Medicaid patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiation and other imaging services) to entities with which the referring physician has a financial relationship, unless the relationship fits within a stated exception. It also prohibits a hospital furnishing the designated services from billing Medicare, or any other payor or individual for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark violation. If certain substantive and technical requirements of an applicable exception are not satisfied, many ordinary business practices and economically desirable arrangements between hospitals and physicians will likely constitute improper "financial relationships" within the meaning of the Stark 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 for payments to physicians. See APPENDIX B — "AUDITED FINANCIAL STATEMENTS OF HENRY MAYO NEWHALL HOSPITAL — NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Note 12 — Litigation."

Medicare may deny payment for all services related to a prohibited referral and a hospital that has billed for prohibited services is obligated to notify and refund the amounts collected from the Medicare program. 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 at the hospital by all of the physicians in the group for the duration of the lease, which could potentially significant amount. As a result, even relatively minor, technical violations of the law may trigger substantial refund obligations. Moreover, if the violations of the Stark statute were knowing, 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 violation or alleged violation could have a material

adverse impact on a hospital. Increasingly, the federal government is prosecuting violations of the Stark statute 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 "—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 violations and seek a reduction in potential refund obligations. However, the program is relatively new and therefore it is difficult to determine at this point in time whether it will provide significant monetary relief to hospitals that discover inadvertent Stark law violations. The Hospital may make self-disclosures under this program as appropriate from time to time. Any submission pursuant to the program does not waive or limit the ability of the OIG or the Department of Justice (the "DOJ") to seek or prosecute violations of the Anti-Kickback Statute or impose civil monetary penalties.

Liability under State "Fraud" and "False Claims" Laws. Hospital providers in California 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). A violation of these laws could have a material adverse impact on a hospital for the same reasons as the federal statutes. See discussion under "—False Claims Act," "—Anti-Kickback Law" and "—Stark Referral Law" above.

Antitrust. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. 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.

HIPAA and Other Privacy Requirements. HIPAA adds additional criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from Medicare.

HIPAA, along with new privacy rules arising under federal and various state statutes, addresses the confidentiality of individuals' health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial information. These patient privacy requirements often impose communication, operational and accounting obligations that add costs and create potentially unanticipated sources of liability. In addition, regulations under 42 C.F.R. Part 2 provide a heightened level of privacy of records associated with the provision of substance abuse counseling and treatment by covered alcohol and substance abuse treatment programs. These rules are significantly more restrictive than the privacy provisions set forth in HIPAA. States may also adopt

privacy laws that are more, but not less, restrictive than HIPAA. Together, all of these laws and regulations add compliance costs and create potentially unanticipated sources of legal liability for the Hospital.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information.

The HITECH Act. Provisions in the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted as part of the economic stimulus legislation, increase the maximum civil monetary penalties for violations of HIPAA and grant enforcement authority of HIPAA to state attorneys general. The HITECH Act also (i) extends the reach of HIPAA beyond "covered entities," (ii) imposes a breach notification requirement on HIPAA covered entities, (iii) limits certain uses and disclosures of individually identifiable health information and (iv) restricts covered entities' 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 data privacy breach, covered entities are required to notify affected individuals and the federal government. If more than 500 individuals are affected by the breach (1) the covered entity must also notify the media and (2) the federal government posts a description of the breach on its website. These reporting obligations increase the risk of government enforcement as well as class action lawsuits, especially if large numbers of individuals are affected by a breach.

The HITECH Act revises the civil monetary penalties associated with violations of HIPAA. The revised civil monetary penalty provisions may result in civil penalties up to $50,000 per violation for a maximum civil penalty of $1,500,000 in a calendar year for identical violations. The new levels of civil monetary penalties apply immediately for unknowing violations or violations due to reasonable cause.

Criminal penalties may be enforced against persons who obtain or disclose personal health information without authorization with the intent to harm or for personal gain. 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. Finally, individuals harmed by violations will be able to recover a percentage of monetary penalties or a monetary settlement based upon methods to be established by DHHS for this private recovery within three years of the passage of the HITECH Act.

The Office for Civil Rights ("OCR") is the administrative office that is tasked with enforcing HIPAA. OCR has stated that it has now moved from education to enforcement in its implementation of the law. Recent settlements of HIPAA violations for breaches involving lost data have reached the millions of dollars. Any breach of HIPAA, regardless of intent or scope, may result in penalties or settlement amounts that are material to a covered health care provider or health plan.

On January 25, 2013, DHHS issued comprehensive modifications to the existing HIPAA regulations to implement the requirements of the HITECH Act, commonly known as the "HIPAA Omnibus Rule." The HIPAA Omnibus Rule became effective on March 26, 2013, and covered entities are required to be in compliance by September 23, 2013 (though certain requirements have a longer timeframe). Key aspects of the HIPAA Omnibus Rule include, but are not limited to: (i) a new standard for what constitutes a breach of private health information, (ii) establishing four levels of culpability with respect to civil monetary penalties assessed for HIPAA violations, (iii) direct liability of business associates for certain violations of HIPAA, (iv) modifications to the rules governing research, (v) stricter requirements regarding non-exempt marketing practices, (vi) modification and re-distribution of notices of privacy practices and (vii) stricter requirements regarding the protection of genetic information. 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 Hospital.

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. Since 2011, the Medicare and Medicaid EHR incentive programs provide 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 who have not satisfied the performance and reporting criteria for demonstrating meaningful use will have their Medicare payments reduced. The Hospital has demonstrated "meaningful use" and has received incentive payments under the ACA.

Business Associates. Under existing HIPAA regulations, covered entities must include certain required provisions in their contractual relationships with organizations that perform functions on their behalf which involve use or disclosure of protected health information. These organizations are called business associates, and have been indirectly regulated by HIPAA through those contractual obligations. The HITECH Act and the final rules promulgated thereunder provide that all of the HIPAA security administrative, physical, and technical safeguards, as well as security policies, procedures, and documentation requirements now apply directly to all business associates. In addition, the HITECH Act makes certain privacy provisions directly applicable to business associates. These changes are significant because business associates will now be directly regulated by DHHS for those requirements, and as a result, will be subject to penalties imposed by DHHS and/or state attorneys general. Likewise, to the extent a business associate is deemed to be an agent of the covered entity under the Federal common law, the covered entity will be liable for the breaches of the business associate.

Cybersecurity, Security Breaches and Unauthorized Releases of Personal Information. Like many other large organizations, the Hospital relies on digital technologies to conduct its customary operations. In the past several years, a number of entities have sought to gain unauthorized access to digital systems of large organizations for the purpose of misappropriating assets or information or cause operational disruptions. These attempts include highly sophisticated efforts to electronically circumvent network security as well as more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. The Hospital maintains a network security system designed to stop "cyber-attacks" by third parties, and minimize its impact on operations; however, no assurances can be given that such network security systems will be completely successful.

State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states 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.

State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, as discussed with respect to the HITECH Act above, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations.

In California, two medical privacy laws became effective January 1, 2009, which expand the state's medical privacy standards and provide new oversight mechanisms and penalties to enforce them. These medical privacy laws penalize unlawful access, use or disclosure of patient's medical information, as well as unauthorized access, which the laws define as the inappropriate viewing of patient medical information without the direct need for diagnosis, treatment or other lawful use. Administrative penalties under these medical privacy laws may reach $250,000 per violation or for each reported event.

Exclusions from Medicare or Medicaid Participation. The government may exclude a health care provider 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 programs or an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance. The government also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a health care provider would be decertified from program participation and no program payments can be made. Any health care provider exclusion could be a materially adverse event. In addition, exclusion of the health care organization's employees 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.

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 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 exclusion from the Medicare and Medicaid programs as well as civil and criminal penalties. 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 Audits. 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.

Environmental Laws and Regulations. Hospitals 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

hospital; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

Hospitals 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/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with the environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Enforcement Activity. Enforcement activity against health care providers has increased, and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an audit, investigation or other enforcement action regarding the health care fraud laws mentioned above.

Enforcement authorities are often in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medicaid and similar payments or to recover higher damages, assessments or penalties by instituting criminal action. In addition, the cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation and business of a health care organization, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance. Enforcement actions may involve multiple hospitals or other facilities in a health system, as the government often extends enforcement actions regarding health care fraud to other entities in the same organization. Therefore, Medicare fraud related risks identified as being materially adverse to a health care organization could have materially adverse consequences to a health system taken as a whole.

Business Relationships and Other Business Matters

Physician Financial Relationships. Hospitals and health systems frequently have various 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 and state "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.

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.

Charity Care. Tax-exempt health care providers often treat large numbers of low income patients who are unable to pay in full for their medical care. Treatment of such patients results in significant expenses being incurred by the health care providers without adequate compensation or repayment. 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 affect the number of employed individuals who have health coverage and affect the ability of patients to pay for their 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 the treatment of low-income individuals 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 charity care as a condition to federal income tax exemption or exemption from certain state or local taxes.

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 ratios 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 there. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—MEDICAL STAFF" hereto.

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 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 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 hospitals in the future or otherwise lead to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—SERVICE AREA AND COMPETITION" hereto for information concerning competition relating to the Hospital.

Employer Status. Hospitals are major employers with mixed technical and nontechnical workforces. Labor costs, including salaries, benefits and other liabilities associated with a workforce, have significant impacts on hospital operations and financial condition. Developments affecting hospitals as major employers include: (i) imposing higher minimum or living wages; (ii) enhancing occupational health and safety standards; and (iii) penalizing employers of undocumented immigrants. Legislation or regulation on any of the above or related topics could have a material adverse impact on the Hospital and, in turn, its ability to make payments with respect to the Bonds.

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 Hospital employees are covered by collective bargaining agreements. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—EMPLOYEES" hereto.

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, sometimes multi-state, class actions. For large employers, such as hospitals and health systems, such class actions can involve multi-million dollar claims, judgments and/or settlements. A major class action decided or settled adversely to the Hospital could have a material adverse impact on the financial conditions and results of operations.

Other 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.

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 generally 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. If the IRS were to reclassify a significant number of hospital independent contractors (*e.g.*, physician medical directors) as employees, back taxes and penalties could be material.

Staffing. The health care industry suffers from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained health care and information system technicians. In addition, aging medical staffs and difficulties in recruiting individuals to the medical profession are predicted to result in physician shortages. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. In addition, state budget cuts to university programs may impact the training available for nursing personnel and other health care professionals. Competition for physicians and other health care professionals, coupled with increased recruiting and retention costs will increase hospital-operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial 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.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

Since 2008, CMS has refused to reimburse hospitals for medical costs arising from certain "never events," which include specific preventable medical errors. Certain private insurers and HMOs followed suit. The occurrence of "never events" is more likely to be publicized and may negatively impact a hospital's reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of a hospital if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Information Systems Technology. The ability to adequately price and bill health care services and to accurately report financial results depends on the integrity of the data stored within information systems, as well as the operability of such systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. See "—Regulatory Environment—HIPAA and other Privacy 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 Hospital 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 Hospital.

Affiliations, Merger, Acquisition and Divestiture

The Hospital 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 Hospital reviews the use, compatibility and business viability of many of the operations of the Hospital, and from time to time the Hospital may pursue changes in the use of, or disposition of, its facilities. Likewise, the Hospital occasionally receives offers from, or conduct discussions with, third parties about the potential acquisition of operations and properties which may become subsidiaries or affiliates of the Hospital in the future, or about the potential sale of some of the operations or property which are currently conducted or owned by the Hospital. Discussion with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the Hospital, are held from time to time with other parties. These may be conducted with acute care hospital facilities and may be related to potential affiliation with the Hospital. As a result, it is possible that the current organization and assets of the Hospital may change from time to time.

In addition to relationships with other hospitals and physicians, the Hospital 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 Hospital. In addition, the Hospital 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 Hospital. Any initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Hospital 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 Hospital.

Tax-Exempt Status and Other Tax Matters

Maintenance of the Tax-Exempt Status of the Hospital. The tax-exempt status of the Bonds depends upon maintenance by the Hospital of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is dependent 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 ACA also contains new 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 that contains the statutory and regulatory required minimums and a policy to provide emergency medical treatment without discrimination, (iii) limit charges to individuals who qualify for financial assistance under such tax-exempt hospital's financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using "gross charges" when billing such individuals, and (iv) refrain from taking extraordinary collection actions without first making reasonable efforts to determine whether the individual is eligible for assistance under such tax-exempt hospital's financial assistance policy.

In December 2014, the IRS published a final rule establishing regulations implementing the requirements of Section 501(r) applicable to tax-exempt organizations. The final rule provides guidance on the community health needs assessment requirements (which must be conducted at least every three years and made available to the public) and related tax and reporting obligations, clarifies the consequences for failing to meet the various requirements under Section 501(r) and explains that minor omissions and inadvertent errors will not result in loss of tax-exempt status, provided that certain specified correction and disclosure steps are taken.

Management of the Hospital has adopted policies required for the Hospital to achieve and remain in compliance with the provisions of Section 501(r) and the final regulations. A failure to comply with the provisions of Section 501(r) and the final regulations could result in a loss of Section 501(c)(3) 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 Hospital participates in a variety of joint ventures and transactions with physicians either directly or indirectly. Management of the Hospital believes that the joint ventures and transactions to which the Hospital is a party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. The IRS conducts special audits of large tax-exempt health care organizations with at least $500 million in assets or $1 billion in gross receipts. Such 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 taxpayers. These audits examine a wide range of possible issues, including tax-exempt bond financing partnerships and joint ventures, retirement plans, employee benefits, employment taxes, political contributions and other matters.

If the IRS were to find that the Hospital has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be jeopardized. 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 Hospital potentially could result in loss of tax exemption of the Bonds, and of other tax-exempt debt of the Hospital 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 Hospital. For these reasons, loss of tax-exempt status of the Hospital could have a material adverse effect on the financial condition and results of operations of the Hospital, taken as a whole.

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 have entered into settlement agreements requiring the hospital to make substantial payments to the IRS. Given the potential exemption risks, the Hospital could be at risk for incurring monetary and other liabilities imposed by the IRS.

In lieu of revocation of exempt status, the IRS may impose a penalty in the form of excise taxes on certain "excess benefit transactions" involving 501(c)(3) organizations and "disqualified persons." An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager" who knowingly participates in an excess benefit transaction. These rules do not penalize the exempt organization itself, so there would be no direct impact on the Hospital or the tax status of the tax-exempt debt of the Hospital if an excess benefit transaction were subject to IRS enforcement, pursuant to these "intermediate sanctions" rules.

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 community needs assessment, to adopt implementation strategy and to have a charity care policy. It is possible that legislation may be proposed, or administrative practices modified, 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 the Hospital of federal tax exemption would also trigger a challenge to their 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 persons of limited economic means, the real property tax-exempt status of the health care providers has been questioned. Subjecting significant amounts of real property to taxation could adversely affect health care organizations. The majority of the real property of the Hospital is currently treated as exempt from real property taxation. Although the real property tax exemptions of the Hospital with respect to its core hospital facilities are not, to the knowledge of management of the Hospital, been under challenge or investigation, an audit could lead to a challenge that could adversely affect the real property tax exemptions of the Hospital.

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 Hospital, 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, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury and a requirement that the Authority files an information report with the IRS. The Hospital has covenanted in the Loan Agreement that it will comply with such requirements. Failure by the Hospital 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 Bond Indenture that it will not take any action or refrain from taking any action that would cause interest on the Bonds to be included in gross income for federal income tax purposes.

In reliance on certain matters identified in the opinion, including representations by the Hospital, Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds, as described under the caption "TAX MATTERS" herein. No private letter ruling has been sought from the IRS with respect to the tax-exempt status of the Bonds, and the opinion of Bond Counsel is not binding on the IRS or the courts. There can be no assurance that an examination of the Bonds will not adversely affect the market value of the Bonds.

Proposed Legislation Regarding Limitations or Elimination of Tax-Exempt Status of Interest on the Bonds. 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, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the Hospital from realizing the full current benefit of the tax status of such interest. For example, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. Other proposals have been made that

could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, 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 any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Examinations. IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Bonds or other tax-exempt obligations issued for the benefit of the Hospital may be, from time to time, subject to examinations by the IRS. Management monitors compliance with the tax requirements and believes that the Bonds and other tax-exempt obligations issued for the benefit of the Hospital properly comply and will continue to comply with the tax laws. Bond Counsel will render an opinion on the date of issuance of the Bonds with respect to the tax-exempt status of the Bonds, as described under the heading "TAX MATTERS." The Hospital has not sought to obtain a private letter ruling from the IRS with respect to the Bonds, however, and the opinions of Bond Counsel are not binding on the IRS or the courts. Although management of the Hospital believes that its expenditure and investment of bond proceeds, use or property financed with tax-exempt debt and record retention practices have complied with all applicable laws and regulations, there can be no assurance that the issuance of surveys 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 Hospital. There is no assurance that any IRS examination of the Bonds will not adversely affect the market value of the Bonds.

Charity Care, Underinsured and Uninsured Patients. Hospitals are permitted to obtain tax-exempt status under the Code because the provision of health care historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability of tax-exempt status should be eliminated. Federal and state tax authorities are also beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

California law requires hospitals to maintain written policies about discount payment and charity care and provide copies of such policies to patients and the Office of Statewide Health Planning and Development ("OSHPD"). The Hospital has adopted and maintains such policies. California law also requires hospitals to follow specific billing and collection procedures and communicate proactively through the entire cycle to patients on the options available to them within the policies.

The ACA imposes additional requirements for tax-exemption upon tax-exempt hospitals, including obligations 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 control the billing and collection processes. Additionally, effective for tax years commencing after March 23, 2012, tax-exempt hospitals must conduct a community needs assessment every three years and adopt an implementation strategy to meet those identified needs. Failure to complete a community health needs assessment in any applicable three-year period can result in a penalty on the organization of up to $50,000, in addition to possible revocation of status as a section 501(c)(3) organization.

The ACA also imposes new reporting and disclosure requirements on hospital organizations. The IRS is required to review information about a hospital's community benefit activities at least once every three years. The ACA requires the Secretary of the Treasury, in consultation with the Secretary of HHS,

to submit annually a report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, as well as costs incurred by tax-exempt hospitals for community benefit activities. The Secretary of the Treasury, in consultation with the Secretary of HHS, must conduct a study of the trends in these amounts, and submit a report on such study to Congress not later than five years after the date of enactment of the ACA. These statutorily mandated requirements for periodic review and submission of reports relating to community benefit provided by section 501(c)(3) hospital organizations may increase the likelihood that Congress will consider additional requirements for section 501(c)(3) hospital organizations in the future and may increase IRS scrutiny of particular 501(c)(3) hospital organizations

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As a tax-exempt organization, the Hospital is limited with respect to its use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of the hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of the Hospital's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Hospital and might lead to loss of tax exemption of interest on the Bonds.

Cost of Capital. From time to time, Congress has considered and is considering revisions to the Code that may prevent or limit access to the tax-exempt debt market to borrowers or issuers such as the Hospital. Such legislation, if enacted into law, may have the effect of increasing the capital costs of the Hospital.

Factors Affecting Value of the Deed of Trust Property; Limitations on Remedies Under the Deed of Trust

Maintenance of Value. The Property subject to the Deed of Trust is located in a region, like many regions of the State, that has experienced significant real property market volatility over the past several years. There can be no assurance that, should the Hospital default in making the Loan Repayments required by the Loan Agreement and required by the Obligated Group under the Master Indenture, (i) any part or all of the Deed of Trust Property could be foreclosed upon and sold for the amounts owed with respect to the Bonds (and any other Obligations issued under the Master Indenture and payable on a parity with Obligation No. 6 securing the Bonds) or (ii) any bid would be received for such property and, if received, that such bid would be sufficient to pay such amounts.

No representation is made regarding the current value of the Deed of Trust Property. No appraisal or other estimation of value from a person qualified to render the same has been obtained with respect to the Deed of Trust Property. Further, certain risk factors and unknown information may, among other things: (a) affect the ability of the Hospital, any transferee by deed in lieu of foreclosure, or any purchaser at a foreclosure sale to continue the operations of the Deed of Trust Property as presently conducted, (b) result in the imposition of fines against the Hospital, any transferee by deed in lieu of foreclosure, or any purchaser at a foreclosure sale, (c) result in the incurrence by the Hospital, any transferee by deed in lieu of foreclosure, or any purchaser at a foreclosure sale of significant expenses in connection with the repair of the Deed of Trust Property or the correction of any violations under laws, ordinances, regulations, orders, or contractual agreements, (d) significantly reduce the purchase price at a foreclosure sale or the value of the Deed of Trust Property that may be realized in the event of a foreclosure or deed in lieu thereof (and in some instances, may result in the Deed of Trust Property

having a value which is less than the potential liabilities related thereto), (e) adversely affect the legal entitlement to rebuild any damaged portion of the Deed of Trust Property following any casualty, (f) result in the Hospital, any transferee by deed in lieu of foreclosure, any purchaser at a foreclosure sale, or any lender holding a security interest in the Deed of Trust Property having liability to government agencies or third parties, or (g) require the removal of non-compliant structures. These risk factors include, without limitation:

- Pursuant to the California Corporations Code, the written consent of the California Attorney General is required prior to any transfer of a health facility operated by a nonprofit corporation to a for-profit entity. It is not clear under California law if this provision would apply to transfers by deed in lieu of foreclosure or at foreclosure but, if it were determined to be applicable, satisfaction of this requirement may delay or prohibit the transfer of Deed of Trust Property following an Event of Default under the Master Indenture.

- No diligence has been undertaken as to whether the Deed of Trust Property is in compliance with state and federal statutes, local ordinances, regulations or orders promulgated under any of the foregoing governing the real property encumbered by the Deed of Trust, the physical improvements thereon, and/or the use thereof (including, without limitation, the Americans with Disabilities Act of 1994, zoning and land use laws, building codes, and any permits and/or entitlements required for the operation of a hospital in Los Angeles County, California).

- No survey of the Deed of Trust Property has been obtained. Without a survey to verify otherwise, among other things, it is possible that: (a) the structures which are intended to be encumbered by the Deed of Trust may not be located within the boundaries of the real property described in the Deed of Trust, (b) the location of certain interests which have been granted in the Deed of Trust Property (including, without limitation, easement and usage rights) may be in conflict with each other or with the location of improvements on the property, or may adversely affect the operations of the Deed of Trust Property, and (c) the legal description in the Deed of Trust may not describe the real property and improvements intended to be encumbered thereby.

- No physical inspection of the structure, exterior, roofing, interior or plumbing, electrical, mechanical and/or other major systems comprising the improvements, or any other aspect of such improvements encumbered by the Deed of Trust has been undertaken in connection with the execution of the Deed of Trust, and no copies of existing inspections or studies of such physical improvements have been requested in connection with the execution of the Deed of Trust.

- The Hospital's ability to generate income is reliant, in part, upon the number and quality of the members of the medical staff and research faculty who provide services to the Hospital's patients. The agreements between the Hospital and its medical staff and research faculty, some of which include the leasing of space within the facilities encumbered by the Deed of Trust, have not been reviewed in connection with the delivery of the Deed of Trust. In particular, the transferability to a purchaser at a foreclosure sale or transferee by deed in lieu of foreclosure is unknown. Furthermore, certain of these agreements may be deemed junior in priority to the Deed of Trust and extinguished by the foreclosure of the Deed of Trust. The inability to transfer or the extinguishment of any of these agreements may adversely affect the continued operation of the Deed of Trust Property as a hospital following any transfer of the Deed of Trust Property, including, without limitation, any transfer to a transferee by deed in lieu of foreclosure and any transfer to a purchaser at a foreclosure sale.

- The Hospital, as ground lessor, ground leases the portion of the Deed of Trust Property that is occupied by a medical office building known as the "Henry Mayo Education Center." See APPENDIX A— "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—FACILITIES—Medical Office Buildings" hereto. Under the terms of a Subordination, Non-Disturbance and Attornment Agreement ("SNDA"), the ground lease may remain in place following a foreclosure or transfer by a deed in lieu of foreclosure of the Deed of Trust Property, provided that the ground lessee is not then in default under the ground lease. Therefore any purchaser at foreclosure or by deed in lieu of foreclosure may take the Deed of Trust Property subject to the remaining term and the other terms and conditions of the ground lease. Other than the foregoing, the ground lease and the SNDA have not been reviewed in connection with the delivery of the Deed of Trust.

- The insurance maintained with respect to the Deed of Trust Property may not be sufficient to repair any damage incurred in a casualty. Further, earthquake insurance has not been procured for the Deed of Trust Property.

Dilution of the Value of the Deed of Trust. The Master Indenture does not require that additional property be added to the Deed of Trust as a condition to the issuance of additional debt secured by the Deed of Trust. Therefore, there may be a dilution of the value of the Deed of Trust as security for the Bondholders as additional debt is incurred.

Hazardous Substances. While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. In particular, any claim with regard to hazardous substances, if determined adversely to the Hospital, could have a material adverse impact on the value of the Deed of Trust Property. Moreover, the Hospital may be required by law to remedy conditions on the Deed of Trust Property relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act", is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are stringent and similar to certain federal requirements. Under many of these laws, the owner (or operator), and/or certain other parties holding an interest in the property, may be obligated to remedy a hazardous substance condition of property, whether or not the owner, operator or such other party had or has anything to do with the creation or handling of the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling the hazardous substance. No environmental studies of the Deed of Trust Property have been performed in connection with the execution of the Deed of Trust, and no copies of any existing environmental studies have been requested in connection with the execution of the Deed of Trust. If adverse environmental conditions exist at the property, regardless of whether originated thereon or elsewhere, the Hospital, any transferee by deed in lieu of foreclosure, any purchaser at a foreclosure sale, or any party holding a security interest in the Deed of Trust Property could be liable for the remediation thereof, fines and penalties assessed in connection therewith, or damages suffered by any party injured by such condition. A further effect, should the Deed of Trust Property be affected by a hazardous substance, is generally to reduce the marketability and the value of the parcel, possibly to the extent that the Deed of Trust Property has a negative value. Any of these circumstances could significantly affect the value of the Deed of Trust Property and the improvements thereon that would be realized upon a default and foreclosure or deed in lieu thereof.

Foreclosure. There are two methods of foreclosing on a Deed of Trust under California law, by nonjudicial sale and by judicial sale. Foreclosure under a Deed of Trust may be accomplished by a nonjudicial trustee's sale under the power of sale provision in the Deed of Trust. Prior to such sale, the trustee must record a notice of default and election to sell and send a copy to the trustor, to any person

who has recorded a request for a copy of the notice of default and notice of sale, to any successor in interest of the trustor and to certain other parties discernable from the real property records. The trustee must then wait for the lapse of at least three months after the recording of the notice of default and election to sell before establishing the trustee's proposed sale date and giving a notice of sale (in a form mandated by California statutes). The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the trustee's sale by at least 20 days. Such notice of sale must be posted on the property and sent, at least 20 days prior to the trustee's sale, to the trustor, to each person who has requested a copy, to any successor in interest of the trustor, to the beneficiary of any junior Deed of Trust and to certain other parties discernable from the real property records. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. The trustor, any successor in interest of the trustor in the trust property, or any person having a junior lien or encumbrance of record may, during the statutory reinstatement period, cure any monetary default by paying the entire amount of the debt then due under the terms of the Deed of Trust and the obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys' and trustee's fees. Following a nonjudicial sale, neither the trustor nor any junior lienholder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor. See "—Antideficiency Legislation and Certain Other Limitations on Lenders" below.

Should foreclosure under the Deed of Trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and may require several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs). In addition, in order to assure collection of any rents assigned as additional collateral under the Deed of Trust, a receiver for the Deed of Trust Property might need to be appointed by a court.

In connection with a foreclosure, it may be advisable for the Master Trustee to retain a receiver to operate and manage the Deed of Trust Property until a foreclosure can be obtained (and/or, in the case of judicial foreclosure during the statutory redemption period). This may result in additional fees and costs which must be paid prior to the payment of the Loan Repayments.

Antideficiency Legislation and Certain Other Limitations on Lenders. California has four principal statutory prohibitions limiting the remedies of a beneficiary under a deed of trust. Two such prohibitions limit the beneficiary's right to obtain a deficiency judgment, one being based on the method of foreclosure and the other on the type of debt secured. Under the former, a deficiency judgment is ordinarily barred when the foreclosure is accomplished by means of a nonjudicial trustee's sale, except for limited exceptions not applicable to the Deed of Trust. Under the latter (not applicable in this situation), a deficiency judgment is barred when a foreclosed deed of trust secured certain purchase money obligations.

Another California statute, commonly known as the "one form of action" rule, requires the beneficiary to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the trustor on the indebtedness. If a court were to hold that this rule were applicable to the Deed of Trust, and if the Trustee, the trustee under the Deed of Trust or the holders of the Bonds were to file suit or take other action (including set off) to collect debt secured by the Deed of Trust without seeking to enforce their remedies under the Deed of Trust, they might be precluded from thereafter proceeding under the Deed of Trust.

Finally, a fourth State statutory provision limits any deficiency judgment obtained by a beneficiary following a judicial sale to the excess of the outstanding debt above the fair market value of the property at the time of sale. This prevents a beneficiary from obtaining a large deficiency judgment against the debtor as the result of low bids at a judicial sale. The choice among methods of foreclosure could, therefore, significantly affect the amount that may be realized from the sale of the Property in the event of a default by the Hospital. Moreover, as described above, if the Trustee were to take direct action on the debt or exercise other rights against the Hospital rather than foreclosing the Deed of Trust, the benefit of the real property security could be lost.

Other statutory provisions (such as the federal bankruptcy laws) may have the effect of delaying enforcement of the lien of the Deed of Trust in the event of a default by the Hospital. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Security and Enforceability" herein.

Other Risk Factors

Earthquakes. Many hospitals in California are in close proximity to active earthquake faults. A significant earthquake in California could destroy or disable the facilities of the Hospital.

Compliance with Seismic Standards. California's Hospital Seismic Safety Act (the "Seismic Safety Act") requires each hospital building in the State used for acute care purposes either to comply with new hospital seismic safety standards on or before a deadline specified by the State or to cease acute care operations in noncompliant buildings. The deadlines and requirements for compliance for an acute care building depend on whether the building is within two of five classifications established by the State. Classification is a factor of the earthquake risk in the facility's geographic area and the structural attributes of the building. The original Seismic Safety Act required hospital buildings in the highest category of risk (those that are determined to be a potential risk of collapse or pose significant loss of life in the event of an earthquake) to be replaced or retrofitted to higher seismic safety standards by 2008. The Seismic Safety Act has been amended on multiple occasions to extend deadlines and modify requirements.

Generally, owners of hospitals applied for and obtained extensions from 2008 to 2013. Subsequent legislation allowed for further extensions up to two years to January 1, 2015 under certain circumstances which include the requirement to meet certain milestones.

In April 2011, the Seismic Safety Act was further amended to authorize OSHPD to grant an additional extension, which allows a hospital that has obtained a compliance extension to 2013 for a qualifying acute care building to extend that compliance deadline to as late as 2020. To evaluate public safety and determine whether to grant an extension of the 2013 deadline under this amendment, OSHPD is required to consider: (1) the structural integrity of the acute care hospital building based upon specified criteria, (2) the potential effect of closure of the hospital building on community access to essential hospital services, and (3) the hospital owner's financial capacity to meet the deadline determined in accordance with specified criteria. OSHPD is also to consider these three criteria in determining the length of an extension. This legislation became effective in June 2012. See APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—FACILITIES—Seismic Compliance" hereto.

In 2016, OSHPD made compliance with the Seismic Safety Act more attainable by adding a sixth performance category, Structural Performance Category 4d ("SPC-4D"). Unlike other recent OSHPD regulatory actions, SPC-4D is not merely an extension of the statutory timeline, but a new structural performance category. Because it allows nonconforming hospitals to provide services beyond 2030

without having to satisfy certain rigorous and expensive requirements, SPC-4D is a favorable development in Seismic Safety Act compliance.

Failure to comply with the California seismic requirements by the statutory deadlines could have a material adverse impact on the financial condition and operations of the Hospital. See APPENDIX A — "FACILITIES — Seismic Compliance" for a description of the Hospital's plans to upgrade its facilities to meet the statutory seismic requirements.

Variable Rate Risks in Market Place. In the past, the Hospital has had certain outstanding variable rate obligations, the interest rates on which vary on a periodic basis. Recent credit market turmoil in the auction rate markets and dislocation among various bond insurers and swap providers triggered suddenly high interest costs to many health care organizations. The current plan of financing does not contain any variable rate debt, but future financings could include such obligations.

Risks Related to Interest Rate Swaps. While the Hospital currently is not a party to any interest rate swap agreements related to indebtedness of the Hospital (the "Swaps"), the Hospital may enter into Swaps in the future. The Swaps are subject to periodic "mark-to-market" valuations and at any time may have a negative value to the Hospital. The Swaps counterparty may terminate the Swaps upon the occurrence of certain "termination events" or "events of default." The Hospital may terminate the Swaps at any time. If either the counterparty to the Swaps or the Hospital terminates any of the Swaps during a negative value situation, the Hospital may be required to make a termination payment to such Swaps counterparty, and such payment could be material.

Pursuant to the Swaps, the counterparty will be obligated to make payments to the Hospital, which payments may be more or less than the interest rates the Hospital is required to pay with respect to a comparable principal amount of the related indebtedness. No determination can be made at this time as to the potential exposure to the Hospital relating to the difference in variable rate payments.

The Swaps may be secured under the Master Indenture. the Hospital may in the future enter into additional interest rate swap agreements and other financial product and hedge devices that are also secured under the Master Indenture.

Investments. The Hospital 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 Hospital's investments, see APPENDIX A – "INFORMATION CONCERNING HENRY MAYO NEWHALL HOSPITAL—OTHER STATISTICAL AND FINANCIAL INFORMATION—Liquidity" hereto.

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 qualified contractors or materials and labor, adverse weather conditions and funding shortfalls. Such events could delay occupancy of major construction projects. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor and other factors. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require the Hospital to borrow additional funds to complete projects.

Bond Ratings. There is no assurance that the ratings assigned to the Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. See also "RATINGS" herein.

Other Future Risks. In the future, the following factors, among others, may adversely affect the operations of health care providers or the market value of the health care revenue bonds to an extent that cannot be determined at this time:

(i) Adoption of legislation or implementation of regulations that would modify national or State health programs or that would establish national, statewide, local or otherwise regulated rates applicable to hospitals and other health care providers.

(ii) Reduced demand for the services of health facilities that might result from decreases or shifts in population or loss of market share to competitors.

(iii) Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

(iv) Efforts by insurers, employers and governmental agencies to limit the cost of hospital services, to reduce the number of hospital beds or other ancillary services and to reduce the utilization of health facilities by such means as prescribed protocols, 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.

(v) Cost and availability of any insurance, such as professional liability, fire, automobile and general comprehensive liability coverages, which health care facilities of a similar size and type generally carry.

(vi) The occurrence of a natural or man-made disaster, a pandemic or an epidemic that could damage a provider's facilities, interrupt utility service or access to the facilities, result in an abnormally high demand for health care services or otherwise impair a provider's operations or the generation of revenues from the facilities.

LITIGATION

The Hospital

There is no controversy or litigation of any nature now pending against the Hospital or, to the knowledge of their respective officers, threatened, restraining or enjoining the issuance of the Bonds or in any way contesting or affecting (i) the validity of the Bonds, or (ii) any proceedings of the Hospital taken concerning the issuance or sale thereof or the collection of Gross Revenues pledged under the Master Indenture.

As with most health care providers, the Hospital is 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. There are certain legal actions currently pending against the Hospital known to management of the Hospital and for which insurance coverage is uncertain for the above reasons. Management of the Hospital 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 Hospital.

There is no litigation of any nature now pending or threatened against the Hospital or, to the knowledge of the Hospital's officers, threatened, which, if successful, would materially adversely affect the operations or financial condition of the Hospital.

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.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to 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 individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on 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 Hospital 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 Katten Muchin Rosenman LLP, Chicago, Illinois, Special Counsel to the Hospital, regarding the current qualification of the Hospital as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the Hospital concerning the Hospital's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the Hospital has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Special Counsel to the Hospital can give or has given any opinion or assurance about the future activities of the Hospital, 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 Hospital to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Hospital's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Hospital, 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 Hospital 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 Hospital 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 Hospital 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 Hospital legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Hospital 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 opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the opinion of Bond Counsel is set forth in APPENDIX D 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 Hospital by its special counsel, Katten Muchin Rosenman LLP, Chicago, Illinois, for the Authority by its special counsel, Orrick, Herrington & Sutcliffe LLP, and for the Underwriter by Winston & Strawn LLP, New York, New York, all of which also undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

B.C. Ziegler and Company (the "Underwriter") has agreed, subject to the terms and provisions of the Bond Purchase Contract among the Authority, the Hospital and the Underwriter (the "Bond Purchase Contract"), to purchase the Bonds from the Authority at a purchase price of $114,201,393.45, which represents the aggregate principal amount of the Bonds, plus an original issue premium of $5,447,912.20, and less an Underwriter's discount of $871,518.75.

The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions set forth in the Bond Purchase Contract; provided, however, that the Underwriter is obligated to purchase all of the Bonds if any are purchased.

It is intended that the Bonds will be offered to the public initially at the offering prices set forth on the inside facing cover page of this Official Statement. The initial public offering prices may be changed from time to time by the Underwriter without giving any prior notice. The Underwriter may offer the Bonds to other dealers at prices lower than those offered to the public.

The Hospital has agreed in the Bond Purchase Contract to indemnify the Underwriter and the Authority against certain liabilities.

INDEPENDENT AUDITORS

The financial statements of the Hospital as of and for the years ended September 30, 2016 and 2015 included in APPENDIX B to this Official Statement have been audited by BDO USA, LLP, independent auditors, (the "Auditors") as stated in their report appearing therein.

RATINGS

S&P Global Ratings and Fitch, Inc. have assigned the Bonds ratings of "BBB-" and "BBB-", respectively. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Bonds. These ratings reflect only the views of the referenced organizations, and any explanation of the significance of these ratings may only be obtained from the rating agency furnishing the same. There can be no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by the rating agencies, if, in their judgment, circumstances so warrant. Neither the Underwriter nor the Authority have undertaken any responsibility either to bring to the attention of the Holders of the Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the ratings 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. 6, Obligation No. 6 and the Deed of Trust 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 the referenced 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. 6 and the Deed of Trust may be obtained during the offering period upon request to the Underwriter and thereafter upon request to the principal corporate trust office of the Bond Trustee.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Hospital, and officials and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of the date of this Official Statement. The Authority furnished only the information contained under the captions "THE AUTHORITY" and "LITIGATION—The Authority" and, except for such information, makes no representation as to the adequacy, completeness or accuracy of this Official Statement or the information contained herein. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

This Official Statement has been delivered by the Hospital. This Official Statement is not to be construed as a contract or agreement between the Authority or the Hospital and the purchasers or Holders of any of the Bonds.

HENRY MAYO NEWHALL MEMORIAL HOSPITAL, a California nonprofit public benefit corporation

By: */s/ C.R. Hudson*
Title: Senior Vice President and Chief Financial Officer

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APPENDIX A

INFORMATION CONCERNING
HENRY MAYO NEWHALL HOSPITAL

The information contained herein as APPENDIX A has been obtained from Henry Mayo Newhall Hospital.

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INTRODUCTION

General

Henry Mayo Newhall Memorial Hospital dba Henry Mayo Newhall Hospital (the "Hospital" or "Henry Mayo") is a California nonprofit public benefit corporation and is exempt from federal income taxation under Section 501(c)(3) under the Internal Revenue Code. The Hospital was incorporated in 1972 and began providing health care services in 1975. Henry Mayo is located in the community of Valencia in the City of Santa Clarita and is the only hospital in the Santa Clarita Valley.

The Hospital is located on a health care campus of approximately 35 acres consisting of a 30 acre main campus with an adjacent five acre parcel approximately 35 miles northwest of downtown Los Angeles. Henry Mayo's portion of the overall campus is approximately 21 acres and consists of a 238-bed hospital (including an acute care rehabilitation unit and a closed adult psychiatric unit), the newly constructed Henry Mayo Education Center and two parking facilities. On the remaining 14 acres that surround the hospital property, there is an ambulatory care center, facilities providing outpatient services and several medical office buildings.

The campus is located in the Santa Clarita Valley in northern Los Angeles County. The Santa Clarita Valley is bordered by the Los Padres National Forest to the northwest, the Sierra Pelona Mountains and Angeles National Forest to the north and northeast, the San Gabriel Mountains to the east and southeast, and the Santa Susana Mountains to the south and southwest. The Santa Clarita Valley has and continues to experience significant growth in population and housing formation through master plan communities. The Santa Clarita Valley is home to a diverse business community which includes biomedical, technology, aerospace companies and film industry.

Based on its mission to improve the health of the community through compassion and excellence in healthcare services, Henry Mayo provides comprehensive care. As the sole acute care provider in the Santa Clarita Valley, Henry Mayo is a fully accredited acute care hospital facility and Level II trauma center that provides a wide range of medical and surgical services including an emergency department, intensive care unit, spine and joint program, cancer care, comprehensive cardiovascular care, infusion center, wound care, imaging, maternity and a neonatal intensive care unit. The Hospital's Advanced Primary Stroke Center and the Sheila R. Veloz Breast Imaging Center are both nationally recognized. Inpatient programs for acute rehabilitation and behavioral health are unique services also offered at the Hospital.

Henry Mayo's mission, vision and values, and its role in the community serve as the foundation for everything the Hospital does. It has also expanded its range of services to include a number of vital services that will allow the community access to a broad range of healthcare services close to home.

Henry Mayo was formed to become a modern community hospital to serve the planned community of Valencia, California. At its formation, 25 acres of the total campus was donated by the Newhall Land and Farm Company.

The Hospital opened its doors in 1975 and expanded its capacity beginning from its original 99 licensed beds to its current capacity of 238 beds. More importantly, the Hospital has provided continuous growth in services that tracks with the growth of the Santa Clarita Valley from 60,000 residents to over 275,000 residents today. The Hospital has been the only full service hospital located in the Santa Clarita Valley for over 30 years.

Related Entities and Joint Ventures

The Santa Clarita Health Care Association, Inc. (the "Association"), a California nonprofit public benefit corporation, is the sole corporate member of Henry Mayo Newhall Memorial Health Foundation, Inc. (the "Foundation" and, together with the Association, the "Related Entities"). The Association currently has no business activity and no assets. The Foundation's board of directors appoints two of the Association's three-member board of directors, with the Hospital appointing the third. The Foundation, a California nonprofit public benefit corporation that is not controlled by the Hospital, conducts fundraising activities to support healthcare in the community, most notably the Hospital. *The Related Entities are not obligated to make loan repayments to the Authority with respect to the Bonds. The Hospital, as the sole member of the Obligated Group, is the sole entity obligated with respect to the Bonds.*

In December 2005, the Hospital entered into a joint venture agreement with Tower Imaging Medical Group, Inc., a California professional corporation ("TIMG"), whereby the Hospital and TIMG formed Tower Imaging Valencia, LLC, a California for-profit limited liability company (the "Joint Venture"). The Joint Venture was formed for the purpose of developing and providing outpatient radiology services outside of the Facilities (as defined below under "FACILITIES"). The Joint Venture agreement had an initial term of ten years, and during 2016 it was extended another five years, until 2021, and it provides for a 50/50 split of profits and losses from operations of the Joint Venture between the Hospital and TIMG. TIMG manages the daily business affairs of the Joint Venture and receives compensation from the Hospital for such management services. The Hospital provides TIMG with certain services, such as information technology and maintenance, and also rents certain property to the Joint Venture. At September 30, 2016, the Joint Venture had approximately $3.3 million in total assets, $1.2 million in total liabilities and, for the fiscal year then ended, a net income from operations of $1.5 million. From December 2005 through September 30, 2016, the Hospital has invested $742 thousand in the Joint Venture and there was a profit of $6.1 million on the investment in the Joint Venture. The Hospital has no current plans to make any additional investments in the Joint Venture. See also Note 11 to APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF HENRY MAYO NEWHALL HOSPITAL".

In October 2015, the Hospital formed the Henry Mayo MSO (the "MSO"). The MSO was created as a California nonprofit mutual benefit corporation with the Hospital as the sole member. The purpose of the MSO is to provide services for the benefit of the Hospital. As of September 30, 2016, the MSO has engaged in only one business relationship in creating an on campus urgent care, which opened in April 2016. The MSO entered into a management services agreement with Black Rock Medical Care ("Black Rock") to sublease space and lease tenant improvements, equipment, furniture and equipment to Black Rock for the provision of urgent care services on the Hospital campus. As of September 30, 2016, the Hospital has invested approximately $1,000,000 in the MSO which is expected to be recovered over the next ten years from Black Rock.

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GOVERNANCE AND MANAGEMENT

Board of Directors

The Hospital is governed by a self-perpetuating Board of Directors (the "Board") elected for staggered three-year terms with a limit of four consecutive terms (and again after one year of absence). The Hospital's bylaws provide that the Board will consist of no fewer than 10 and no more than 17 members, including *ex-officio* members. The President of the Hospital, the Chief of the Hospital's medical staff and a representative of the Foundation Board are *ex-officio* members of the Board (with vote). The current members of the Board and their professional affiliations are listed below. Other than *ex-officio* members, their respective terms expire as of the annual meeting in the years indicated.

BOARD

Name	Professional Affiliation	Current Term Expires April,	Maximum Term Expires April,
John Barstis, M.D.	Retired Member of Hospital Medical Staff	2019	2025
Robert Benjamin	President/Owner, Western Air Parts	2019	2025
Mark Chamberlain	Chief Operating Officer, Alfred E. Mann Foundation	2019	2027
Richard Corlin, M.D.	Former President, American Medical Association	2017	2023
Lakhbinder Dhanda, M.D.	Chief of Medical Staff, Hospital	*Ex-Officio/2017*	2017
Judy Fish, PhD, Vice Chair	Retired School Superintendent	2017	2025
Cheri Fleming	Owner-Managing Dealer, Valencia Acura	2018	2027
Russell Hanlin	President & CEO, Sunkist Growers Inc.	2018	2028
Don Kimball , Chair	Community President – Newhall Ranch, Five Point	2018	2018
Mark Liker, M.D.	Member of Medical Staff, Hospital	2018	2018
Chris Luechtefeld	Vice President, Wealth Management, The Luechtefeld Group at Morgan Stanley	*Ex-Officio* Appointed by Foundation	
Roscoe Marter, M.D.	Member of Medical Staff, Hospital	2017	2023
Craig Peters	Executive VP, CBRE Industrial Properties	2017	2020
Roger E. Seaver	President & CEO, Hospital	*Ex-Officio*	
Todd Stevens	President & CEO, California Resources Corp.	2019	2028

The Hospital's bylaws provide that, with the exception of the Executive Committee, committees of the Board may include persons who are not Board members.

Senior Management

The Hospital's senior management team includes a number of personnel who, in turn, supervise various department heads, administrators and managers who have direct responsibility for various clinical, ancillary and support departments. Summary information concerning the principal members of the Hospital's management team is presented below.

Roger E. Seaver, President and Chief Executive Officer (67) — Mr. Seaver was hired as President and Chief Executive Officer of the Hospital in 2001. From 1997 to 2000, he served as President and Chief Executive Officer at Northridge Hospital Medical Center, a 435-bed hospital located in Northridge, California. Mr. Seaver has also held executive positions at Glendale Memorial Hospital for 19 years, including Chief Financial Officer, Chief Operating Officer and Chief Executive Officer from 1992 to 1997. Mr. Seaver holds a bachelor's degree from the University of South Dakota and a master's degree in Business Administration from Pepperdine University in Malibu, California. Mr. Seaver has served as Chair of the Hospital Association of Southern California (2009) and Chair of the California Hospital Association (2013). He is a Fellow in the American College of Healthcare Executives.

C.R. Hudson, SVP/Chief Financial Officer (CFO) (67) — Mr. Hudson joined the Hospital in 2001 as Chief Financial Officer. Prior to coming to the Hospital, he held a Director's position at KPMG LLP's health care consulting practice, where he provided Medicare and Medi-Cal reimbursement strategy and operational and organizational services to health care providers. He has also held executive positions at MedPartners and Charter Medical Centers. Mr. Hudson holds a bachelor's degree in accounting from San Diego State University in San Diego, California, and is a certified public accountant (non-practicing).

Larry R. Kidd, RN, SVP/Chief Clinical Officer (CCO) (59) — Dr. Kidd joined the Hospital in 2007 as Interim Chief Nursing Officer. Over the past 25 years, he has held positions at Chief Nurse Executive and Chief Operating Officer levels. His accomplishments include the development of new clinical product lines, patient satisfaction improvement strategies, system redesign, cost containment strategies, and the development of long range strategic plans. He is currently providing oversight of clinical operations, including nursing and other clinical services. He earned his bachelor's degree in Nursing from the University of Alabama, a Master's of Public Administration, Doctorate of Nursing practice from the University of San Francisco, and Doctorate in Health Administration and Leadership from the Medical University of South Carolina. He completed a fellowship at the Wharton School of Business, University of Pennsylvania. Dr. Kidd recently was inducted as a Fellow of the American College of Health Care Executives.

Paige Heaphy, Vice President of Performance Management and Business Development (45) — Ms. Heaphy joined the Hospital in 2016 and oversees Quality and Risk Management, Decision Support, Project Management Office and Service Excellence. She worked previously at Cedars-Sinai Health System in Los Angeles where during her 15 year tenure she held several leadership positions that focused on performance improvement; patient safety; data and analytics; medical staff services; and regulatory compliance. She received a Master of Science in Public Health from the University of North Carolina, Gillings School of Global Public Health; and a Bachelor of Science in Microbiology from the University of California, San Diego. She is a certified Lean Six Sigma Black Belt and earned Patient Safety Certification from John Hopkins' Armstrong Institute for Patient Safety.

Kingman Ho, MD, Vice President of Professional Services and Chief Medical Officer (48) — Dr. Ho is a recent addition to the Hospital as of October 2016. From 2010 to 2016, he served as Chief Medical Director of Adult Medical Hospitalist Medicine at University of Washington Valley Medical Center, a 321-bed hospital in Renton, Washington. From 1995 to 2016, as a founding member of the

Division of Internal Medicine of Southlake Clinic, PS, an 80-provider multispecialty group, Dr. Ho maintained a clinical practice and held positions of Director of Internal Medicine and Vice President of Operations. Dr. Ho holds a Bachelor of Arts degree from the Johns Hopkins University, MD degree from the University of Medicine and Dentistry of New Jersey Rutgers Robert Wood Johnson Medical School, completed his internship and residency at the Mayo Graduate School of Medicine, and most recently an Master of Business Administration degree from University of Washington Foster School.

Marlee Lauffer, President of the Henry Mayo Newhall Hospital Foundation, Vice President of Marketing and Communications (57) — Ms. Lauffer joined the Hospital in 2015. Previously, she was Vice President of Marketing and Communications for Newhall Land, the developer of Valencia and the future Newhall Ranch, and responsible for master marketing, entitlement support, media and community relations. A 27-year resident of the Santa Clarita Valley, Ms. Lauffer has been deeply involved with the local business and nonprofit community, holding many significant leadership positions. She volunteered extensively at the Hospital, serving on its Foundation Board and Hospital Board of Directors. Ms. Lauffer holds a bachelor's degree from the University of California, Los Angeles.

Jonathan Miller, FACHE, Vice President, Facility Planning and Support Operations (57) — Mr. Miller joined the Hospital in 2006 as Director of Laboratory and Pathology Services. Mr. Miller was promoted to Sr. Director of Operations in June 2009, to Vice President of Ancillary & Support Services in November 2010 and to Vice President of Facility Planning and Support Operations in January 2016. Mr. Miller oversees campus construction project planning, Facilities, Nutrition Services, Environmental Services, Therapy Services, Campus Safety, the Disaster Resource Center and the Henry Mayo Fitness and Health facility. Mr. Miller has over 30 years of multifaceted healthcare-related experience. Mr. Miller holds a Master's Degree in Public Health in Biomedical Science from the University of California, Berkeley, and an undergraduate degree in Biochemistry and Cellular Biology from the University of California, San Diego. Mr. Miller is a Fellow of the American College of Healthcare Executives.

Mark Puleo, VP/Chief Human Resources Officer (52) — Mr. Puleo joined the Hospital as the head of Human Resources in 2002. As a member of the senior leadership team, he is responsible for the coordination of the Human Resource Management function. He is responsible for labor relations, recruitment/retention, rewards/recognition and engagement, leadership development, benefit program selection and negotiation, compensation plan development, workplace injury reduction, wellness, and safety/security. Mr. Puleo has over 25 years of Human Resource Management experience mostly in acute healthcare, having worked for USC University Hospital/Kenneth Norris Cancer Hospital, Northridge Hospital Medical Center, Harbor UCLA Medical Center, and Shriners Hospital. He holds a Master's Degree in Business Administration with emphasis on Healthcare Management.

FACILITIES

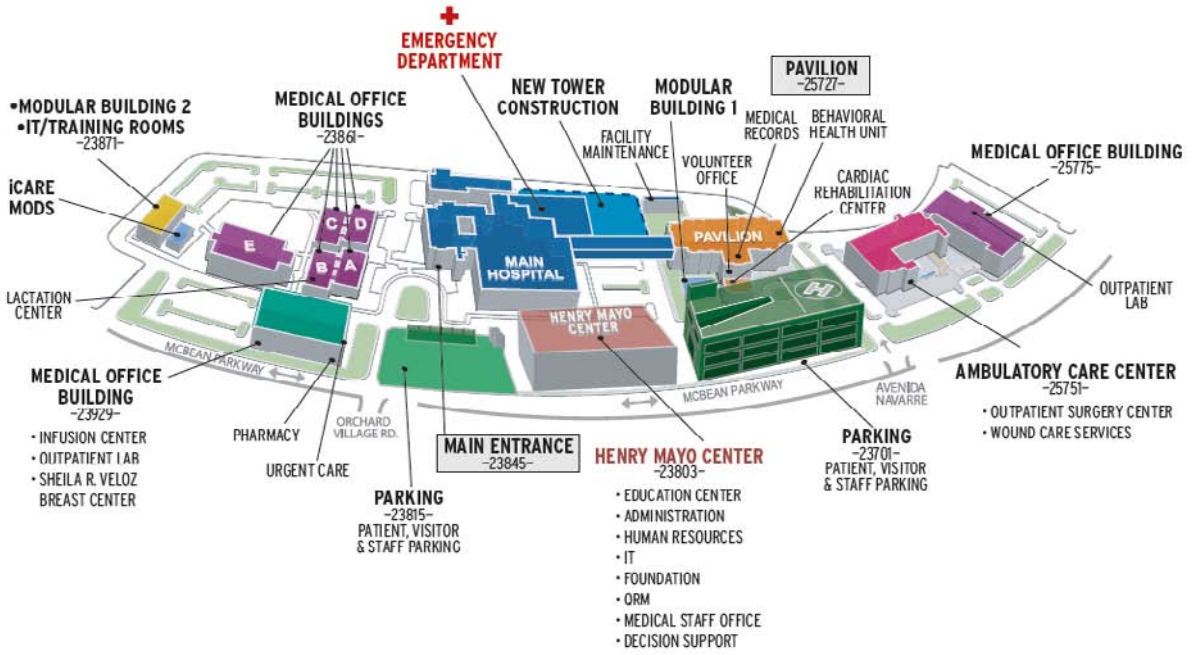
General

The Hospital is located on a health care campus of approximately 35 acres consisting of a 30-acre main campus with an adjacent five acre parcel in Santa Clarita, California, approximately 35 miles northwest of downtown Los Angeles (collectively, the "Campus"). Henry Mayo's portion of the overall campus is approximately 21 acres and consists of a 238-bed hospital (including an acute care rehabilitation unit and a closed adult psychiatric unit), the newly constructed Henry Mayo Education Center, and two parking facilities. On the remaining 14 acres, that surround the hospital property, there is an ambulatory care center, facilities providing outpatient services and several medical office buildings.

The Campus map below presents the location of Henry Mayo facilities, which are comprised of the Main Hospital (defined below), Pavilion, Henry Mayo Education Center (show on the map below as

the Henry Mayo Center) and the parking facilities (collectively the "Facilities"), all as described below. The Facilities are located in the center of the Campus, on approximately 21 acres of land owned by the Hospital. The Facilities are subject to the Deed of Trust which secures the Hospital's payment obligations with respect to the Obligations issued under the Master Indenture, including the Obligation issued in connection with the Bonds. Also shown (and briefly described) below are the Ambulatory Care Center and various medical office buildings not owned or located on land owned by the Hospital. These properties are not subject to the Deed of Trust. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

Henry Mayo Campus Map



Owned Facilities. The Hospital's major inpatient acute care facility consists of two integrated structures, the initial two-story building that was opened in 1975 and a major addition to that facility that was opened in 1983 (collectively, the "Main Hospital"). The Main Hospital, which totals approximately 133,000 square feet of space, contains general acute care beds and related inpatient services provided by the Hospital. In 2006, a 15,800 square foot addition housing additional emergency, laboratory, and pharmacy services was completed. This addition brings the Main Hospital square footage up to approximately 148,000 square feet.

Northeast of the Main Hospital is a separate two-story building totaling approximately 55,000 square feet of space which was opened in 1990 (the "Pavilion"). This building is connected to the Main Hospital by a 9,022 square foot two level connection corridor that was opened in 2007. The Pavilion contains acute care services, its closed adult psychiatric unit ("Behavioral Health") and its acute rehabilitation unit. In addition, the Hospital provides facilities for rehabilitative therapies at the Pavilion.

In April 2011, Henry Mayo finished construction of a five-level 750 space parking facility with a roof top helipad located at the front of the Campus. This parking facility currently serves as the main source of parking for the Hospital. In 2015, Henry Mayo completed construction of another parking structuring adjacent to the Campus' main entry, providing additional 351 parking spaces for the Main Hospital and adjacent Henry Mayo Education Center.

Leased Facilities. Adjacent to the Pavilion is the Ambulatory Care Center (the "ACC"), containing approximately 51,000 rentable square feet of space, which is master-leased by the Hospital from a private owner. The basic lease term expires in 2020, although the Hospital can renegotiate to extend the lease term at that time. The ACC opened in 1990 and currently houses the Hospital's outpatient surgery center, and other programs and administrative spaces. The Hospital currently subleases five suites in the ACC, totaling approximately 14,806 square feet of space to other organizations:

- Vantage Oncology, Inc., which operates a center providing radiation oncology and other oncological services;

- Motion Picture and Television Fund (the "Fund"), which leases space for five primary care physicians who treat the Fund's patients located in the Hospital's service area; and

- Various physicians in three locations.

Pursuant to the master lease, the Hospital remains liable for the lease payments on these ACC suites whether or not the subtenants, all of whom are selected by the Hospital, make their lease payments to the Hospital.

Medical Office Buildings. Seven medical office buildings ("MOBs") with a total of approximately 125,000 net square feet of space are also located on the Campus but not owned by the Hospital. Many of the Hospital's active physicians have their private practices located in these buildings. The Hospital has the right to approve all tenants of these MOBs, which tenants must sign non-compete agreements and be members of the Hospital's medical staff. The Hospital also leases space in the MOBs which are used to provide hospital services, including the Sheila R. Veloz Breast Imaging Center, and Wound Care Services. The Joint Venture is located in one of these MOBs. See "INTRODUCTION – Related Entities and Joint Ventures" herein. The leases are for terms of five years or less, with extensions.

In 2014, the most recently constructed medical office building, the Henry Mayo Education Center was completed. The Henry Mayo Education Center is on land owned by the Hospital and has been ground leased to G&L Realty, an entity wholly owned by Welltower Inc., through 2074. The Henry Mayo Education Center is a three story building of approximately 80,000 square feet. The Hospital has a 20 year sublease from G&L Realty with options to renew for four additional 10 year periods. The lease commenced March 2014 and currently the lease is determined to be an operating lease and lease rental periods were straight lined over the initial term of the lease. The Henry Mayo Education Center is based on one half of the bottom floor and the Hospital has moved existing administrative and support services to the third floor. The remaining space of the building is occupied by Facey Medical Group.

Henry Mayo Fitness and Health Center. The Hospital has leased space from Arnold J. Gustin, Trustee of the Arnold and Caylene Gustin Living Trust dated April 14, 1992, and Joan Kelso Family Limited Partnership, a California limited partnership for the Henry Mayo Fitness and Health Center. This 53,000 square foot facility, which is located off-campus, includes a 30,000 square foot, full-service gym, a 7,500 square foot Outpatient Rehabilitation Service area, a 2,500 square foot Community Education

Center, a 10,000 square foot full sized basketball court area, and a 3,000 square foot medical office suites area. The Henry Mayo Fitness and Health Center opened in September 2016.

Seismic Compliance. Several of the Hospital's facilities were damaged as a result of the 1994 Northridge earthquake; all earthquake-related facility renovations have been substantially completed. The State of California Office of Statewide Health Planning and Development ("OSHPD") has established California statutory seismic requirements (California Senate Bill 1953, hereafter "SB 1953") for inpatient acute care hospital facilities through 2030 and beyond. The Hospital's inpatient acute care facilities are in compliance, except for certain nonstructural improvements estimated to cost approximately $5 million. These improvements will be made as the Hospital remodels older/non-compliant areas of the Hospital through normal capital construction projects.

The Project

A portion of the proceeds of the Bonds will be used to finance the construction and equipping of (i) a new patient tower (the "Patient Tower"), (ii) a new central utility plan (the "Central Utility Plant") and (iii) a new loading dock (the "Loading Dock" and collectively with the Patient Tower and the Central Utility Plant, the "Project"). The Patient Tower, the Central Utility Plant and the Loading Dock will be on a parcel of land between the Pavilion and the Main Hospital and is subject to the Deed of Trust.

The Patient Tower will be a 138,000 square foot building consisting of six levels. The Patient Tower is expected initially to encompass up to 142 additional patient beds, including 90 medical surgical beds, 22 pre- and post-partum beds, seven labor and delivery rooms and two caesarian-section operating room suites. The use for the remaining shelled floor space is not yet determined but is designed to accommodate an additional 30 medical surgical beds. A heliport will be located on the roof of the completed Patient Tower.

The Central Utility Plant will consist of 3,600 square feet on two levels, and will serve to provide utility services to the Patient Tower. The Loading Dock, which was completed in October 2016, consists of 9,000 square feet on two levels, and is currently being used to facilitate construction of the Central Utility Plan and the Patient Tower.

Construction of the Project is scheduled to be completed in 2019. The total estimated cost of Project is $151,000,000 and $85,000,000 of this amount is expected to be funded with a portion of the proceeds of the Bonds, with the balance to be funded from Hospital equity and community philanthropy. See "CHARITABLE GIVING" herein.

Portion of Project	Status of Construction	Estimated Costs
Patient Tower	In Foundation Construction Stage	$ 119,500,000
Central Utility Plant	On Schedule for Completion coterminous with Patient Tower	19,500,000
Loading Dock	Completed October 2016	12,000,000
		$ 151,000,000

Source: Hospital management

The Project is being built under a design build contract (the "Design Build Contract") between the Hospital and Bernards Bros. Inc. dba Bernards under a stipulated sum contract price of $109,652,000

(the "Stipulated Sum"). Additional costs related to the Project in excess of the Stipulated Sum relate to construction management, permitting, inspections and equipment not otherwise included in the Design Build Contract. As of December 31, 2016, approximately $44,000,000 of the Stipulated Sum has been spent pursuant to the Design Build Contract.

SERVICES AND PROGRAM OFFERINGS

As a sole acute care provider in the Santa Clarita Valley, Henry Mayo provides a wide range of medical and surgical services including Level II Trauma center, spine and joint program, cancer program, stroke program and open heart services. The Hospital's Advanced Primary Stroke Center and the Sheila R. Veloz Breast Imaging Center are both nationally recognized, and the community cancer program, maternity services and trauma center are also known for high performance. Inpatient programs for acute rehabilitation and behavioral health are services also offered at the Hospital.

Trauma Services: Henry Mayo is a designated Level II Trauma Center capable of providing a full spectrum of trauma care for severe, life-threatening injuries. A staff of trained professionals, including a trauma surgeon and anesthesiologist, are available 24 hours a day, every day at the Hospital. As part of Henry Mayo's master plan, a new helipad was constructed on the roof-top of new parking structure, enabling the Hospital to accept patients brought in by air transport, a necessary service for maintaining the trauma center status.

Advanced Primary Stroke Center: Henry Mayo has been certified by The Joint Commission for Primary Stroke Centers as an Advanced Primary Stroke Center in 2010. It is based on the recommendations for primary stroke centers published by the Brain Attack Coalition and the American Stroke Association's statements/guidelines for stroke care. More than 20 professionals, including physicians, clinical and ancillary staff, collaborated to design a stroke program that continuously provides safe, high-quality care, treatment, and services for patients. In 2016, the Hospital received the Stroke Gold Plus Quality Achievement Award from the American Heart Association for its commitment to providing quality care for stroke patients by implementing a higher standard of care according to nationally accepted guidelines.

Cardiovascular Services: Henry Mayo has recently expanded its cardiovascular service line to provide comprehensive cardiac care to the Santa Clarita Valley. With the addition of the Roberta Veloz Cardiac Catheterization Laboratory, Henry Mayo is able to provide a full range of services that include emergency heart care, open heart surgery, and heart rhythm management. Highly trained nurses and technologists staff the cardiac catheterization lab, and technology is utilized in an operating suite designed specifically for open heart surgeries. Completing the full spectrum of cardiac care is its growing cardiac rehabilitation program and community outreach dedicated to heart healthy education.

On December 1, 2013, Henry Mayo opened its doors to 24/7 coverage as a "STEMI-Receiving Center" for heart attack patients. Henry Mayo received this designation by the Los Angeles County Emergency Medical Services following collaboration between Henry Mayo's community's first responders, its medical staff, its emergency room, cardiac catheterization staff, and its intensive care unit. Quality programs are now in place within its community to offer everything from prevention, to emergency care, to total cardiac health management.

Henry Mayo's cardiovascular service line is committed to providing the highest quality of cardiac care for the patients in its community.

Maternity Services and Neonatal Intensive Care Program: Henry Mayo's maternity services assist with over 1,200 births annually. The program is staffed by 100 percent obstetrical-trained nursing

team providing a secure, serene birthing experience that respects the decisions and desires of the mother, her family, and her physician.

In response to the community's needs and Henry Mayo's strong maternity program, the Hospital opened an 11-bed, 4,369-square-foot neonatal intensive care unit ("NICU") in the Main Hospital in 2012 featuring private rooms. The $6 million Kim and Steven Ullman NICU is an important part of the Hospital's expansion. Led by a board-certified neonatologist, Henry Mayo's neonatal care team provides round-the-clock individualized, expert care and monitoring for critically ill newborns.

The Sheila R. Veloz Breast Center/The Sheila R. Veloz Breast Imaging Center: As a part of Henry Mayo's broader cancer program, the Sheila R. Veloz Breast Center/The Sheila R. Veloz Breast Imaging Center is designated by the American College of Radiology as a Breast Imaging Center of Excellence, and is one of the only centers in the Santa Clarita Valley offering the latest in digital technology for mammograms. The center's expertise in cancer detection services is notable through care provided by highly qualified medical and technical professionals, and input and collegial consultancy from the area's leading oncologists and other medical specialists.

Henry Mayo's cancer program is accredited by the American College of Surgeons Commissions on Cancer, and offers patients access to oncology, pathology, surgery, radiology and medical specialists in the Los Angeles area.

LICENSES, ACCREDITATION AND HONORS

The Hospital is licensed by the California Department of Public Health as a general acute care hospital and received its most recent three-year accreditation from The Joint Commission in April 2016. The Joint Commission recently conducted a three year-survey in connection with such accreditation, the results of which resulted in full accreditation for the Hospital through April 2019. The Hospital's emergency department is classified as a Level II Trauma Unit within the Los Angeles County Trauma Network. Certain programs operated by the Hospital (including its blood bank, cancer program, continuing medical education program, coronary care program, laboratory and pathology services and acute rehabilitation unit) have received separate accreditation from specific governmental, professional or voluntary agencies.

Henry Mayo is proud to have received prestigious accreditations and recognitions in a multitude of specialty designations for excellence in medicine and healthcare delivery. These include:

- Joint Commission Gold Seal of Approval and Accreditation Renewal
- Joint Commission Accreditation Renewal for Spine Surgery and Joint Replacement
- Joint Commission Accreditation Renewal for STEMI program
- Joint Commission Certification Renewal for Advanced Primary Stroke Center Program
- Joint Commission Certification of Palliative Care Program
- Accreditation Renewal for Community Cancer Program by American College of Surgeons Commission on Cancer
- Certified Quality Breast Center of Excellence by the National Consortium of Breast Centers

- Sheila R. Veloz Breast Center Accreditation Renewal by the American College of Radiology (ACR)

- Level II Trauma Center by the Committee on Trauma, American College of Surgeons

- Baby-Friendly USA Re-Designation

- Stroke Gold Plus Award (fourth consecutive year)

- Most Wired Hospital Award (fourth consecutive year)

- Silver Medal by the U.S. Department of Health and Human Services for Achieving Top Organ Donation Rate

- Emergency Management Program Awards for 15 Til 50 Mass Casualty Response: The Joint Commission Leading Practice Library; California Emergency Services Association (CESA) Innovative Award; CA Dept Public Health Innovative Award; Business & Industry Council For Emergency Planning & Preparedness Innovative Award

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MEDICAL STAFF

As of October 1, 2016, the Hospital's medical staff included 483 physicians in 44 specialties, with an average age of 50 years. Of these physicians, 380 are board certified. The medical staff members are identified by specialty, average age and board certification below:

Medical Staff By Specialty*

Specialty	Number	Average Age	Board Certified	% Board Certified
Allergy & Immunology	1	78	0	0%
Anatomic Pathology & Clinical Pathology	2	50	2	100
Anesthesiology	21	48	16	76
Cardiovascular Disease	22	50	18	82
Dermatology	8	51	6	75
Diagnostic Radiology	36	50	34	94
Emergency Medicine	19	42	15	79
Endocrinol., Diabetes & Metabolism	7	49	5	71
Family Practice	16	56	6	38
Gastroenterology	10	55	9	90
Gen. Vascular Surgery	5	51	3	60
General Surgery	15	54	14	93
Geriatric Medicine (Int. Med.)	1	61	1	100
Gynecologic Oncology	2	44	1	50
Hematology (Int Med)	7	53	6	86
Hospice and Palliative Medicine	1	61	1	100
Infectious Disease	9	56	8	89
Internal Medicine	60	44	40	67
Interventional Cardiology	6	44	6	100
Maternal & Fetal Medicine	4	55	3	75
Medical Oncology	8	52	7	88
Neonatal-Perinatal Medicine	7	60	6	86
Nephrology	11	45	10	91
Neurological Surgery	5	50	3	60
Neurology	4	50	4	100
Obstetrics-Gynecology	18	50	17	94
Oncology	2	43	2	100
Ophthalmology	10	55	9	90
Oral & Maxillofacial Surgery	4	49	1	25
Orthopedic Surgery	36	50	27	75
Otolaryngology	7	46	6	86
Pain Management	6	52	4	67
Pediatric Cardiology	5	50	5	100
Pediatrics	47	48	41	87
Physical Med. & Rehabilitation	1	53	1	100
Plastic Surgery	7	49	5	71
Podiatrist-Foot & Ankle Surgery	10	47	5	50
Psychiatry	4	60	2	50
Pulmonary Disease	6	55	6	100
Radiation Oncology	7	48	5	71
Rheumatology	6	38	5	83
Thoracic Surgery	7	58	5	71
Urology	10	59	8	80
Vascular & Interven Radiology	3	41	2	67
Totals/Averages	**483**	**50**	**380**	**79%**

Source: The Hospital

* Includes Active, Associate, General Dentist and Provisional

The Hospital has had a medical staff that is growing to meet the demand for new services being provided for the community. As of October 1, 2016, no physicians are employed by the Hospital.

The following table lists the top twenty admitting physicians by specialty as of September 30, 2016. The top twenty admitting physicians, with an average age of approximately 48, accounted for approximately 53% of the Hospital's admissions. However, the Hospital is not overly reliant on referrals from any one physician as approximately 78% of Hospital admissions originate from the Hospital's emergency department.

Top Twenty Admitting Physicians
(October 1, 2015 to September 30, 2016)

Specialty	Age	Years on Medical Staff	Admissions	
			Number	Percent
Psychiatry	52	16	818	6.13%
Physical	53	16	663	4.97
Internal Medicine	52	8	657	4.92
Internal Medicine	51	18	623	4.67
Internal Medicine	44	8	507	3.80
Family Practice	68	37	395	2.96
Family Practice	55	12	378	2.83
Obstetrics/Gynecology	44	14	337	2.52
Psychiatry	75	14	299	2.24
Internal Medicine	33	3	258	1.93
Internal Medicine	61	27	235	1.76
Internal Medicine	39	3	234	1.75
Internal Medicine	32	2	229	1.72
Internal Medicine	38	7	222	1.66
Internal Medicine	37	2	213	1.60
Internal Medicine	33	3	212	1.59
General Surgery	63	25	205	1.54
Internal Medicine	48	10	202	1.51
Internal Medicine	40	1	198	1.48
Internal Medicine	42	2	197	1.48
	48	11.4	7,082	53.06%

Source: Hospital records

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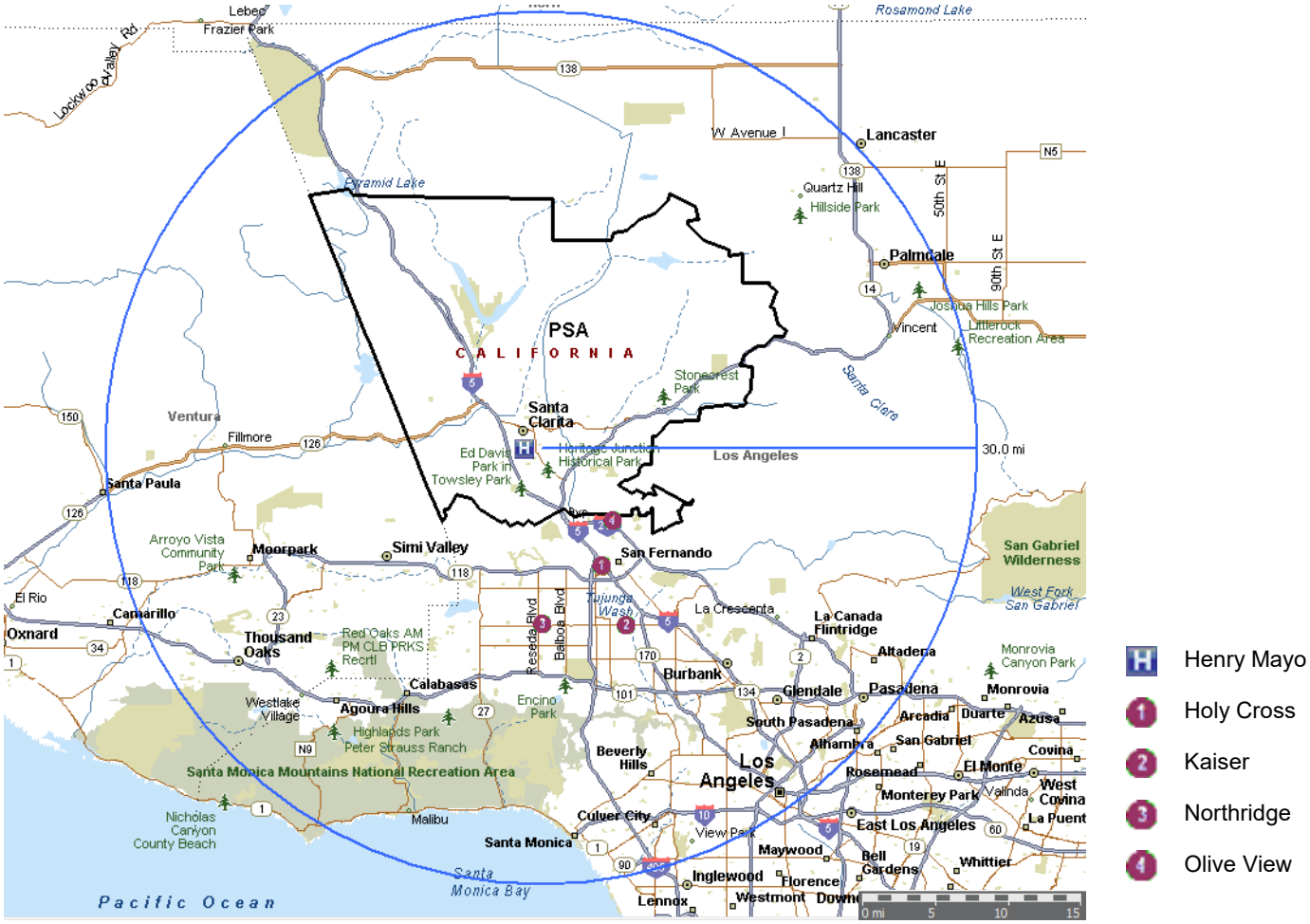
SERVICE AREA AND COMPETITION

The Hospital's service area (the "Service Area") consists primarily of the Santa Clarita Valley, a 450-square mile area which is located in northern Los Angeles County, approximately 35 miles from downtown Los Angeles, and includes the communities of: Santa Clarita, Newhall, Canyon County, Valencia, Stevenson Ranch, Castaic, Sand Canyon and Agua Dulce/Green Valley. The Hospital is the sole provider of acute inpatient services in the Santa Clarita Valley. In 2015, the Service Area accounted for approximately 80% of the Hospital's inpatient discharge (Source: Hospital records).



The Santa Clarita Valley is one of the fastest growing communities in California. See "Population Projections Service Area and State of California" below. It is both a "bedroom community" and a developing economic center. In addition to the freeway system, three Metrolink stations provide commuter rail transportation to Burbank, Glendale, downtown Los Angeles and the Antelope Valley.

Population Trends and Projections

The table below summarizes the projected Service Area population for each calendar year during the period 2009 through 2018. The total population of the Service Area is expected to grow by 21.2% during this period, as compared to the corresponding statewide projection of 10.4%.

Population Projections
Service Area and State of California

	Calendar Years							
Population	**2009**	**2010**	**2011**	**2012**	**2014**	**2016**	**2018**	**% Change**
Service Area	261,212	267,502	274,194	281,058	292,894	304,730	316,566	21.2%
State of California	37,932,433	38,399,543	38,887,860	39,382,494	40,210,926	41,039,358	41,867,789	10.4%

Source: Advisory Board for 2018 estimates and Hospital management's internal allocation of growth from 2012

Age distribution within the Service Area is projected to continue to shift towards the 45 and older population during the period 2009 through 2018, resulting in an expected increase in the demand for inpatient services, including cardiovascular, oncology, orthopedic, neuroscience, gastrointestinal and ophthalmology services. With the number of women (as a percentage of the total Service Area population) between the ages of 15 and 44 years projected to decrease, a slight decrease in the demand for obstetrical services is expected. The table below sets forth Service Area population projection percentages by age for each calendar year during the period 2009 through 2018.

Population Projections (By Age)
Service Area

	Calendar Years						
Age	2009	2010	2011	2012	2014	2016	2018
All							
0-14	23.1%	22.8%	22.5%	22.3%	22.0%	21.2%	20.6%
15-44	43.2	42.7	42.1	41.6	41.6	41.6	41.5
45-64	26.0	26.5	27.0	27.5	27.4	27.3	27.2
65+	7.7	8.0	8.3	8.6	9.0	9.9	10.7
Totals	100%	100%	100%	100%	100%	100%	100%
Women 15-44	21.1%	20.9%	20.6%	20.3%	20.1%	19.8%	19.6%

Source: Advisory Board for 2018 estimates and Hospital management's internal allocation of growth from 2012

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Major Employers

The following table provides the largest employers in the Service Area.

Employer	Nature of Business	Number of Employees
Six Flags Magic Mountain	Entertainment/Theme Park	3,200
William S. Hart Union School District	Education	2,007
Henry Mayo	Healthcare	2,000*
College of the Canyons	Community College	1,911
Princess Cruise	Cruise Line	1,885
Saugus Union School District	Education	1,747
U.S. Postal Service	Government	1,127
Quest Diagnostics	Medical Research & Development	850
Newhall School District	Education	834
Boston Scientific	Medical Research & Development	780

Source: The California Economic Forecast, 2016
* Excludes contract services

Additionally, the Santa Clarita Valley falls within the California Film Commission's Thirty Mile Zone making it the location for many major motion picture and television productions.

Unemployment

The following table summarizes the unemployment data for 2013 through 2016 for the City of Santa Clarita, Los Angeles County and the State of California and the United States.

	2013	2014	2015	2016
City of Santa Clarita	6.0%	7.6%	6.1%	4.4%
Los Angeles County	9.9	8.3	6.7	4.8
State of California	9.6	8.1	6.8	5.0
Unites States	8.0	6.7	5.7	4.9

Source: U.S. Department of Labor – Bureau of Labor Statistical Data, not seasonally adjusted.

Household Income

The following table summarizes the income data for 2016 for the City of Santa Clarita, Los Angeles County, State of California and the United States.

	Median Household Income	Per Capita Income
City of Santa Clarita	$83,178	$33,879
Los Angeles County	55,870	27,987
State of California	61,489	29,906
United States	53,482	28,555

Source: U.S. Census Bureau

Other Area Providers and Market Share

As noted above, the Hospital is the only provider of acute inpatient services located in the Santa Clarita Valley. However, the freeway system, especially Interstate 5, enables residents of the Service Area to seek inpatient care at a number of other health care facilities in the northern portions of Los Angeles County. In addition, approximately 19% of the Service Area residents are members of the Kaiser Foundation Health Plan ("Kaiser") HMO and, as such, receive the majority of their inpatient care from Kaiser hospitals.

The data in the following table depicts trends in inpatient market share for the Service Area for the two calendar years ended December 31, 2014 and 2015 as collected by OSHPD. It includes all services provided by acute care hospitals (excluding normal newborns) to residents in the Service Area. The providers listed are those institutions which accounted for at least three percent of all discharges of residents from the Service Area for both years shown. With its market share remaining relatively constant in 2014 and 2015, the Hospital has remained the dominant provider of inpatient services to residents of the Service Area. Please note that 2016 data is not yet available from OSHPD to produce Market Share.

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Discharges From Service Area

Hospital	Distance from Hospital (miles)	Licensed Bed Capacity	Inpatient Market Share 2014	2015
Henry Mayo Newhall Hospital	n/a	238	46.05%	43.60%
Providence-Holy Cross Medical Center[(1)]	12.3	257	9.8%	11.22%
Kaiser Hospital-Panorama City[(2)]	17.4	325	10.36%	10.52%
Northridge Hospital Medical Center[(3)]	19.1	435	1.77%	2.00%
Olive View-UCLA Medical Center[(4)]	11.2	377	4.18%	3.80%
Sub-Totals	n/a	n/a	72.24%	71.14%
All Other	n/a	n/a	27.76%	28.86%
Total Discharges	n/a	n/a	21,950	22,193

Source: Office of Statewide Health Planning & Development of State of California
(1) Member of Sisters of Providence Health System
(2) Member of Kaiser Foundation Corporations
(3) Member of Dignity Health
(4) Owned and operated by County of Los Angeles

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UTILIZATION

The following table sets forth the Hospital's utilization data for the fiscal years ended September 30, 2014, 2015 and 2016.

	Fiscal Year Ended September 30,		
	2014	**2015**	**2016**
Beds			
Acute	168	168	168
Women's	17	17	17
NICU	11	11	11
Acute Rehabilitation	19	19	19
Behavioral Health	23	23	23
Totals	238	238	238
Patient Days			
Acute[3]	43,174	47,536	45,015
Women's	3,485	3,489	3,411
NICU	1,750	1,792	2,039
Acute Rehabilitation	1,843	2,133	2,059
Behavioral Health	4,811	4,870	5,653
Totals	55,063	59,820	58,177
Occupancy[1]			
Acute[3]	70.41%	77.52%	73.41%
Women's	56.16	56.23	54.97
NICU	43.59	44.63	50.78
Acute Rehabilitation	26.58	30.76	29.68
Behavioral Health	57.3%	58.01	67.34
Totals	63.39%	68.86%	66.97%
Outpatient Visits			
Emergency Department	56,114	64,247	68,689
All Other[2][3]	45,518	53,120	55,442
Totals	101,632	117,367	124,131
Avg. Length of Stay			
Medicare Acute	5.67	5.89	6.07
Overall Acute	4.10	4.29	4.38
Discharges Excluding Newborn[3]	12,309	12,927	12,131

Source: Hospital records

(1) Occupancy calculated based on the actual number of days beds were in service

(2) Includes radiology, nuclear medicine and physical therapy

(3) Reflects significant shift to Observation (outpatient) status from short stay inpatient visits from FY15 to FY16

STATISTICAL AND FINANCIAL INFORMATION

Sources of Net Patient Service Revenues

The Hospital benefits from an attractive payor mix which has contributed to strong recent operating profitability. The following table sets forth the Hospital's net patient service revenues by payor category for the fiscal years ended September 30, 2014, 2015 and 2016.

	Fiscal Year Ended September 30,		
Payor Category	**2014**	**2015**	**2016**
Inpatient			
Medicare	38%	35%	36%
Medi-Cal	1	12	9
HMO/PPO	54	52	54
Other	7	1	1
Total	100%	100%	100%
Outpatient/ER			
Medicare	23%	25%	26%
Medi-Cal	1	2	5
HMO/PPO	67	68	65
Other	9	5	4
Total	100%	100%	100%

Source: Hospital records.

Medicare is the Hospital's largest inpatient single payor and second largest outpatient payor.

The Hospital contracts with numerous managed care plans using a variety of payment mechanisms. HMOs/PPOs represent the majority of total outpatient net patient service revenue for the Hospital. With the age 65 and older population in the Service Area expected to increase, it is expected that the Hospital will see a slight shift in payor mix from HMOs/PPOs to Medicare for both inpatient and outpatient services. For a discussion of the risks associated with these sources of revenue, see "BONDHOLDERS' RISKS—Patient Service Revenues" in the Official Statement.

Financial Information

The following tables provide statements of financial position and statements of operations of the Hospital as of and for each of the fiscal years ended September 30, 2014, 2015 and 2016. Management has derived this financial information for the Hospital as of and for the fiscal year end from its audited financial statements. The Hospital's audited financial statements as of and for the two fiscal years ended September 30, 2015 and 2016 have been audited by its auditors, as stated in the independent auditors' report included therein and are included in APPENDIX B. The audited financial statements included in APPENDIX B, including the notes thereto, are an integral part hereof and should be read in their entirety.

Statements of Financial Position of the Hospital

As of September 30,	2014	2015	2016
Assets			
Current Assets			
Cash and cash equivalents	$35,306,715	$54,171,507	$42,152,465
Investments	56,684,099	69,020,924	73,750,620
Assets limited as to use	92,634	2,202,615	2,198,215
Patient accounts receivable, less bad debt allowances	39,503,719	48,044,915	51,873,513
Receivable from affiliate	3,322,965	2,942,427	5,558,262
Other receivables	1,515,539	1,026,714	322,740
Inventories	4,680,197	5,171,106	5,968,258
Prepaid expenses and other current assets	3,033,872	3,618,076	3,014,519
Quality assurance fee receivable	-	2,779,694	3,784,421
California Hospital Foundation grant receivable	-	1,849,671	1,509,872
Prepaid quality assurance fees	-	-	-
Total current assets	144,139,740	190,827,649	190,132,885
Assets limited as to use, less current portion	32,574,806	6,522,490	420
Property, plant and equipment, net	134,945,439	152,844,179	189,702,815
Pledged lease	2,511,265	2,470,656	2,429,433
Deferred financing costs, net	3,618,015	3,385,911	3,159,116
Other assets	1,644,893	1,874,782	1,621,947
Total Assets	$319,434,158	$357,925,667	$387,046,616

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Statements of Financial Position of the Hospital
(cont.)

As of September 30,	2014	2015	2016
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	$4,525,000	$4,540,000	$4,715,000
Current portion of obligations under capitalized leases	1,187,340	1,367,013	1,567,089
Accounts payable	14,336,699	23,030,976	30,305,927
Accrued payroll and benefits	14,221,460	19,499,716	17,788,876
Accrued expenses	1,300,880	384,342	1,132,113
Accrued interest	3,545,198	3,455,560	3,369,869
Quality assurance fee payable	931,067	4,140,433	4,612,636
Deferred quality assurance fee income	-	1,453,462	-
Total current liabilities	40,047,644	57,871,502	63,491,510
Long-term debt, less current portion	155,780,200	151,201,486	146,447,869
Obligations under capitalized leases, less current portion	7,874,394	6,507,381	4,940,292
Deferred contribution revenue	2,511,265	2,470,656	2,429,433
Deferred Rent Liability	-	-	703,719
Accrued malpractice liability	3,303,267	3,393,340	3,420,992
Total Liabilities	209,516,770	221,444,365	221,433,815
Net Assets			
Temporarily restricted	3,557,059	3,133,367	5,539,677
Unrestricted	106,360,329	133,347,935	160,073,124
Total net assets	109,917,388	136,481,302	165,612,801
Total liabilities and net assets	$319,434,158	$357,925,667	$387,046,616

Source: Derived by Hospital management from audited financial statements.

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Statements of Operations of the Hospital

	Fiscal Year Ended September 30,		
	2014	**2015**	**2016**
Unrestricted Revenues			
Net patient service revenue	$262,549,901	$312,266,494	$321,808,237
Provision for bad debts	(17,009,064)	(8,622,426)	(9,790,521)
Net patient service revenue less provision of bad debts	245,540,837	303,644,068	312,017,716
Nonpatient revenue	4,155,271	11,566,963	9,572,692
Total unrestricted revenues	249,696,108	315,211,031	321,590,408
Expenses			
Salaries and wages	93,286,479	102,426,213	112,192,528
Employee benefits	28,867,390	29,886,436	36,343,863
Registry	7,947,159	9,011,686	10,564,610
Supplies	38,472,827	44,376,006	46,609,930
Purchased services	22,881,597	26,408,177	29,203,366
Repairs and maintenance	4,966,691	5,327,709	5,914,673
Interest	7,833,565	7,969,937	6,207,105
Depreciation and amortization	15,040,735	15,842,735	14,519,150
Insurance	1,623,804	1,749,634	1,807,870
Facility costs	5,794,406	6,673,583	7,857,026
Hospital Fee Tax	2,729,682	28,036,921	17,869,417
Other operating costs	15,195,962	15,676,587	16,560,827
Total expenses	244,640,297	293,385,624	305,650,365
Operating income	5,055,811	21,825,407	15,940,043
Other income (expenses)	163,221	166,202	-
Contributions	871,304	400,365	2,284,726
Interest income			1,003,118
Gain/(loss) on disposal of fixed assets	–	–	–
Other nonoperating (expenses)/income	156,536	864,301	(867,415)
Electronic Health Record Grant	977,759	870,676	348,557
Equity in income of joint venture	806,835	672,331	753,463
Loss on defeasement	(16,493,660)		
Excess of revenues over expenses	(8,462,194)	24,799,282	19,462,492
Net assets released and unrealized gains and losses, net	394,452	2,188,324	7,262,697
Net increase in unrestricted net assets	(8,067,742)	26,987,606	26,725,189

Source: Derived by Hospital management from audited financial statements

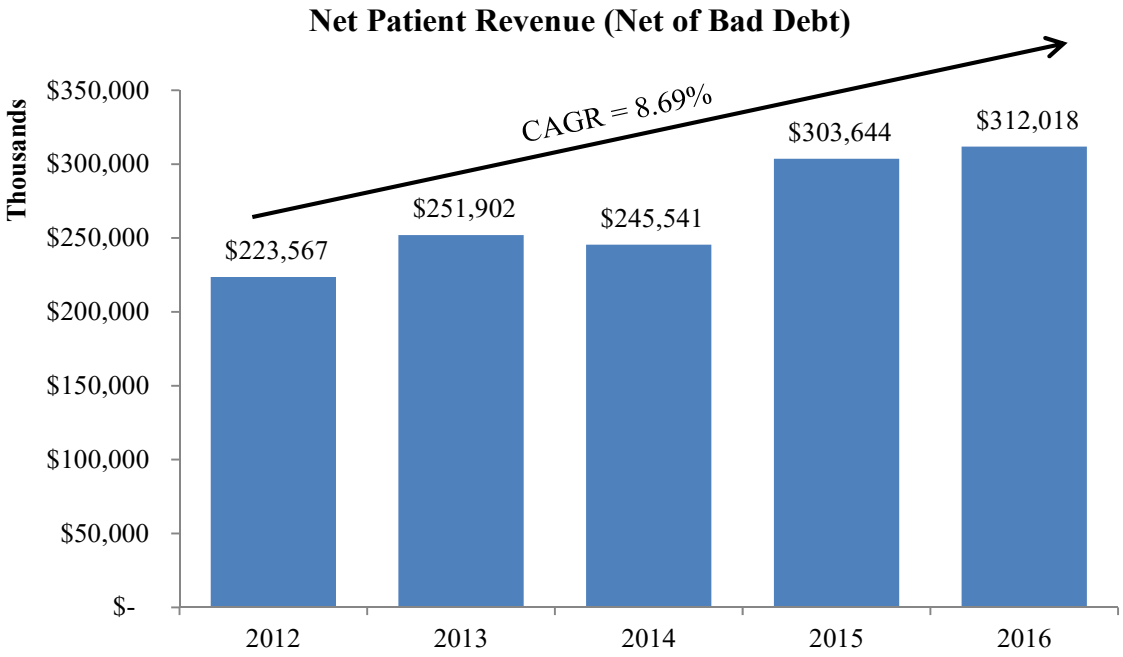
HOSPITAL QUALITY ASSURANCE FEE PROGRAM

In 2009, the State 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 (also referred to as the Hospital Quality Assurance Fee Program or "HQAF 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 State enacted legislation to extend this program to December 31, 2016 subject to approval from CMS. On June 27, 2016, the State extended the sunset date of the program to January 1, 2018. On November 8, 2016, a ballot initiative sponsored by the California Hospital Association received voter approval, making permanent the program and requiring the proceeds of quality assurance fees paid by hospitals be applied to fund hospital services and health care for children, senior and low-income persons.

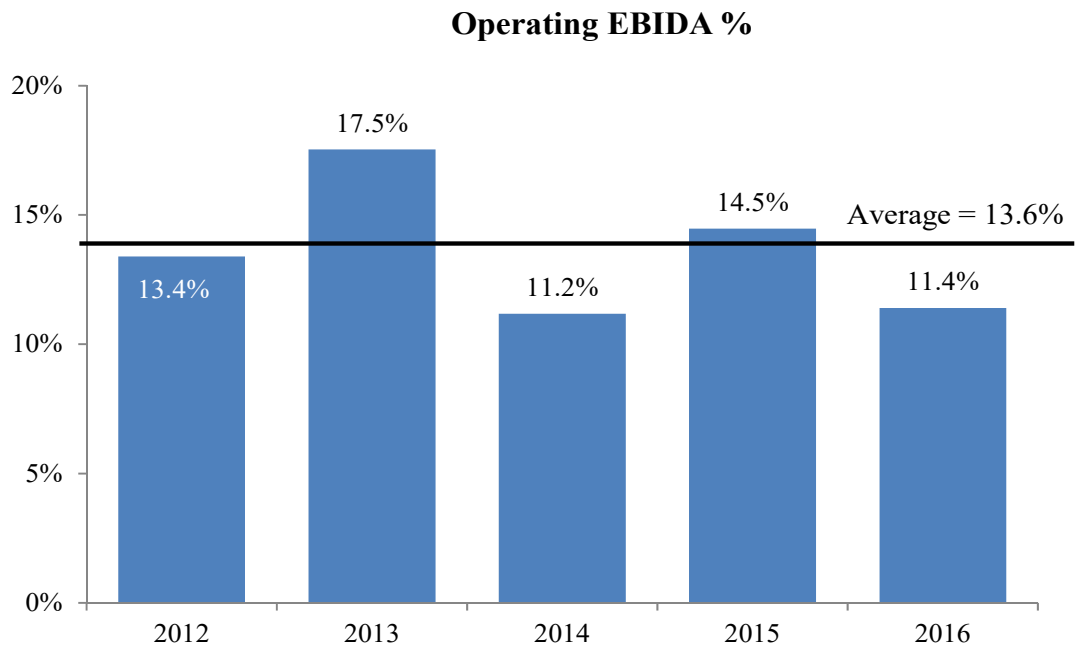
Pursuant to the methodology for calculating fees and supplemental Medi-Cal payments, Henry Mayo has been a net payer under the HQAF Program (receiving funds that are less than the fees that it pays). The Hospital has applied for and received grants from the California Health Foundation and Trust (CHFT) that have offset these losses and therefore the Hospital is not reliant on or negatively impacted by the HQAF Program related to its operating profitability. In fiscal year 2016 the Hospital recognized $17,869,417 in fees which are reflected in total expenses and $13,630,321 in supplemental payments which is recorded as a reduction to contractual adjustment in net patient revenue; and it recognized $5,538,731 in grant revenue recorded as CHFT grant funds. In fiscal year 2015, the Hospital recognized $28,036,921 in fees and $20,361,477 in supplemental payments recorded as a reduction to contractual adjustments in net patient revenue and it recognized $8,023,088 as CHFT grant funds. For fiscal year 2014, the Hospital recognized $2,729,682 fees and the Hospital recognized $1,765,455 in payments of which $1,418,759 is recorded a reduction to contractual adjustments and $346,696 is recorded as CHFT grant funds. For additional information relating to the HQAF Program, see APPENDIX B — "AUDITED FINANCIAL STATEMENTS OF HENRY MAYO NEWHALL HOSPITAL — NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Note 2 California Quality Assurance Fee Program."

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL INFORMATION

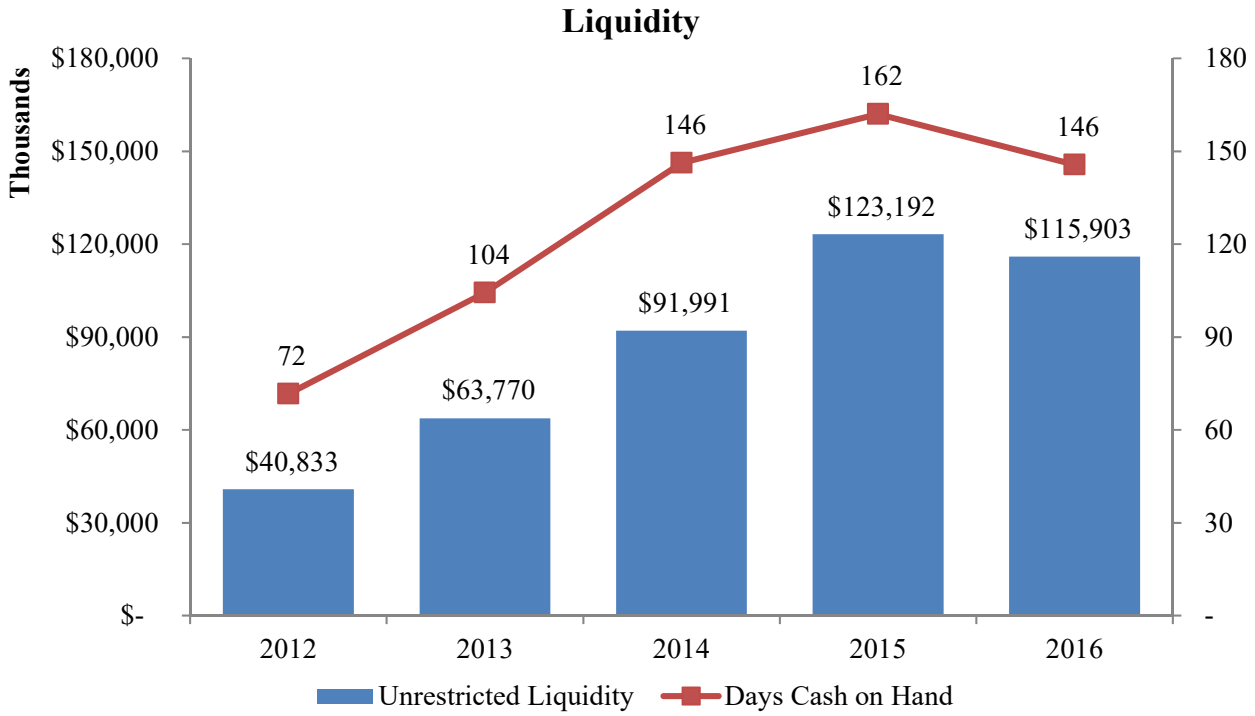
Henry Mayo's culture of excellence forms the foundation for its strategic planning process which is focused on patient centered care, exceptional quality and patient satisfaction, best places to work, and long-term financial strength. Henry Mayo's management continuously monitors the dynamic healthcare environment through research, data analysis, and continuous strategic planning processes. Henry Mayo's Board of Directors and management work to modify strategies accordingly, as the healthcare environment changes, resulting in multi-year net patient revenue growth, solid operating performance, and growth in liquidity, all as depicted below.



Note: The fiscal year 2012 and 2013 financial statements have been filed on EMMA in accordance with prior continuing disclosure undertakings.



Note: The fiscal year 2012 and 2013 financial statements have been filed on EMMA in accordance with prior continuing disclosure undertakings.
Note: Operating EBIDA = (Operating Income + Depreciation and amortization + Interest)/Total unrestricted revenues.



Note: The fiscal year 2012 and 2013 financial statements have been filed on EMMA in accordance with prior continuing disclosure undertakings.

Henry Mayo's purpose and reason for existence is stated in its mission to improve the health of our community through compassion and excellence in healthcare services.

Fiscal Year Ended September 30, 2016

Henry Mayo generated positive financial results in fiscal year 2016 with operating income of $15.9 million, which was 5.0% of total unrestricted revenues. Net patient revenue after provision for bad debt was $312 million. Provision for bad debt was $9.8 million. Cash flow from operations was $35.8 million for fiscal year ended September 30, 2016. Day's cash on hand decreased to 146 due to large payments totaling approximately $6.8 million not being received as of September 30, 2016 and funding of various capital expenditures associated with the Projects that Henry Mayo plans to reimburse itself with a portion of the Bond proceeds. For fiscal year 2016, the Hospital still had positive cash flow from operations.

Henry Mayo's discharges decreased by 6.2% while patient days decreased by 3.2%. Emergency visits increased by 6.9%. Other Outpatient visits increased by 4.4%. The Hospital's overall occupancy is 66.8% with acute care occupancy at 73.41%. Operating expenses in fiscal year 2016 were $306 million, $12 million increase over the same period in 2015 due to the hospital quality assurance fee and its timing. There is a 12.3% increase in salary, wages and benefits due to average annual wage and benefit increases as well as growth.

Fiscal Year Ended September 30, 2015

Henry Mayo generated positive financial results in fiscal year 2015 with operating income of $21.8 million which was 6.9% of total unrestricted revenues. Non-operating income was $2.9 million for

the fiscal year 2015. Net patient revenue after provision for bad debt is $304 million. Provision for bad debt was $8.6 million. Cash flow from operations was $44.4 million for fiscal year ended September 30, 2015. Day's cash on hand increased to 162 due to positive cash flow from operations.

Henry Mayo's discharges increased by 5% while patient days increased by 8.6%. Emergency visits increased by 14.5%. Other Outpatient visits increased 16.7%. The Hospital's overall occupancy 68.9% with acute care occupancy at 77.5%. Operating expenses in fiscal year 2015 were $294 million, $48.7 million increase over the same period in 2014. $26 million is due to the hospital quality assurance fee, 9.2% increase is due to salary, wages and benefit expense due to annual average wage and benefit increases and growth, and the remaining is due to other expenses. Other expense increases due to supplies by 15.3% and purchased services by 15.4%.

Fiscal Year Ended September 30, 2014

Henry Mayo generated positive financial results in fiscal year 2014 with operating income of $5.1 million, which was 2.0% of total unrestricted revenues. Non-operating income was $2.9 million for the fiscal year. Also included in non-operating income are losses on defeasement of $16.5 million netting out the Non-Operating income to -$13.5 million. Net patient revenue after provision for bad debt was $246 million. Provision for bad debt was $17.0 million. Cash flow from operations was $25.2 million for fiscal year ended September 30, 2014. Day's cash on hand increased to 146 due to positive cash flow from operations.

Henry Mayo's discharges increased by 7.9% while patient days increased by 1.1%. Emergency visits increased by 7.9%. Other Outpatient visits increased 12.4%. The Hospital's overall occupancy is 63.4% with acute care occupancy at 70.4%. Operating expenses in fiscal year 2014 were $244 million, $6.2 million increases over the same period in 2013. 14.8% increase due to annual average wage and benefit increases and continued growth.

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OTHER STATISTICAL AND FINANCIAL INFORMATION

Outstanding Indebtedness

Upon issuance of the Bonds and a partial refunding of the 2013C Bonds, the following table shows the outstanding indebtedness† of the Hospital:

Series	Outstanding Par	Final Maturity
Series 2013A	$20,800,000	October 15, 2028
Series 2013B	28,025,000	October 15, 2027
Series 2013C	625,000	October 15, 2017
Series 2014	69,120,000	October 1, 2043
Series 2017	109,625,000	October 15, 2047
	$228,195,000	

† Does not include payments under capital leases. See Note 12 to APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF HENRY MAYO NEWHALL HOSPITAL".

Maximum Annual Debt Service Coverage

The following table sets forth the Hospital's coverage of maximum annual debt service on long-term indebtedness for the fiscal years ended September 30, 2014, 2015 and 2016 and pro forma coverage of maximum annual debt service for the fiscal year ended September 30, 2016. The pro forma coverage has been adjusted to reflect the issuance of the Bonds, and partial refunding of the 2013C Bonds, as if such transactions had occurred on September 30, 2016.

	Fiscal Year Ended September 30,		
	2014	**2015**	**2016**
Excess of Revenues over Expenses[(1)]	$8,462,194	$24,799,282	$19,462,492
Plus: Depreciation and Amortization	15,040,735	15,842,735	14,519,150
Interest Expense	7,833,565	7,969,937	6,207,105
Income Available for Debt Service (A)	$31,336,494	$48,611,954	$40,188,747
Maximum Annual Debt Service[(1)] (B)	$13,545,905	$13,876,950	$13,599,029
Pro Forma Maximum Annual Debt Service[(1)(2)] (C)			$17,970,060
Maximum Annual Debt Service Coverage Ratio ((A) ÷ (B))	2.31	3.50	2.96
Pro Forma Maximum Annual Debt Service Coverage Ratio ((A) ÷ (C))			2.24

(1) Includes capitalized leases and other Long-Term Indebtedness
(2) Reflects issuance of the Bonds and partial refunding of the 2013C Bonds

Capitalization

The following table sets forth the capitalization of the Hospital as of September 30, 2016. The pro forma capitalization as of September 30, 2016 has been adjusted to reflect the issuance of the Bonds and the partial refunding of the 2013C Bonds.

	As of September 30, 2016	
	Actual	Pro Forma*
Bonds Outstanding, less current portion	$146,447,869	$146,447,869
Capital Leases, less current portion	4,940,292	4,940,292
Partially Refunded 2013C Bonds		(27,200,000)
2017 Bonds		109,625,000
Net Long-Term Debt	151,388,161	233,813,161
Total Net Assets	165,612,801	173,201,313
Total Capitalization	317,000,962	406,014,474
Percent Long-Term Debt to Capitalization	47.8%	57.4%

* Preliminary, subject to change.

Liquidity

The following table sets forth the liquidity of the Hospital, represented by days cash on hand as of September 30, 2014, 2015 and 2016, and the proforma liquidity of the Hospital as of September 30, 2016, assuming issuance of the Bonds and the application of the proceeds thereof.

	As of September 30,			Proforma
	2014	2015	2016	2016
Unrestricted Cash	$35,306,715	$54,171,507	$42,152,465	$42,152,465
Investments	56,684,099	69,020,924	73,750,620	73,750,620
Series 2017 - Reimbursement				25,000,000
Total unrestricted liquidity	$91,990,814	$123,192,431	$115,903,085	$140,903,085
Average Daily Cash Expense(1)	$629,040	$760,392	$795,440	$795,440
Days Cash on Hand	146	162	146	177

Source: Derived by Hospital management from audited financial statements

(1) (Total Operating Expenses – Depreciation and Amortization)/Actual number of days in the fiscal year (365 or 366)

EMPLOYEES

As of September 30, 2016, the Hospital employed 1,433 full-time equivalent employees ("FTEs"). One FTE is equal to 2,080 paid hours per year. Two labor unions represent approximately 78% of the Hospital's employees. California Nurses Association ("CNA") represents approximately 684 registered nurses and United Electrical, Radio & Machine Workers of America ("UE") represents approximately 848 nonprofessional employees. Initial collective bargaining agreements with both unions

were ratified by the respective memberships of the bargaining units on December 18, 2000 with regard to CNA and on December 24, 2000 with regard to UE. The current CNA contract expires on January 21, 2019 and the current UE contract expires on January 31, 2017. Management considers its relations with employees to be good and expects to conclude negotiations for a new UE contract prior to expiration.

The CNA contracts provides for annual step increases and the UE contract provides for a performance based pay increase conducted annually on their anniversary date. The Hospital's employee benefit package was modified to include a matching contribution (subject to certain limits) by the Hospital to employee retirement programs.

The Hospital contracts with a private company for services in the following support areas: inpatient and outpatient rehab services, dietary, housekeeping, security and maintenance. Under this agreement, the contractor provides management services for these functions and employs the staff assigned to these areas of approximately 240 FTEs.

INVESTMENT POLICY

Henry Mayo's Board of Directors and the Board's Finance Committee have engaged an investment advisor to work with the Chief Financial Officer in implementing Henry Mayo's investment policy, strategy and to manage the investment of its funds. The Board has established an investment policy applicable to all Henry Mayo's funds, which is overseen by the Finance Committee and approved by the Board. The objective of the investment policy is to provide a rate of return that meets or exceeds a return set by the Board at the highest level of expectation based on the appropriate benchmark comparisons and meets the appropriate benchmark with lower risk. Progress will be measured quarterly against these policy objectives. In order to control risk volatility, investments are diversified by asset classes and investment styles and managed by registered investment managers. The Finance Committee develops and annually reviews approved strategic investment targets and amounts to be invested, Investment managers are responsible for making the specific tactical decisions within approved ranges, based on their assessment of ongoing risk/reward trade-offs, consistent with investment objectives and time horizons of the funds invested.

Asset classes and allocations will be adjusted to provide an expected probability of reaching or exceeding the target return that will be acceptable to the Finance Committee based on current and expected economic conditions.

The Finance Committee is required to act in good faith and with the care an ordinary prudent person in a like position would exercise for his own funds under similar circumstances. In making investment determinations, the Finance Committee will consider the following factors:

- Purposes of the institution and the anticipates uses of invested funds,
- General economic conditions,
- Possible effect of inflation or deflation,
- Expected total return from income and appreciation of investments,
- Other resources of Henry Mayo, and
- The Investment Policy of Henry Mayo.

The amounts to be invested and the anticipated returns will be subject to the approval of the Finance Committee and then subject to Board approval through inclusion in the annual operating budget for the Hospital.

The investment managers shall provide monthly, quarterly and annual review and evaluation of assets under management, in the form requested by the Finance Committee. On a quarterly basis or at the request of the Finance Committee, meetings shall be held with the investment advisor to discuss performance results, economic outlook, organizational changes and other pertinent matters.

The Finance Committee has adopted Henry Mayo's Administrative Policy with regard to conflict of interest in terms of disclosure and exclusion from material discussions.

CHARITABLE GIVING

The Foundation actively promotes charitable giving to Henry Mayo through a variety of fund-raising programs. See "INTRODUCTION – Related Entities and Joint Ventures" herein. These include but are not limited to, direct mail, online fundraising, special events, individual, corporate and foundation appeals and planned giving.

The Foundation seeks financial support for the following principal areas: unrestricted and operational funding; construction, renovation and capital equipment; special projects and programs; and endowment. The Foundation is focused on enhancing its individual, corporate and foundation major donor appeals, expanding the grateful patient fundraising, and engaging more high-level community volunteers in fundraising efforts, particularly for the campaign.

Since 2003, the Foundation has engaged the community in two capital campaigns. The first campaign was to support the construction of a new cardiac catheterization lab and the expansion and renovation of the emergency department at the Hospital. The campaign began in 2003 with an initial campaign goal of $10,000,000. The capital campaign concluded in 2005 after materially surpassing its initial goal with $14,825,248 of total funds raised. The second major campaign was to raise $3,000,000 to support the building of a new intensive care unit and a new NICU. The campaign started in 2009 and ended in 2011 with a total of $5,352,460 raised, which exceeded the $3,000,000 target. All funds raised by the Foundation are for the benefit and use of the Hospital.

The following table reflects fundraising activities for the Foundation in each of the three fiscal years.

Fundraising - Gifts and Bequests

	2014	2015	2016
Total	$2,439,642	$1,534,015	$4,537,936

The Foundation began preparation for the New Patient Tower Capital Campaign in 2015, undertaking a feasibility study and organizing a campaign cabinet. In 2016, the Foundation undertook a $25,000,000, four-year campaign, to support the new Patient Tower. The campaign has been in a quiet phase, soliciting leadership gifts and pledges from the Hospital's executive leadership, employees, physicians, key volunteers, and Board of Directors. In fiscal year ended September 30, 2016, Henry Mayo received from the Foundation $4,537,936 in new gifts and pledges from 1,177 donors. A public campaign will initiate in early 2017. If anticipated donations of $25,000,000 do not come to fruition to support the new Patient Tower, the Hospital would pay for the balance from equity, which it would not expect to have a material adverse impact on the financial condition of the Hospital.

INSURANCE AND LITIGATION

The Hospital has professional and general liability insurance on a claims-made basis with a commercial carrier in the amount of $500,000 self-insured retention per occurrence, $5 million per occurrence, $15 million aggregate and excess policies totaling $36 million per occurrence. As with most health care providers, the Hospital is 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. There are certain legal actions currently pending against the Hospital known to management of the Hospital and for which insurance coverage is uncertain for the above reasons. Management of the Hospital does not anticipate that any such suits ultimately will 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 Hospital.

The Hospital has a self-insurance program for employee health care. An accrual has been made for estimated liabilities arising from outstanding health care claims incurred, but not yet reported. Management of the Hospital believes that its estimates are sufficient, and will not result in any materially adverse adjustments.

See also Note 12 to APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF HENRY MAYO NEWHALL HOSPITAL" for information relating to malpractice insurance and the self-insurance program for employee healthcare and workers compensation.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF HENRY MAYO NEWHALL HOSPITAL

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Financial Statements

Years Ended September 30, 2016 and 2015

BDO

Henry Mayo Newhall Hospital

Financial Statements

Years Ended September 30, 2016 and 2015

Henry Mayo Newhall Hospital

Contents

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Independent Auditor's Report

Board of Directors
Henry Mayo Newhall Hospital
Valencia, California

We have audited the accompanying financial statements of Henry Mayo Newhall Hospital, which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of operations, changes in net assets, 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. Those standards require that we plan and perform the audit 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

BDO USA, LLP

December 22, 2016

Financial Statements

Henry Mayo Newhall Hospital

Statements of Financial Position

September 30,	**2016**	2015
Assets		
Current assets		
Cash and cash equivalents	**$ 42,152,465**	$ 54,171,507
Investments	**73,750,620**	69,020,924
Assets limited as to use	**2,198,215**	2,202,615
Patient accounts receivable, less bad debt allowances of $11,251,548 and $8,552,770, respectively	**51,873,513**	48,044,915
Receivable from affiliate	**5,558,262**	2,942,427
Other receivables	**322,740**	1,026,714
Inventories	**5,968,258**	5,171,106
Prepaid expenses and other current assets	**3,014,519**	3,618,076
Quality assurance fee receivable	**3,784,421**	2,779,694
California Hospital Foundation grant receivable	**1,509,872**	1,849,671
Total current assets	**190,132,885**	190,827,649
Assets limited as to use, less current portion	**420**	6,522,490
Property, plant and equipment, net	**189,702,815**	152,844,179
Pledged lease	**2,429,433**	2,470,656
Deferred financing costs, net	**3,159,116**	3,385,911
Other assets	**1,621,947**	1,874,782
Total assets	**$ 387,046,616**	$ 357,925,667

Henry Mayo Newhall Hospital

Statements of Financial Position

September 30,	**2016**	2015
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	**$ 4,715,000**	$ 4,540,000
Current portion of obligations under capitalized leases	**1,567,089**	1,367,013
Accounts payable	**30,305,927**	23,030,976
Accrued payroll and benefits	**17,788,876**	19,499,716
Accrued expenses	**1,132,113**	384,342
Accrued interest	**3,369,869**	3,455,560
Quality assurance fee payable	**4,612,636**	4,140,433
Quality assurance fee deferred revenue	**-**	1,453,462
Total current liabilities	**63,491,510**	57,871,502
Long-term debt, less current portion	**146,447,869**	151,201,486
Obligations under capitalized leases, less current portion	**4,940,292**	6,507,381
Deferred rent liability	**703,719**	**-**
Deferred contribution revenue	**2,429,433**	2,470,656
Accrued malpractice liability	**3,420,992**	3,393,340
Total liabilities	**221,433,815**	221,444,365
Commitments and contingencies		
Net assets		
Temporarily restricted	**5,539,677**	3,133,367
Unrestricted	**160,073,124**	133,347,935
Total net assets	**165,612,801**	136,481,302
Total liabilities and net assets	**$ 387,046,616**	$ 357,925,667

See accompanying notes to financial statements.

Henry Mayo Newhall Hospital

Statements of Operations

Years Ended September 30,	**2016**	2015
Unrestricted revenues		
Net patient service revenue	**$ 321,808,237**	$ 312,266,494
Provision for bad debts	**(9,790,521)**	(8,622,426)
Net patient service revenue less provision for bad debts	**312,017,716**	303,644,068
Nonpatient revenue	**3,680,360**	3,240,739
California Hospital Foundation grant revenue	**5,538,731**	8,023,088
Net assets released from restrictions used for operations	**353,601**	303,136
Total unrestricted revenues	**321,590,408**	315,211,031
Expenses		
Salaries and wages	**112,192,528**	102,426,213
Employee benefits	**36,343,863**	29,886,436
Registry	**10,564,610**	9,011,686
Supplies	**46,609,930**	44,376,006
Purchased services	**29,203,366**	26,408,177
Repairs and maintenance	**5,914,673**	5,327,709
Interest	**6,207,105**	7,969,937
Depreciation and amortization	**14,519,150**	15,842,735
Insurance, net	**1,807,870**	1,749,634
Facility costs	**7,857,026**	6,673,583
Quality assurance fee hospital tax	**17,869,417**	28,036,921
Other operating costs	**16,560,827**	15,676,587
Total expenses	**305,650,365**	293,385,624
Operating income	**15,940,043**	21,825,407
Other income (loss)		
Contributions	**2,284,726**	166,202
Interest income	**1,003,118**	400,365
Other non-operating (loss) income, net	**(867,415)**	864,301
Electronic health records grant income	**348,557**	870,676
Equity in income of Joint Venture	**753,463**	672,331
Excess of revenues over expenses	**19,462,492**	24,799,282
Unrealized gain (loss) on investments, net	**4,729,416**	(116,676)
Net assets released from restrictions used for purchases of property, plant and equipment	**2,533,281**	2,305,000
Net increase in unrestricted net assets	**$ 26,725,189**	$ 26,987,606

See accompanying notes to financial statements.

Henry Mayo Newhall Hospital

Statements of Changes in Net Assets

Years Ended September 30,	**2016**	2015
Unrestricted net assets		
Excess of revenues over expenses	**$ 19,462,492**	$ 24,799,282
Unrealized gain (loss) on investments, net	**4,729,416**	(116,676)
Net assets released from restrictions used for purchases of property, plant and equipment	**2,533,281**	2,305,000
Net increase in unrestricted net assets	**26,725,189**	26,987,606
Temporarily restricted net assets		
Contributions	**5,293,192**	2,184,444
Net assets released from restrictions	**(2,886,882)**	(2,608,136)
Net increase (decrease) in temporarily restricted net assets	**2,406,310**	(423,692)
Increase in net assets	**29,131,499**	26,563,914
Net assets, beginning of year	**136,481,302**	109,917,388
Net assets, end of year	**$ 165,612,801**	$ 136,481,302

See accompanying notes to financial statements.

Henry Mayo Newhall Hospital

Statements of Cash Flows

Years Ended September 30,	**2016**	2015
Cash flows from operating activities		
Increase in net assets	**$ 29,131,499**	$ 26,563,914
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	**14,519,150**	15,842,735
Provision for bad debts	**9,790,521**	8,622,426
Amortization and write-offs of deferred financing costs and bond premiums, net	**188,178**	193,390
Capitalization of financing interest	**(1,587,398)**	-
Capitalization of labor costs for internal use software	**(1,313,277)**	-
Equity in income of Joint Venture	**(753,463)**	(672,331)
Distribution from Joint Venture	**814,000**	742,000
Unrealized gain on investments, net	**(4,729,416)**	(747,625)
Changes in assets and liabilities:		
Patient accounts receivable	**(13,619,119)**	(17,163,622)
Receivable from affiliate	**(2,615,835)**	380,538
Other receivables	**703,974**	488,825
Inventories	**(797,152)**	(490,909)
Prepaid expenses and other current assets	**603,557**	(584,204)
Quality assurance fee receivable	**(1,004,727)**	(2,779,694)
California Hospital Foundation grant receivable	**339,799**	(1,849,671)
Other assets	**192,297**	(299,557)
Accounts payable	**7,274,951**	7,145,286
Accrued payroll and benefits	**(1,710,840)**	5,278,256
Accrued expenses	**747,771**	(916,538)
Accrued interest	**(85,691)**	(89,638)
Deferred rent	**703,719**	-
Quality assurance fee payable	**472,203**	3,209,366
Quality assurance fee deferred revenue	**(1,453,462)**	1,453,462
Accrued malpractice liability	**27,652**	90,073
Net cash and cash equivalents provided by operating activities	**35,838,891**	44,416,482
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(48,477,111)**	(32,192,484)
Proceeds from sale of short-term investments	**68,950,620**	58,001,040
Purchases of short-term investments	**(68,950,899)**	(69,590,240)
Decrease in assets limited as to use	**6,526,470**	26,144,949
Increase in assets limited as to use	**-**	(2,202,615)
Net cash and cash equivalents used in investing activities	**(41,950,920)**	(19,839,350)
Cash flows from financing activities		
Payments on long-term debt	**(4,540,000)**	(4,525,000)
Payments on capital lease obligations	**(1,367,013)**	(1,187,340)
Net cash and cash equivalents used in financing activities	**(5,907,013)**	(5,712,340)

Henry Mayo Newhall Hospital

Statements of Cash Flows (Continued)

Years Ended September 30,	**2016**	2015
Net (decrease) increase in cash and cash equivalents	**(12,019,042)**	18,864,792
Cash and cash equivalents, beginning of year	**54,171,507**	35,306,715
Cash and cash equivalents, end of year	**$ 42,152,465**	$ 54,171,507
Supplemental disclosure of cash flow information		
Cash paid for interest during the year	**$ 7,692,016**	$ 7,866,185
Supplemental disclosure of non-cash transactions		
Pledged lease (See Note 12)	**$ 41,223**	$ 40,609
Bond premiums write off and amortization (See Note 6)	**$ (38,617)**	$ (38,714)

See accompanying notes to financial statements.

1. Organization

Henry Mayo Newhall Hospital (the "Company" or "Hospital") is a California not-for-profit public service benefit acute care hospital providing patient services to individuals in Santa Clarita, California.

The Hospital is affiliated with Santa Clarita Health Care Association, Inc. and its affiliates through common management. Santa Clarita Health Care Association and one of its subsidiaries, Santa Clarita Health Care Management Group, Inc., had no activity during the years ended September 30, 2016 and 2015. In addition, the Hospital is also affiliated with Henry Mayo Newhall Health Foundation (the "Foundation"). The Foundation shares some members of management with the Hospital, however, the Hospital has no control over the Foundation or any ongoing interests in the net assets of the Foundation.

The Hospital established the Henry Mayo Management Service Organization ("MSO") for the purposes of offering administrative services and startup funding for local healthcare facilities. The MSO is a not-for-profit mutual benefit company and the Hospital is the sole member. In accordance with ASC 958-810-25 Not-for-Profit Entities: Consolidation, the Hospital consolidated the MSO into these financial statements. The MSO's financial activities are not material to the Hospital. All significant intercompany balances have been eliminated upon consolidation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its financial statements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 954, *Health Care Entities*. The Company's accounting policies used in the preparation of the accompanying financial statements are in conformity with accounting principles generally accepted in the United States of America and have been consistently applied.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made in the preparation of the Company's financial statements relate to the assessment of the carrying value of accounts receivable and bad debt allowances, accruals for malpractice liability and other similar risks, amounts payable or receivable under health insurance plans and amounts payable or receivable from the government. While management believes that these estimates are reasonable, actual results could be materially different from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less when purchased, that are not held as collateral.

Investments

Investments are accounted for in accordance with FASB ASC 958-320, *Not-for-Profit Entities — Investments — Debt and Equity Securities*. Under FASB ASC 958-320, equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in other non-operating income (loss) in the accompanying statements of activities and changes in net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts in the statements of financial position.

Patient Accounts Receivable

Patient accounts receivable are stated at the amounts billed to patients or third-party payors and others less contractual allowances. The carrying amount of patient accounts receivable is reduced by bad debt allowances that reflect management's best estimate of the amounts that will not be collected. Bad debt allowances are based on management's review of the historical collection experience of all balances.

The Company provides for an allowance against patient accounts receivable for an amount that could become uncollectible, whereby such receivables are reduced to their estimated net realizable value. The Company estimates this allowance based on the aging of their accounts receivable, historical collection experience from the payors, and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, volume of patients through the emergency department, the increased burden of co-payments to be made by patients with insurance and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the Company's estimation process. These impacts may be material.

The Company's policy is to attempt to collect amounts due from patients, including co-payments and deductibles due from patients with insurance, at the time of service while complying with all federal and state laws and regulations, including, but not limited to, the Emergency Medical Treatment and Labor Act ("EMTALA").

Certain classes of patient accounts receivable are charged off against allowances after a designated period of collection efforts. Subsequent cash recoveries are recognized as income in the period when they occur.

The Company provides outpatient and emergency trauma services ("AB99") for Medi-Cal and other beneficiaries. The Hospital has been designated as a Private Trauma Hospital, as defined by the Centers for Medicare & Medicaid Services ("CMS"), in the County of Los Angeles, and receives supplemental reimbursements for such trauma services that it provides during its fiscal year. Based on agreements entered into and related reimbursements received to date, the Company determined that no reserves were necessary for its receivables relating to the California AB99 payor category as of September 30, 2016 and 2015. There are various factors that can impact the supplemental reimbursements and the changes in these factors can have a material impact on future collection of these amounts. At September 30, 2016 and 2015, the Hospital recorded AB99 receivable balances of approximately $2,241,000 and $0, respectively

Inventories

Inventories consist primarily of pharmaceuticals and medical supplies and are stated at the lower of cost, which is determined using the weighted-average method, or market.

Assets Limited as to Use

Assets limited as to use include assets set aside by trustees under indenture agreements. These investments, consisting primarily of cash, money market accounts, corporate bonds, are stated at fair value. Assets limited as to use are classified according to their underlying obligation.

Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess (deficit) of revenues over expenses. Unrealized gains and losses on investments are included in the excess (deficit) excess of revenues over expenses in the accompanying statements of changes in net assets unless the investments are trading securities.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less depreciation and amortization. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of the related assets are as follows:

Building and improvements	10 to 40 years
Equipment and furniture	2 to 15 years

Maintenance, repairs and investments in minor equipment are charged to operations. Expenditures which materially increase the value of properties or extend the useful lives are capitalized.

In accordance with ASC 835-20 Capitalization of Interest – Qualifying Assets, the Hospital capitalizes interest costs on assets that meet the criteria described in that accounting literature.

In accordance with ASC 350-40 Internal-Use Software, the Hospital capitalizes certain external direct costs of materials and services consumed in developing or obtaining internal-use computer software. Additionally, the Hospital capitalizes certain payroll costs for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project during the application development stage.

Deferred Financing Costs

Deferred financing costs are amortized using the effective interest method, over the terms of the related bonds or loans.

Deferred financing costs, net, totaled $3,159,116 and $3,385,911 as of September 30, 2016 and 2015, respectively. Of these amounts, $712,014 and $799,401 relate to the issuance of the 2013 Bond Series A, B, & C (see Note 6), as of September 30, 2016 and 2015, respectively. Furthermore, $2,447,102 and $2,586,510 relate to the issuance of the 2014 Bonds (see Note 6), as of September 30, 2016 and 2015, respectively.

In connection with the issuance of the 2013 Bond Series A, B, & C (see Note 6), the Company capitalized $971,985 of issuance costs, which are being amortized over the life of the bonds. In connection with the issuance of the 2014 Bonds (see Note 6), the Company capitalized $2,817,884 of issuance costs, which are being amortized over the life of the bonds. Amortization expenses of approximately $227,000 and $232,000 were recorded for the years ended September 30, 2016 and 2015, respectively, and are included in interest expense in the accompanying statements of operations.

Amortization expenses are expected to be approximately $221,000, $215,000, $209,000, $203,000, $196,000 and $2,115,000 for the years ending September 30, 2017, 2018, 2019, 2020, 2021 and thereafter, respectively.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), provides a framework for measuring fair value and requires enhanced disclosures about fair value measurements. These guidelines clarify that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ASC 820 requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows: Level 1 quoted prices in active markets for identical assets or liabilities; Level 2 quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or Level 3 unobservable inputs for the asset or liability, such as discounted cash flow models or valuations. The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company's Level 1 assets as of September 30, 2016 and 2015 include part of the Company's cash equivalents, investments which consist of fixed income mutual funds and equity mutual funds, and assets limited as to use which consists of cash and money market accounts.

The Company does not have any Level 2 or Level 3 assets as of September 30, 2016 or 2015.

Fixed Income Mutual Funds

The fixed income mutual funds are registered with the Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 and are valued based on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, are categorized as Level 1.

Equity Mutual Funds (Domestic and International)

The equity mutual funds are registered with the Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 and are valued based on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, are categorized as Level 1.

The following table presents the financial instruments carried at fair value as of September 30, 2016 (as described above):

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual fund – fixed income	**$ 25,432,406**	**$ -**	**$ -**	**$ 25,432,406**
Mutual fund – equity securities	**48,318,214**	**-**	**-**	**48,318,214**
Assets limited as to use:				
Cash	**2,198,635**	**-**	**-**	**2,198,635**
Total assets at fair value	**$ 75,949,255**	**$ -**	**$ -**	**$ 75,949,255**

The following table presents the financial instruments carried at fair value as of September 30, 2015 (as described above):

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual fund – fixed income	$ 69,020,924	$ -	$ -	$ 69,020,924
Assets limited as to use:				
Money market account	163,303	-	-	163,303
Cash	8,561,802	-	-	8,561,802
Total assets at fair value	$ 77,746,029	$ -	$ -	$ 77,746,029

Excess of Revenues over Expenses

The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction are to be used for the purposes of acquiring such assets).

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those that must be maintained by the Hospital in perpetuity.

At September 30, 2016 and 2015, the Hospital had $5,539,677 and $3,133,367 of temporarily restricted net assets, respectively. The Hospital did not have any permanently restricted net assets at September 30, 2016 and 2015.

California Quality Assurance Fee Program

The State of California enacted Assembly Bill 1383 ("AB 1383") effective January 1, 2010, as amended by Assembly Bill 1653 (collectively, the "Program"), to provide one-time supplemental payments to certain medical facilities such as the Hospital that serve a disproportionate share of indigent and low-income patients. The Program requires participating hospitals to pay fee assessments into a pool of funds to which the federal government contributes matching funds. These funds, including the federal matching funds, are then distributed to qualifying hospitals based on a prescribed formula.

In September 2011, the State of California enacted Senate Bill ("SB 335") which provides a 30-month extension of the Hospital Fee Program for date of service from July 1, 2011 through December 31, 2013. The elements of SB 335 related to the fee for service payments were approved by CMS on June 22, 2012. The payments due under the managed care component are scheduled to be made in three cycles. The first two cycles were previously approved by CMS, and the third cycle was approved by CMS subsequent to September 30, 2014. Implementation of SB 335 was delayed to August 2012 as a result of pending legal advice obtained by the California Hospital Association, although certain technical changes to the legislation required by CMS are included in Senate Bill 920. For the years ended September 30, 2016 and 2015, the Hospital did not recognize any fees which in the statements of operations because the program had elapsed. For the years ended September 30, 2016 and 2015, the Hospital has recognized $594,648 and $0, respectively, in supplemental payments that were received related to the program, which is recorded as a reduction to contractual adjustment in net patient service revenue. The Hospital did not record any California Hospital Foundation and Trust ("CHFT") grant revenue from the CHA in the statements of operations as there was no revenue received. As of September 30, 2016, under SB 335 there were no future programs fees payable, nor supplemental payments receivable, nor California Hospital Foundation grants receivable recorded in the statement of financial position.

Governor Brown signed Senate Bill 239 ("SB 239") in October 2013, which enacted a hospital fee program for the period January 1, 2014 through December 31, 2016. On December 5, 2014, the fee for service portion of the program was approved by CMS. In August of 2015, CMS approved the first cycle of the managed care portion of the SB 239 program for the non-expansion population of Medi-Cal coverage recipients. This non-expansion population equated to approximately 59% of the total Medi-Cal population for California. In March of 2016, CMS approved the remainder of the first cycle of the managed care portion of SB 239. SB 239 provides that the hospital fee program will continue through December 31, 2022 in three year cycles and will require authorization of each cycle by the California legislature. For the years ended September 30, 2016 and 2015, respectively, the Hospital recognized $17,869,417 and $28,036,921 in fees which are reflected in total expenses in the statements of operations; it recognized $13,630,321 and $20,361,477 in supplemental payments which is recorded as a reduction to contractual adjustment in net patient service revenue; and it recognized $5,538,731 and $8,023,088 in grant revenue recorded as California Hospital Foundation grant revenue in the statements of operations. As of September 30, 2016 and 2015, respectively, the Hospital recognized $5,294,293 and $4,629,365 in receivables related to the program; $3,784,421 and $2,779,694, of which was a supplemental payment from the state and was recorded as a reduction to contractual adjustment in net patient service revenue and $1,509,872 and $1,849,671 of which was a grant receipt from the CHFT and was recorded as California Hospital Foundation grant revenue in the statements of operations. As of September 30, 2016 and 2015, respectively, future programs fees payable of $4,612,636 and $4,140,433 was accrued for in current liabilities, while $0 and $1,453,462 respectively was recorded as deferred revenue, pending full CMS approval of the managed care portion of the program.

On November 8, 2016, California Passed Proposition 52 to make the California quality assurance fee program permanent. First, Proposition 52 extends the current hospital fee program. Secondly, Proposition 52 strictly prohibits the legislature from using these funds for any other purpose without a vote of the people. Any changes to the program will require voter approval for a two-thirds majority vote by state lawmakers.

Electronic Health Records Incentive Program

The American Recovery and Reinvestment Act of 2009 ("ARRA") established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology or adopt or implement such technology. The Medicare incentive payments were paid out to qualifying hospitals over four consecutive years on a transitional schedule. To qualify for Medicare incentives, hospitals and physicians had to meet EHR "meaningful use" criteria that become more stringent over three stages that have yet to be finalized by CMS.

The Medi-Cal programs required hospitals to register for the program prior to 2016, to engage in efforts to adopt, implement or upgrade certified EHR technology in order to qualify for the initial year of participation, and to demonstrate meaningful use of certified EHR technology in order to qualify for payment for up to three additional years.

For the years ended September 30, 2016 and 2015, the Hospital has recorded $348,557 and $870,676, net of accruals for refunds of overpayments of approximately $116,597 and $0, respectively, related to the Medicare program in other income in the statements of operations. These incentives have been recognized following the gain contingency model, whereby recognition of gain contingencies under FASB ASC 450, *Contingencies*, are not allowed until there is satisfactory resolution of the uncertainty that realization has occurred.

Net Patient Service Revenue

The Hospital recognizes net patient service revenue in the period in which services are performed. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established charges. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors (including the Medicare and Medi-Cal programs). Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. These retroactive adjustments may be material.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, are as follows:

Years ended September 30,	**2016**	2015
Medicare	**$ 100,447,034**	$ 97,819,997
Medi-Cal	**25,846,534**	28,907,720
HMO/PPO	**190,614,450**	184,056,639
Self-Pay and others	**4,900,219**	1,482,138
	$ 321,808,237	$ 312,266,494

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. The Hospital's charity care policy includes criteria such as patients with a prior history of bad debt without payments, patients who have expired, homeless patients, incarcerated patients whose services were provided prior to arrest, and patients with a history of unemployment, or a history of ongoing major illness causing multiple hospitalizations. Other types of exceptions to the above categories require management approval on a specific case by case basis. Net patient service revenue is reflected net of the charity care reserves. Charity care reserves are based on gross revenue foregone. The actual costs for charity care in accordance with the Hospitals charity care policy aggregated approximately $13,120,150 and $12,365,568 for the years ended September 30, 2016 and 2015, respectively. The Hospital has estimated the cost of charity care based on a ratio of cost to charges of operating expenses excluding interest expense.

Charity care reserves included in contractual discounts and the provision for bad debts each year are as follows:

Years ended September 30,	**2016**	2015
Provision of bad debt	**$ 9,790,521**	$ 8,622,426
Charity care reserve	**4,998,257**	6,193,229
Total charity care and provision for bad debts	**$ 14,788,778**	$ 14,815,655

Advertising

Advertising costs are expensed as incurred. Advertising expense during the years ended September 30, 2016 and 2015 was approximately $434,352 and $1,864,008, respectively.

Donated Services

Volunteers perform various services. The services donated are not reflected in the accompanying financial statements as expense and income from donations, as these services do not meet the criteria for recognition.

Interest Expense

Interest expense, which includes amortization of deferred financing costs, during the years ended September 30, 2016 and 2015 was approximately $6,207,000 and $7,970,000, respectively. The Company capitalized $1,587,000 of interest expense related to assets under construction that met the criteria prescribed by ASC 835-20 Capitalization of Interest – Qualifying Assets during the year ended September 30, 2016. No interest costs were capitalized during the year ended September 30, 2015.

Income Taxes

The Hospital is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501 (c)(3) of the Internal Revenue Code ("IRC"). Under FASB ASC 740, *Uncertainty in Income Taxes*, interest and penalties, if any, are recorded to interest expense and other operating

costs, respectively. There were no interest or penalties recorded for the years ended September 30, 2016 and 2015. The tax years subject to examination by major tax jurisdictions include the years 2012 and forward by the U.S. Internal Revenue Service ("IRS"). For California, the tax years subject to examination include the years 2011 and forward.

Impairment of Long-Lived Assets

The Company periodically reviews the carrying values of its long-lived assets for possible impairment. Whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, the Company records an adjustment to reduce the related assets to their net realizable value. The Company believes that no material impairment of its long-lived assets exists at September 30, 2016 and 2015, respectively.

Accrual for General and Professional Liability Risks

The Company records reserves for claims when they are probable and reasonably estimable. The Company maintains reserves, which are based on actuarial estimates by an independent third party, for the portion of their professional liability risks, including incurred but not reported claims. The Company estimates reserves for losses and related expenses using expected loss-reporting patterns. Reserves are not discounted. There can be no assurance that the ultimate liability will not exceed the Company's estimates. Adjustments to the estimated reserves are recorded in the Company's statements of operations in the periods when such amounts are determined. These adjustments may be material.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), as amended by ASU 2015-14. The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services, and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies a performance obligation. Nonpublic entities will apply the new standard for annual periods beginning after December 15, 2018, including interim periods therein. Three basic transition methods are available — full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application (e.g. January 1, 2019) and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. Early adoption is permitted for fiscal years beginning after December 15, 2016. The Company is currently evaluating the effect of this guidance on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and

requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Company will apply the provisions of this standard upon adoption.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This ASU amends existing guidance to require the presentation of debt issuance cost on the statement of financial position as a deduction from the carrying amount of the related debt, instead of an asset. This ASU is effective for reporting periods beginning after December 15, 2015 and early adoption is permitted. The Company is currently evaluating the standard and the impact on its financial statements and footnote disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASU 2016-02). The core principle of ASU 2016-02 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendment is permitted. The Company is currently evaluating the standard and the impact on its financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities. This ASU is aimed to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions. In addition, the ASU requires investment return to be presented net of all related external and direct internal expenses and introduces a requirement to present expenses by nature and function, as well as an analysis of these expenses in a single location. ASU 2016-14 also requires additional disclosures regarding qualitative information on how a nonprofit entity manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date and quantitative information that communicates the availability of a nonprofit’s financial assets to meet cash needs for general expenditures within one year of the balance sheet date. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating this standard and the impact on its financial statements and footnote disclosures.

Reclassification

Certain amounts for 2015 have been reclassified to conform to the 2016 financial statement presentation with no impact on the previously reported net assets.

Subsequent Events

Management has evaluated events that have occurred subsequent to September 30, 2016 through December 22, 2016, the date on which the financial statements were available to be issued.

3. Net Patient Service Revenue

Gross patient service revenue is recorded on the basis of the Company's usual and customary charges. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The difference between charges generated from agreements with third-party payors and the related payment amounts are reflected as contractual discounts as shown below:

Years ended September 30,	**2016**	2015
Gross patient service revenue	**$ 1,413,844,375**	$ 1,272,070,249
Contractual discounts	**(1,092,036,138)**	(959,803,755)
Net patient service revenue	**$ 321,808,237**	$ 312,266,494

A summary of the payment arrangements with major third party payors is as follows:

Medicare

Inpatient acute services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge ("DRGs"). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicare beneficiaries are paid at prospectively determined rates according to Ambulatory Payment Classifications ("APCs"). Other payments, including disproportionate share and Medicare bad debt expense reimbursement, are based on the Hospital's cost reports, and are estimated using historical trends and current factors.

The Hospital is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare Cost reports have been final settled by the Medicare fiscal intermediary through 2013 and audited by the Medicare fiscal intermediary through 2012. The 2014 and 2015 cost reports have been filed and tentatively settled as of the date of the financial statements. The 2016 cost report has not been filed as of the date of the financial statements. Annual cost reports are generally due five months after the financial year end.

Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

HMO/PPO

The Company also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations ("HMOs"), and preferred provider organizations ("PPOs"). The basis for payment to the Company under these agreements includes prospectively

determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Self-Pay and Other

The Hospital offers managed care-style discounts to most uninsured patients, which enables the Hospital to offer lower rates to those patients who historically have been charged standard gross charges. Under this method, the discount offered to uninsured patients is recognized as a contractual allowance instead of provision for bad debts, which reduces net patient revenues at the time the uninsured patient accounts are recorded and reduces provision for bad debts. The uninsured patient accounts, net of contractual allowances recorded, are further reduced to their net realizable value through provision for bad debts or as charity care based on historical collection trends and other factors that affect the estimation process. For the years ended September 30, 2016 and 2015, provisions for bad debts were approximately $9,790,521 and $8,622,426, respectively. See *Charity Care* under Note 2 for further information.

The other payor category is comprised primarily of indemnity, workers' compensation, and other commercial payors. Payment usually occurs on a negotiated settlement basis at some discount to the Hospital's gross charges.

Medi-Cal

Inpatient services rendered to Medi-Cal program beneficiaries are in the process of a three-year transition to payment at prospectively determined rates based on diagnosis related groups from a contracted per diem rate. Outpatient services are paid based on prospectively determined rates per procedure provided. For the years ended September 30, 2016 and 2015, the State of California's Enhanced Medi-Cal Trauma program (AB 99) provided approximately $953,034 and $2,711,016, respectively, in additional receipts for this class of net patient service revenues.

4. Assets Limited as to Use and Investments

The composition of assets limited as to use at September 30, 2016 and 2015, is set forth in the following table. Assets limited as to use are held at fair value (see Note 2).

	2016	2015
Under indenture agreement, held by trustees:		
Money market account	**-**	163,303
Cash	**2,198,635**	8,561,802
Total assets limited as to use	**2,198,635**	8,725,105
Less current portion	**(2,198,215)**	(2,202,615)
Noncurrent portion	**$ 420**	$ 6,522,490

The composition of investments at September 30, 2016 and 2015, is set forth in the following table. Investments are held at fair value (see Note 2).

	2016	2015
Investments – current		
Mutual funds - equities (international and domestic)	**$ 48,318,214**	$ -
Mutual fund – fixed income	**25,432,406**	69,020,924
Total	**$ 73,750,620**	$ 69,020,924

For the year ended September 30, 2016, net unrealized gains were approximately $4,729,000 and net realized losses were approximately $867,000. For the year ended September 30, 2015, net unrealized losses were approximately $116,000 and net realized gains were approximately $864,000. Realized gains and losses and investment income were included in other non-operating income (loss), net in the accompanying statements of operations. Investment management fees for both years were de minimis.

5. Property, Plant and Equipment

A summary of property, plant and equipment at September 30, 2016 and 2015, is as follows:

	2016	2015
Building and improvements	**$ 179,976,932**	$ 174,314,503
Equipment and furniture	**110,293,407**	97,899,979
Building, improvements and equipment under capital leases	**13,379,607**	13,379,607
	303,649,946	285,594,089
Less accumulated depreciation and amortization	**(186,262,756)**	(171,770,724)
	117,387,190	113,823,365
Construction-in-progress	**69,088,865**	35,794,054
Land	**3,226,760**	3,226,760
Property, plant and equipment, net	**$ 189,702,815**	$ 152,844,179

Depreciation expense for the years ended September 30, 2016 and 2015 amounted to approximately $14,519,000 and $15,843,000, respectively. At September 30, 2016 and 2015, assets held under capital lease obligations, amounted to $13,380,000 for both years, and related accumulated depreciation amounted to $11,816,000 and $11,349,000, respectively.

The Company capitalized $1,587,000 of interest expense related to assets under construction that met the criteria prescribed by ASC 835-20 Capitalization of Interest – Qualifying Assets during the year ended September 30, 2016. No interest costs were capitalized during the year ended September 30, 2015.

6. Long-Term Debt

Long-term debt at September 30, 2016 and 2015 consists of the following:

	2016	2015
2013 Series A Revenue Bonds (1)	**$ 22,175,000**	$ 23,525,000
2013 Series B Revenue Bonds (2)	**30,300,000**	32,500,000
2013 Series C Revenue Bonds (3)	**28,450,000**	29,000,000
2014 Insured Revenue Bonds (4)	**69,560,000**	70,000,000
	150,485,000	155,025,000
Unamortized bond premium	**677,869**	716,486
	151,162,869	155,741,486
Less current maturities	**(4,715,000)**	(4,540,000)
	$ 146,447,869	$ 151,201,486

(1) California Statewide Communities Development Authority Series 2013 A Revenue Bonds in the original amount of $25,000,000 dated December 1, 2013, which bear interest at an annual of 4.19%, payable semi-annually (the "2013 Bonds Series A"). The 2013 Bonds Series A requires annual principal payments ranging from $1,075,000 to $4,500,000 beginning in 2014 through 2028. The 2013 Bonds Series A are secured by a deed of trust on substantially all of the Hospital's property.

(2) California Statewide Communities Development Authority Series 2013 B Revenue Bonds in the original amount of $35,000,000 dated December 1, 2013, which bear interest at an annual of 3.82%, payable semi-annually (the "2013 Bonds Series B"). The 2013 Bonds Series B requires annual principal payments ranging from $1,750,000 to $3,500,000 beginning in 2014 through 2027. The 2013 Bonds Series B are secured by a deed of trust on substantially all of the Hospital's property.

(3) California Statewide Communities Development Authority Series 2013 C Revenue Bonds in the original amount of $29,550,000 dated December 1, 2013, which bear interest at an annual of 3.93%, payable semi-annually (the "2013 Bonds Series C"). The 2013 Bonds Series C requires annual principal payments ranging from $550,000 to $4,125,000 beginning in 2014 through 2038. The 2013 Bonds Series C are secured by a deed of trust on substantially all of the Hospital's property.

(4) California Statewide Communities Development Authority Series 2014 Insured Revenue Bonds in the original amount of $70,000,000 dated January 22, 2014, which bear interest at annual rates ranging from 2.00% to 5.25%, payable semi-annually (the "2014 Bonds"). The 2014 Bonds require annual principal payments ranging from $295,000 to $5,715,000 beginning in 2016 through 2043. The 2014 Bonds are insured by Assured Guarantee Municipal Corp ("AGM") and are secured by a grant of security interest in the gross revenues of the Hospital as well as a deed of trust on substantially all of the Hospital's property. The 2014 Bonds were secured on parity with the 2013 Bonds Series A, B & C.

The California Statewide Communities Development Authority issued the bonds on behalf of the Company. The 2013 Bonds, Series, A, B & C and 2014 Bonds were issued under a new master trust indenture agreement dated December 1, 2013, as most recently amended February 1, 2014.

The new master trust indenture and loan agreements require that certain funds be established with the trustee as defined. Accordingly, these funds are recorded as assets limited as to use in the statements of financial position (see Note 4). The new master trust indenture also requires the Hospital to comply with certain restrictive covenants including maintaining an annual debt service coverage ratio of at least 1.25 to 1, days cash on hand of not less than 60 days, a ratio of funded debt to capitalization as defined of no greater than 0.7 to 1 and restrictions on incurrence of additional debt among other covenants. The Hospital was in compliance with the covenants included in the new master trust indenture at September 30, 2016 and 2015.

Maturities of long-term debt at September 30, 2016 above are as follows:

Years ending September 30,	Principal Maturities
2017	$ 4,715,000
2018	4,900,000
2019	5,095,000
2020	5,295,000
2021	5,510,000
Thereafter	124,970,000
	150,485,000
Unamortized net bond premium and discounts, net	678,000
	$ 151,163,000

7. Pension Plan

The Hospital maintains a deferred compensation annuity plan (defined as an IRC Section 403(b) plan), which covers employees who elect to participate.

The Hospital provides matching contributions equal to 5% of participants' eligible annual compensation up to the amount allowed by the Internal Revenue Service for the calendar year. Employer matching contributions are funded annually based on the calendar year. For the years ended September 30, 2016 and 2015, the Company's matching contributions were approximately $2,800,000 and $2,400,000, respectively.

8. Receivable from Affiliate

ASC 958-20-15, *Transfers of Assets to a Not-For-Profit Organization or Charitable Remainder Trust That Raises or Holds Contributions for Others,* requires organizations similar to the Hospital and the Foundation to record on the designated organization as a temporarily restricted asset, those funds raised by the Foundation for the benefit of the Hospital.

The amounts raised on behalf of the Hospital by the Foundation or due from the Foundation are recorded as a receivable from affiliate as follows:

September 30,	**2016**	2015
Program receivables	**$ 5,477,877**	$ 3,068,022
Other receivables (payables), net	**80,385**	(125,595)
	$ 5,558,262	$ 2,942,427

9. Related Party Transactions

The Foundation received contributions of approximately $4,951,000 and $1,921,000 for the benefit of Hospital programs such as the new patient tower, the ICU, the cath-lab, the palliative care unit and the NICU for the years ended September 30, 2016 and 2015, respectively (see Note 10). At September 30, 2016 and 2015, the Hospital had a net receivable from the Foundation in the amount of $5,558,000 and $2,942,000, respectively (see Note 8). During the years ended September 30, 2016 and 2015, funds in the amount of approximately $2,533,000 and $2,305,000, respectively, were received from the Foundation and spent by the hospital on these programs. Hospital contributed $ 784,000 and $544,000 to the Foundation for general operations the fiscal year ended September 30, 2016 and 2015, respectively, which is included in the other operating expenses in the statements of operations.

10. Temporarily Restricted Net Assets

Funds received from the Foundation for the benefit of Hospital programs such as the ICU, NICU and Emergency Room are recorded as temporarily restricted contributions.

For the years ended September 30, 2016 and 2015, approximately $322,000 and $263,000 in grant monies had been received, and approximately $354,000 and $303,000 expenditures had been incurred in accordance with the Bioterrorism grant program, respectively. Various compliance requirements exist surrounding the grants received from the county of Los Angeles. Noncompliance with certain of these requirements may result in repayment of the monies received to the county.

Contributions and grants that were recorded as temporarily restricted contributions and funds relating to these temporarily restricted net assets were transferred to unrestricted net assets when the temporary restriction had lapsed and when used or incurred for the program.

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Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

September 30,	**2016**	2015
Foundation funds:		
Emergency Room	**$ 1,701,747**	$ 1,386,587
New Patient Tower	**2,789,133**	881,565
Other Equipment	**398,097**	330,476
ICU/NICU	**48,745**	32,527
Infusion Center	**79,056**	77,006
Other	**461,021**	331,227
	5,477,799	3,039,388
Bio Terrorism	**61,878**	93,979
Total	**$ 5,539,677**	$ 3,133,367

11. Tower Imaging Joint Venture

On December 21, 2005, the Company entered into a 50% joint venture agreement with Tower Imaging Medical Group, Inc., a California professional corporation ("TIMG"), whereby the Company and TIMG (together the "Partners") formed Tower Imaging Valencia, LLC, a California limited liability company (the "Joint Venture"). The Tower Imaging Joint Venture is a for-profit enterprise. The Partners each made initial contributions of $25,000 into the Joint Venture. During the years ended September 30, 2016 and 2015, no contributions were made by the Partners. The Company accounts for the investment in the Joint Venture under the equity method of accounting. Under the equity method, the Company recognizes its share of the earnings or losses in the Joint Venture.

The Joint Venture was formed for the purpose of providing outpatient radiology services outside of the Hospital, and by participating with TIMG to jointly develop the imaging facilities, the Company anticipates to further its charitable healthcare mission by improving access to quality, cost-effective diagnostic imaging services for residents of the Santa Clarita service area. The Partners share the profits and losses of the Joint Venture in a pre-determined ratio of 50% and 50%, in accordance with the Joint Venture agreement. Allocation of cash distributions to the LLC members is to be made in proportion to the respective percentage interests of the Company and TIMG. During the year ended September 30, 2016, the Joint Venture distributed a total of $1,628,000 or $814,000 for each partner from the Joint Venture. During the year ended September 30, 2015, the Joint Venture distributed a total of $1,484,000 or $742,000 for each partner from the Joint Venture. The original term of the Joint Venture agreement was ten years, and during 2016 it was extended another five years, until 2021.

As members of the Joint Venture, TIMG and the Company have the obligation to guarantee, in the form of credit support, to a third-party credit lender pro rata amounts based on that member's percentage interest. In return, each member making such guarantee is to receive an annual credit enhancement fee equal to a fair market value percentage rate of the amount of the liability guaranteed by each member, and the credit enhancement fee is to be paid prior to any distributions to the members. In the event there is a default of the guaranteed obligation, then such member has all of the rights against the Joint Venture including, without limitation, to

receive the credit enhancement fee until such member is exonerated from the underlying liability. At September 30, 2016, the Company and TIMG have not guaranteed any debt relating to the Joint Venture.

In accordance with the Joint Venture agreement, the day-to-day business and affairs of the Joint Venture is managed by TIMG, and in return TIMG receives compensation for such management service that is mutually agreed upon between the Company and TIMG. TIMG's management service includes developing and maintaining appropriate quality control programs, preparation of monthly management and financial reports, maintaining the accounting policies and procedures, and providing and training of all non-physician personnel, among others.

The Company agreed to provide certain services to the Joint Venture such as information technology and maintenance services among others. In addition, the Company agreed to allow the Joint Venture to rent certain property from the Company. At September 30, 2016 and 2015, the Company recorded a receivable in the amount of $17,344 and $88,374, respectively, from the Joint Venture related to these services and rent. This receivable is included as part of other assets in the statements of financial position.

The carrying value of the investment in the Joint Venture at September 30, 2016 and 2015 was approximately $788,000 and $844,000, respectively, and is recorded as part of other assets in the statements of financial position.

The unaudited condensed financial statement information for the Joint Venture as of and for the years ended September 30, 2016 and 2015, respectively, was:

	2016	2015
Condensed financial statement information (unaudited):		
Total assets	**$ 3,290,512**	$ 3,967,905
Total liabilities	**$ 1,173,570**	$ 1,717,879
Net income	**$ 1,546,245**	$ 1,251,709

12. Commitments and Contingencies

Leases

The Hospital leases various facilities and equipment under operating and capital leases.

The Hospital's most significant capital lease obligation is for the ambulatory care facility and office, which was amended on December 1, 2007. The lease requires monthly minimum payments of approximately $150,000, subject to an annual consumer price index adjustment with a minimum/maximum range through to April 2020. The lease agreement does not have an option for renewal. The facility houses an outpatient surgery program and therapy services. Portions of the facility are sublet to third parties.

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Operating leases consist primarily of medical office space and equipment leases. Total rental expense, including month-to-month rentals, for the years ended September 30, 2016 and 2015, was approximately $5,055,573 and $3,741,044, respectively.

The Hospital has entered into various sublease agreements. The lease termination dates range through to 2072. Rental sublease income generated from these leases totaled approximately $1,133,000 and $918,000 for the years ended September 30, 2016 and 2015, respectively.

The future minimum lease payments required under capital leases and non-cancelable operating lease agreements with terms of one year or more are as follows:

Years ending September 30,	Capital Leases	Operating Leases
2017	$ 2,155,233	$ 2,526,395
2018	2,209,114	2,328,751
2019	2,264,342	2,275,471
2020	1,146,147	2,122,884
2021	-	1,850,479
2022 and thereafter	-	22,307,009
Total lease obligation	7,774,836	$ 33,410,989
Less amount representing interest at 10.1% per annum	(1,267,455)	
Present value of future minimum lease payments	6,507,381	
Less current portion	(1,567,089)	
Noncurrent portion	$ 4,940,292	

The future minimum expected sublease income for these agreements is as follows:

Years ending December 31,	Lease Income
2017	$ 294,668
2018	303,508
2019	312,613
2020	321,991
2021	331,651
Thereafter	40,029,027
Total	$ 41,593,458

In November 2012, the Hospital (as landlord) entered into a ground lease with an independent third-party (as tenant) to lease approximately 53,870 square feet of the Hospital's land for the construction of a Medical Office Building ("MOB") that the Hospital will occupy and lease upon completion of the MOB. The ground lease term is for 60 years with annual base rent in the amount of $124,575 payable to the Hospital in equal monthly installments. The annual rent increase is 3% for the first twenty years followed by increases using the CPI Index with a floor of 2% and ceiling of 4% compounded as recalculated from the initial base rent assuming the first twenty year period used the CPI Index method.

In connection with the Ground Lease, the Hospital (as tenant) entered into a lease agreement to occupy approximately 38,378 square feet of the MOB. The initial lease term is 20 years with a lessee option to renew for 4 additional 10 year periods with the base rent of $75,886 per month with annual rent increases of 3%. After the initial lease term, assuming options to renew are exercised, the base rent increases using the CPI Index with a floor of 2% and a ceiling of 4%. Rent payments associated with the MOB commence upon the earlier of the Hospital's occupation of the property or 120 calendar days after the premises delivery date as defined in the lease agreement. The lease commenced in March 2014. The Company determined this to be an operating lease and lease rentals were straight-lined over the initial term of the lease.

Litigation

The Hospital is a defendant in various legal actions alleging malpractice and other grievances. Further, the Hospital is a named defendant in employment-related matters, such as alleged discrimination complaints and certain wage-related claims. It is the management's opinion that these actions are covered by insurance, existing accruals, or otherwise will be resolved without a material adverse effect on the financial position or results of operations of the Hospital.

In the normal course of the Hospital's ongoing compliance and review process, the Hospital routinely investigates all allegations of non-compliance or violation of Medicare and Medi-Cal (Medicaid) laws and regulations, including any potential Stark or Anti-Kickback issues. As the result of allegations of non-compliance made by certain members of the medical staff, the Hospital conducted an investigation of issues relating to possible Stark violations in connection with certain physician contracts evaluated the nature and extent of any resulting financial liability. The Hospital disclosed the results of this investigation to the Centers for Medicare and Medicaid Services ("CMS") in the appropriate manner as required by Federal law. In April of 2016, the Hospital notified CMS that it had reevaluated the disclosed arrangements in light of important substantive guidance that CMS provided to the Hospital subsequent to its acceptance of the Hospital's disclosure. As a result of this revised analysis, the Hospital advised CMS of its position that the previously disclosed arrangements were in fact in full compliance with the requirements of the Stark law. Accordingly, the Hospital withdrew its voluntary disclosure. CMS has acknowledged this withdrawal, there has been no further activity in connection with this matter, the Hospital expects no liability in connection with it, and considers this matter now to be fully resolved without any payment having had to be made. Accordingly, no liability has been recorded as of September 30, 2016.

Golden Valley Pledged Lease Asset

On September 10, 2008, the Hospital entered into a lease Agreement with GMS Golden Valley Ranch, LLC for 50 years at a minimum annual rent of $1.00 plus common area costs, taxes and insurance (the "Golden Valley Lease") for 2,000 sq. ft. of space in a new shopping center nearby to the Hospital, for the purpose of operating a physical therapy facility. The lease of the space is contingent on the continued use by the Hospital for public benefit. Accordingly, the Golden Valley Lease was recorded as a conditional pledge for the present value of the fair value of lease payments and an underlying pledged lease asset was recorded in the amount of $2,742,543. Due to the contingent nature of the lease, a liability for $2,742,543 was recorded as deferred contribution revenue on the statements of financial position. As of September 30, 2016, the pledged lease asset and deferred contribution revenue was $2,429,433 for each account. As of September 30, 2015, the pledged lease asset and deferred contribution revenue was $2,470,656 for each account. The pledged asset and corresponding liability are being amortized using the straight-line method over the life of the lease.

Construction Commitment

At September 30, 2016 and 2015, the Hospital has outstanding construction commitments of approximately $80,408,375 and $94,543,783, respectively.

Management Incentive Plan

The Hospital has a Management Incentive Plan which provides incentive compensation when certain financial goals are met. For the years ended September 30, 2016 and 2015, the Hospital incurred incentive compensation of $1,553,210 and $1,050,000, respectively.

Physician Guarantee

The Hospital has entered into Practitioner Recruitment Agreements (the "Recruitment Agreements") with four physicians. Pursuant to the Recruitment Agreements, the Hospital is to provide financial assistance in the form of an income guarantee or relocation loan, for the physician to establish a specialty practice in the area. The remaining agreements expire through February 2017, with monthly payments ranging from approximately $18,000 to $25,000 or in incremental amounts not to exceed an aggregate amount ranging from $202,000 to $360,000. As of September 2016, the Company had advanced approximately $242,000 to the physicians pursuant to these Recruitment Agreements. As of September 30, 2016 and 2015, $238,000 and $613,000, respectively, was recorded as a liability in accounts payable in the statements of financial position in accordance with ASC 460-10, Guarantees.

Legislation

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. The Company believes that it is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Affordable Care Act

The Patient Protection and Affordable Care Act ("PPACA") will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation required the establishment of health insurance exchanges, which provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under

certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

HIPAA

The Health Insurance Portability and Accountability Act ("HIPAA") was enacted on August 21, 1996, to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are required to be in compliance with HIPAA provisions by April 2005. Effective August 2009, the Health Information Technology for Economic and Clinical Health Act ("HITECH Act") was introduced imposing notification requirements in the event of certain security breaches relating to protected health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations.

Malpractice Insurance

The Hospital maintains medical malpractice insurance under a claims-made policy. A claims-made policy covers only claims net of the Hospital's self-insured retention ("SIR") of $500,000 per claim that occurs and are filed in the period during which the policy is in force. As of September 30, 2016 and 2015, the Hospital has made provisions for estimated medical malpractice claims including estimates of the ultimate costs for both reported claims and claims incurred but not reported. Management believes that its estimates are sufficient and will not result in any materially adverse adjustments.

In June and November 2005, the Company invested a total of $217,840 for the purchase of 27,230 shares (1.36% ownership in December 31, 2011) of capital stock in California Healthcare Insurance Company, Inc. ("CHI"), a risk retention group domiciled in Hawaii. CHI insures its owners and their affiliated entities for general and professional liability risks. The Company accounts for its investment in CHI under the cost method of accounting. During the years ended September 30, 2016 and 2015, the Company paid approximately $757,000 and $777,000, respectively, in premiums to CHI.

The Company has self-insured retention of $500,000 per claim for medical malpractice claims. CHI covers claims through a combination of risk layers that include, assuming the risk, reinsurance treaties with four A+ rated reinsurers and conventional type insurance with an A+ rated commercial carrier. CHI adjusts risk layers periodically in response to market conditions. The Company believes that CHI will provide the Company with efficient and cost effective management of its medical malpractice and other risks. As of September 30, 2016 and 2015, AM Best, the worldwide insurance rating and information agency, reported CHI's rating at A-. There is no guarantee that CHI will remain a viable insurance company. Excessive claims could have a material adverse effect on CHI's ability to pay claims.

Self-Insurance Program for Employee Healthcare

The Hospital has a self-insured program for employee healthcare for the years ended September 30, 2016 and 2015. An accrual has been made for the estimated liabilities arising from outstanding healthcare claims incurred but not yet reported, as of September 30, 2016 and 2015. Management believes that its estimates are sufficient, however, actual amounts may materially differ from those estimates. For the years ended September 30, 2016 and 2015, these liabilities were approximately $1,945,000 and $1,602,000, respectively, and are recorded in accrued payroll and benefits in the statements of financial position. The hospital also maintains a stop-loss

reinsurance policy for its self-insured healthcare program. The stop-loss policy reimburses the Hospital 100% of the costs incurred for a patient incident that exceeds certain thresholds of $200,000 if it occurred prior to May 2016 and $250,000 if it occurred subsequent to May 2016.

Worker's Compensation

The Hospital changed its worker's compensation insurance carrier for the year ended September 30, 2010 from a loss-sensitive premium policy with retrospective adjustments to a guaranteed cost premium policy. An accrual has been made for the liability arising from an audit of the policy for the plan year ended September 30, 2016 and 2015 for approximately $87,000 and $97,000, respectively and is included in accrued payroll and benefits in the statements of financial position. An estimated accrual has been made for the liability arising from the previous policy for the plan years ended September 30, 2015 and prior for approximately $2,396,000 and $2,405,000 is included in accrued payroll and benefits in the statements of financial position for the years ended September 30, 2016 and 2015, respectively. Actual amounts may materially differ from those estimates.

Union Contract

The Hospital has contracts with the California Nurses Association and the United Electrical, Radio & Machine Workers of America for the period January 2012 through January 2019 and February 2014 through January 2017, respectively. Employee benefits provided by the contracts include paid time off and health and retirement benefits. The contracts also specify compensation rates and hours of work and overtime. These compensation rates and benefits could change materially subject to the outcome of collective bargaining agreements.

United WestLab Agreement

In September 2006, the Company entered into an Administrative and Management Services Agreement (the "United WestLab Agreement") with NTI WestLab, Inc. ("UWL") whereby UWL would provide an outreach testing program to perform clinical laboratory testing services for non-registered patients of the Hospital and other patients referred by physicians, medical clinics, and other third parties in the geographic areas as defined. Further, the United WestLab Agreement specifies that UWL is to manage the day-to-day operations of the program as defined. The original term of the United WestLab Agreement expired on September 30, 2012 and was renewed for an additional three years through September 30, 2015, and operated on a month to month basis through March of 2016.

In consideration of UWL performing the aforementioned services, the Hospital paid UWL a management fee equal to a fixed amount each month, plus reimbursement of all costs borne by UWL in providing the services. The fixed management fee was $18,900 per month in year one of the agreement, and $21,000 per month in years two and three of the agreement. For the years ended September 30, 2016 and 2015, the Company paid approximately $1,280,000 and $1,991,000, respectively, in management fees and reimbursement of expenses to UWL.

In March of 2016, the Hospital sold its share of the assets at UWL, which equated to $2,600,000. The assets sold included laboratory equipment, accessories, machinery, apparatus, furniture, fixtures, computer hardware, office equipment, and inventory. As of September 30, 2016, the Hospital had received $2,277,000 of the sale amount, which was recorded to unrestricted contributions within the statement of operations. The remaining $323,000 is being held in an

escrow account until all performance obligations are met. The Hospital did not record the $323,000 in accordance with a gain contingency model.

13. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported on the statements of financial position for cash approximates its fair value.

Investments: The carrying amount reported on the statements of financial position for short term investments approximates its fair value.

Assets limited as to Use: The carrying amount reported on the statements of financial position for assets limited as to use approximates its fair value.

Long-term debt: Fair values of the Hospital's 2001 Bonds, 2007 Bonds, and 2014 Bonds are based on current traded value. The fair value of the 2013 Bonds is based on the discounted present value of cash flows.

The carrying amounts and estimated fair values of the Hospital's financial instruments at September 30, 2016 and 2015, are as follows (in thousands):

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 42,152**	**$ 42,152**	$ 54,172	$ 54,172
Investments	**73,751**	**73,751**	69,021	69,021
Asset limited as to Use	**2,199**	**2,199**	8,725	8,725
Long-term debt	**151,163**	**160,328***	155,741	160,195*

* Level 1 measurement was used to determine the fair value of the 2014 Bonds. Level 2 measurement was used to determine the fair value of the 2013 Series A, B, & C Bonds.

14. Functional Expenses

The Hospital provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended September 30, 2016 and 2015, were as follows:

	2016	2015
Healthcare services	**$ 266,555,413**	$ 252,146,731
General and administrative	**39,094,952**	41,238,893
	$ 305,650,365	$ 293,385,624

15. Concentration of Credit Risk

The Hospital maintains cash deposits in financial institutions that exceed the amount insured by the United States government. Nonperformance by these institutions could expose the Hospital to losses for amounts in excess of the insured balances. The Hospital has not experienced, nor does it anticipate, nonperformance by these institutions.

Investments are managed by a board-approved investment policy within guidelines established by the Board of Directors, which, as a matter of policy, limit the amounts that may be invested in any one issuer. Concentration of credit risk with respect to patient accounts receivable, other than from government programs, is limited due to the large numbers of payors comprising the Hospital's patient base.

The Company is highly dependent upon various third-party payors and government programs for payment.

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net patient revenues and patient accounts receivable as of and for the year ended September 30, 2016 and 2015, was as follows:

Net patient revenues	**2016**	2015
Medicare	**31%**	32%
Medi-Cal	**8%**	8%
Self-Pay and Other	**2%**	0%
HMO/PPO	**59%**	60%
	100%	100%

Patient accounts receivable	**2016**	2015
Medicare	**32%**	15%
Medi-Cal	**10%**	9%
Self-Pay and Other	**15%**	19%
HMO/PPO	**43%**	57%
	100%	100%

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Master Indenture, the Supplement No. 6, the Bond Indenture, the Loan Agreement and the Deed of Trust. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of such documents.

MASTER INDENTURE

General

The following is a summary of certain provisions of the Master Indenture. Other provisions of the Master Indenture are summarized in this Official Statement under the caption "SECURITY AND SOURCE OF PAYMENT FOR BONDS – The Master Indenture." This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Master Indenture. The Master Indenture authorizes the issuance of Master Indenture Obligations. Each Master Indenture Obligation is stated in the Master Indenture to be a joint and several obligation of each Obligated Group Member.

Certain of the provisions of the Master Indenture summarized below have been amended by Supplement No. 6. See "SUPPLEMENT NO. 6 – Modifications to Master Indenture Provisions So Long As Bonds Outstanding" in this APPENDIX C.

Definitions

The following is a summary of certain terms used in this Summary of Principal Documents. All capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Master Indenture.

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

Affiliate of any specified Person shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, (i) "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, membership or otherwise; and (ii) the terms "controlling" and "controlled" have meanings correlative to the foregoing; provided that no director, officer or employee of an entity shall be deemed to be an Affiliate of such entity merely by reason of voting power absent equity ownership of a majority of the outstanding equity in the subject entity.

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 subject to an Irrevocable Deposit for the purpose of paying such principal or interest and (2) any Debt Service Subsidies payable in such Fiscal Year; provided that if an Identified Financial Product Agreement has been entered into by any Member with respect to Long-Term Indebtedness and the counterparty thereto has not defaulted in the payment obligations thereunder, 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.

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 means Long-Term Indebtedness, twenty-five percent (25%) or more of the principal of which (calculated as of the date of issuance) becomes due during any period of twelve (12) consecutive months absent acceleration if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption prior to such 12-month period, but not including (i) the portion of such Long-Term Indebtedness that is equal to the aggregate of the principal payments to be made on such Long-Term Indebtedness in each year in which the total principal due in such year is less than twenty-five percent (25%) of the initial aggregate principal amount of such Long-Term Indebtedness and (ii) payments of purchase price of indebtedness that is subject to tender by the owner thereof.

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 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.

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 the Master Indenture, each such instrument shall include the statements provided for in the Master Indenture.

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

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 of the Master Indenture, 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, 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 such plans and specifications may be modified to deal with exigencies (if any) not anticipated at commencement of construction (or matters encountered beyond budgeted-for contingencies) as certified by an Officer's Certificate.

Corporate Trust Office means the office of the Master Trustee at which its corporate trust business is conducted.

Corporation means Henry Mayo Newhall Memorial 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 the Master Indenture.

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.

Deed of Trust Property means the property subject to the lien of the Deed of Trust from time to time.

Deed of Trust means the Deed of Trust with Fixture Filing and Security Agreement, dated as of December 1, 2013, from the Corporation, as grantor, to the deed of trust trustee, for the benefit of the Master Trustee, as beneficiary, as originally executed and as it may subsequently be modified, amended or restated.

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 means any of the events specified in the Master Indenture.

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 and the permanent improvements thereof made within three years of the date of determination by a "Member of the Appraisal Institute" and by an appraisal of any material portion of such Property which is not real property made within three 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 three 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 Master Trustee) if the fair market value of such Property is less than or equal to the greater of $2,000,000 or 2.5% of cash and equivalents as shown on the Obligated Group Financial Statements but in no event greater than the Book Value of such Property.

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, excluding however commodity (including power) forward purchase agreements.

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

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 means the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other twelve-month period hereafter designated by the Obligated Group Representative as the fiscal year of the Obligated Group.

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 Master Trustee.

GAAP means accounting principles generally accepted in the United States of America, consistently applied, as such principles are from time to time supplemented and amended.

Governing Body means, when used with respect to any Obligated Group Member, its board of directors, board of trustees 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 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 under the Master Indenture.

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 Internal Revenue Code of 1986, 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 means federal, state or other applicable governmental laws or regulations (including income tax limitations which must be respected to preserve the exempt status of the applicable Person or eligibility of a Person for benefits under any state, local or federal subsidy or exemption program) 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 Revenues means, unless the context provides otherwise, all revenues, income, receipts and money received in any period by the Obligated Group (other than the proceeds of borrowing), including, but without limiting the generality of the foregoing:

(a) gross revenues derived from its or their operation of the facilities owned and operated by the Obligated Group Members;

(b) gifts, grants, bequests, donations and contributions exclusive of any gifts, grants, bequests, donations and 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, if any, and interest on Indebtedness or for the payment of operating expenses;

(c) proceeds derived from

(1) insurance and condemnation proceeds;

(2) accounts receivable;

(3) securities and other investments;

(4) inventory and other tangible and intangible property;

(5) medical or hospital insurance or indemnity programs or agreements; and

(6) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of any Obligated Group Member; and

(d) rentals received from the lease of office space.

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 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 an 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 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, with a notional amount not in excess of the principal amount of such Indebtedness.

Immaterial Affiliates means Persons that are not Members of the Obligated Group and whose combined total unrestricted net assets, as shown on their financial statements for their most recently completed fiscal year, aggregated less than ten percent (10%) of the combined or consolidated unrestricted net assets of the Obligated Group as shown on the Obligated Group Financial Statements, plus the unrestricted net assets of such Persons as if they were Members of the Obligated Group for such period, for the most recently completed Fiscal Year of the Obligated Group.

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 (including Financial Product Payments and Financial Product Receipts on Identified Financial Product Agreements), 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) 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;

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

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

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

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

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

(g) any unusual charges for employee severance;

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

(i) unrealized gains or losses on investments, including "other than temporary" declines in Book Value;

(j) gains or losses resulting from changes in valuation of any hedging, derivative, interest rate exchange or similar contract (including Financial Product Agreements);

(k) 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;

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

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

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, (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 the 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 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 of the Master Indenture in which such requirement appears.

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.

Insurance Consultant means a Person (including the insurance broker for one or more Members of the Obligated Group), who or which is appointed by any Member of the Obligated Group for the purpose of reviewing and recommending insurance coverage for the facilities and operations of one or more members of the Obligated Group or the entire Obligated Group, is recognized as being skilled and experienced in performing such services in respect of facilities and operations of a comparable size and nature, and, in the good faith opinion of the member making the appointment, has a favorable reputation for skill and experience in performing such services in respect of facilities and operations of a comparable size and nature.

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 for capital improvements in anticipation of the issuance of Long-Term Indebtedness. Interim Indebtedness shall be considered Long-Term Indebtedness for purposes of the Master Indenture.

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 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 means Indebtedness other than Short-Term Indebtedness.

Master Indenture that certain master indenture of trust, dated as of December 1, 2013, between the Corporation and the Master Trustee, as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

Master Indenture Obligation means any obligation of the Obligated Group issued pursuant to the Master Indenture, 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 Indenture Obligations are referred to as "Obligations" in the forepart of this Official Statement.

Master Trustee means The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, and, subject to the limitations contained in the Master Indenture, 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 under the Master Indenture.

Material Obligated Group Members means the Corporation and any other Obligated Group Members whose combined or consolidated unrestricted net assets, as shown on their financial statements for their most recently completed fiscal year, were equal to or greater than ninety percent (90%) of the combined or consolidated unrestricted net assets of the entire Obligated Group as shown on the Obligated Group Financial Statements for the most recently completed Fiscal Year of the Obligated Group.

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:

Ratio	Percentage of Annual Debt Service on such Indebtedness to be Included
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 in an Irrevocable Deposit 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 incurred to finance capital improvements 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 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.

Nonrecourse Indebtedness means any Indebtedness which is not a general obligation of the obligor of such Indebtedness 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 absent extraordinary events such as fraud, insolvency or waste.

Obligated Group means all Obligated Group Members.

Obligated Group Financial Statements has the meaning described under the caption "The Master Indenture – Filing of Financial Statements; Certificate of No Default and Other Information."

Obligated Group Member or ***Member*** means each Person that is obligated under the Master Indenture 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 the Master Indenture, from and after the date of such withdrawal.

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 all of the Members.

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

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

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 of the Master Indenture, (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 in the Master Indenture, 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 means Financial Product Extraordinary Payments that (1) are with respect to a Financial Product Agreement secured or evidenced by a Master Indenture 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 Master Indenture Obligation.

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 in good faith 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 in good faith; (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; (iv) easements, exceptions or reservations for the purpose of ingress and egress, parking, pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage, sewerage, dikes, canals, laterals, ditches, removal of oil, gas, coal or other minerals, and other similar matters, including joint use agreements, which do not materially interfere with the use or operation of the subject Property for its intended purpose; and (v) 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 the Master Indenture which is existing on the date of execution of the Master Indenture 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 or the redemption price or purchase price of 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 or rights reserved 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 of California, including without limitation the California Emergency Management Agency, by reason of FEMA and other federal and State of California funds made available to any Member of the Obligated Group under federal or State of California statutes;

(l) Liens on Property securing Indebtedness incurred to refinance Indebtedness previously secured by a Permitted 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 materially increased, and (iii) the obligor with respect to such Indebtedness, whether direct or contingent, is not changed;

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

(n) Liens securing Nonrecourse Indebtedness incurred pursuant to the provisions of the Master Indenture;

(o) Liens (including lessor's interest in capital leases) consisting of purchase money security interests (as defined in the UCC);

(p) Liens on the Obligated Group Members' accounts receivable securing Indebtedness in an amount not to exceed 20% of the Obligated Group Members' net accounts receivable outstanding at any time;

(q) Liens on revenues constituting rentals in connection with any other Lien permitted under the Master Indenture 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 subordinate to Liens in favor of the Master Trustee;

(t) Liens in favor of banking or other depository institutions arising as a matter of law encumbering the deposits of any 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;

(u) 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 Member in the ordinary course of business so long as such financing statement does not evidence the grant of any Lien other than the personal property leased pursuant to such operating lease;

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

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

(x) 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 a Member;

(y) 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 a Member (other than contracts creating or evidencing an extension of credit to the depositor or otherwise for the payment of Indebtedness);

(z) present or future zoning laws, ordinances or other laws or regulations restricting the occupancy, use or enjoyment of Property, Plant and Equipment of any Member which, in the aggregate, are not substantial in amount, and which do not in any case materially impair the Fair Market Value or use of such Property, Plant and Equipment for the purposes for which it is used or could reasonably be expected to be held or used;

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

(bb) Any other Lien on Property provided that the Value of all Property encumbered by all Liens permitted as described in this clause (bb) does not exceed 15% of the sum of the Value of all Property, Plant and Equipment of the Obligated Group Members, calculated at the time of creation of such Lien. See "SUPPLEMENT NO. 6 – Modifications to Master Indenture Provisions So Long As Bonds Outstanding" in this APPENDIX C for amendments to this subsection (bb) for so long as the Bonds are outstanding.

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

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 means Fitch Inc., Moody's Investors Service, Inc., Standard & Poor's, a division of The McGraw-Hill Companies, and any other national rating agency then rating Master Indenture Obligations or Related Bonds.

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

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

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 means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

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 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 the Master Indenture.

Restricted Moneys 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 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 under the Master Indenture 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 the Master Indenture.

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 (formerly the Bond Market 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 means the State of California.

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 the Master Indenture.

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 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.

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 first full Fiscal Year preceding such transaction for which Obligated Group Financial Statements are available, (a) the Obligated Group would be able to satisfy the conditions for the issuance of $1.00 of additional Long-Term Indebtedness set forth in the Master Indenture as of the date of, and after giving effect to, such transaction and (b) the Debt Service Coverage Ratio would be at least 70% of what it would have been had such transaction not occurred.

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

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. See "SUPPLEMENT NO. 6 – Modifications to Master Indenture Provisions So Long As Bonds Outstanding" in this APPENDIX C for amendments to this provision for so long as the Bonds are outstanding.

Contents of Certificates and Opinions; Use of GAAP

Every Certificate or opinion provided for in the Master Indenture with respect to compliance with any provision of the Master Indenture shall include: (a) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions in the Master Indenture 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 in its judgment 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.

Any such Certificate or opinion made or given by an officer of an Obligated Group Member or the Master Trustee may be based on such officer's knowledge and, 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 of the Master Indenture, but different officers, counsel, accountants or Independent Consultants may certify as to different matters.

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 the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the 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 the Master Indenture or (ii) the date of execution and delivery of the 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 the Master Indenture; provided that intercompany balances and liabilities among the Obligated Group Members shall be disregarded and that the requirements set forth in the Master Indenture shall prevail if inconsistent with GAAP.

Authorization and Issuance of Master Indenture Obligations

Authorization of Master Indenture Obligations. Each Obligated Group Member 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 in the Master Indenture and in any Related Supplement.

Issuance of Master Indenture Obligations. From time to time when authorized by the Master Indenture and subject to the terms, limitations and conditions established in the 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 of the Master Indenture 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 the 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 Members to make Required Payments with respect to such Master Indenture Obligation.

Conditions to the Issuance of Master Indenture Obligations. The issuance, authentication and delivery of any Master Indenture Obligation or Series of Master Indenture Obligations 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 the 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 the 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 (or the placement thereof) 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 reasonably request; and

(e) If such Master Indenture Obligation constitutes or secures Indebtedness, the requirements of the Master Indenture relating to the incurrence of Indebtedness are satisfied.

Particular Covenants of the Members

Payment of Required Payments. Each Obligated Group Member jointly and severally covenants, to promptly pay or cause to be paid all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, 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. Each Obligated Group Member further covenants to faithfully observe and perform all of the conditions, covenants and requirements of the 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:

(a) 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 the Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation; or

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

(c) 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 whether before or after the incurrence of a Master Indenture Obligation for the benefit of such Obligated Group Member; or

(d) the validity or sufficiency (or any contest with respect thereto) of the consideration given to support the obligations of the Obligated Group Members under the Master Indenture.

Subject to the provisions of the Master Indenture 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 the Master Indenture. 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 under the Master Indenture 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 under the Master Indenture and to enforce the making of Required Payments. Each Obligated Group Member 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 under the Master Indenture 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 the Master Indenture and any Related Supplement. Each Obligated Group Member 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.

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 the Master Indenture; 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 the Master Indenture, the Related Supplements and the Master Indenture Obligations, and

(iii) irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants to the Obligated Group Representative the requisite power and authority to execute Related Supplements authorizing the issuance of Master Indenture Obligations or Series of Master Indenture Obligations and to execute and deliver Master Indenture Obligations, 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 the 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 then Outstanding 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.

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 the 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 following 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 then Outstanding 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).

Notwithstanding the foregoing, neither the Corporation nor any other Obligated Group Member that owns the acute care hospital located in the City of Santa Clarita known as "Community Memorial Hospital" may withdraw from the Obligated Group if any Master Indenture Obligations are then Outstanding.

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

(a) Except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other legal existence and all its material 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 in the Master Indenture shall be construed to obligate it to retain or preserve any of its material rights or licenses no longer used or useful in the conduct of its business or affairs.

(b) At all times to cause its material Property, Plant and Equipment to be maintained, preserved and kept in good repair, working order and condition, reasonable wear and tear, condemnation and casualty 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 or which has been condemned or substantially damaged by casualty, whether or not insured.

(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 an Obligated Group Member) 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 (if it is a Tax Exempt Organization), which, or fail to take any action which failure, in the Opinion of Bond Counsel, would adversely affect the exclusion of interest on any Related Bond from gross income for federal income tax purposes. 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, would not adversely affect the exclusion of interest on any Related Bond from gross income for federal income tax purposes and would not adversely affect the enforceability in accordance with its terms of the Master Indenture against any Obligated Group Member and (ii) prior thereto there is delivered to the Master Trustee either (A) an Opinion of Counsel for such Obligated Group Member to the effect that such actions would not subject any Related Bond or any Master Indenture Obligation then Outstanding 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 the 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.

Gross Revenues Pledge. Each 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 Members shall establish and maintain, subject to the following paragraph, at such banking institution or securities intermediary as the 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 an Account Control Agreement in the form attached to the Master Indenture. The Master Trustee acknowledges that one or more accounts can constitute the Gross Revenue Fund. As security for the performance by each of the Members of its obligations under the Master Indenture, each Member 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 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 Member irrevocably authorizes the Master Trustee to execute and file any financing 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, financing 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 Member represents and warrants that it is a nonprofit corporation organized solely under the laws of the State of California 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 the Master Indenture or Related Supplement, as applicable, executed by such Member. Each 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.

Gross Revenues and amounts in the Gross Revenue Fund may be used and withdrawn by any Member at any time for any lawful purpose, except as hereinafter provided. In the event that any 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 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 the previous paragraph 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 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 Member agrees to execute and deliver all instruments as may be required to implement the provisions described in this Section. Each Member further agrees that a failure to comply with the terms described in 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 Members, to take immediate action to compel the specific performance of the obligations of each of the Members as provided in the Master Indenture.

Upon receipt of Gross Revenues, each 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.

Deed of Trust; Against Encumbrances. To further secure its obligation to make the Required Payments and its other obligations, agreements and covenants to be performed and observed under the Master Indenture, the Corporation shall grant to the Master Trustee, by way of the Deed of Trust, a lien on the Deed of Trust Property.

Each Obligated Group Member agrees that it will not create or suffer to be created or permit the existence of any Lien upon Property other than Permitted Liens. Each Obligated Group Member, respectively, further 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.

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 the Master Indenture and the applicable provisions of any Related Supplement, (2) the withdrawal of a Member pursuant to the provisions of the Master Indenture 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 under the Master Indenture that is not junior to the Lien granted under the Master Indenture, as certified to the Master Trustee in writing by the Obligated Group Representative.

The Master Trustee and the Corporation may agree to amendments to the Deed of Trust without the consent of or notice to any of the Holders of Master Indenture Obligations to secure additional Master Indenture Obligations. The Master Trustee and the Corporation may agree to any other amendments to the Deed of Trust with the consent of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations.

Debt Service Coverage. Each Obligated Group Member agrees to manage its business such that the combined or consolidated Income Available for Debt Service of the Obligated Group, calculated at the end of each Fiscal Year, commencing with the first full Fiscal Year following the execution of the Master Indenture, will not be less than 1.10 times Maximum Annual Debt Service. See "SUPPLEMENT NO. 6 – Modifications to Master Indenture Provisions So Long As Bonds Outstanding" in this APPENDIX C for amendments to this provision for so long as the Bonds are outstanding.

If for any Fiscal Year the Income Available for Debt Service is not sufficient to satisfy the requirements of the preceding paragraph, the Obligated Group Representative agrees to retain promptly 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 of the report of the Independent Consultant 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.

If the Obligated Group retains and substantially complies with the recommendations of the Independent Consultant, the Obligated Group will be deemed to have complied with the covenants for such Fiscal Year, notwithstanding that the ratio of Income Available for Debt Service to the Maximum Annual Debt Service shall be less than 1.10:1.0; provided, however, than an Event of Default shall exist if the ratio of Income Available for Debt Service to Maximum Annual Debt Service 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 the Master Indenture and no other Event of Default shall be waived by the operation of the provisions of this paragraph.

If a report of an Independent Consultant is delivered to the Master Trustee and the Related Bond Issuers, that states that Government Restrictions or Industry Restrictions have been imposed which make it impossible for the Income Available for Debt Service to satisfy the requirement described above, 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.

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.

Merger, Consolidation, Sale or Conveyance. Each Obligated Group Member agrees 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 the Master Indenture and, pursuant to the Related Supplement, shall expressly assume in writing the due and punctual payment of all Required Payments of the disappearing Obligated Group Member under the Master Indenture; and

(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 the existing law, the consummation of the Merger Transaction, in and of itself, would not 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 described under this caption 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 under this caption 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 then Outstanding 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, the Surviving Entity shall be treated as an Obligated Group Member and shall thereafter have the right to participate in transactions under the Master Indenture relating to Master Indenture Obligations to the same extent as the other Obligated Group Members. All Master Indenture Obligations issued under the Master Indenture on behalf of a Surviving Entity shall have the same legal rank and benefit under the Master Indenture as Master Indenture Obligations issued on behalf of any other Obligated Group Member.

Limitation on Disposition of Assets. Each Obligated Group Member agrees that it will not sell, lease or otherwise dispose of any part of its Property, Plant and Equipment in any Fiscal Year to a Person that is not an Obligated Group Member (other than (A) in the ordinary course of business or in compliance with the requirements imposed on any asset upon its acquisition (such as in the case of a split interest trust asset), or (B) as part of a disposition of all or substantially all of its assets) with a net Book Value in excess of 5% of the Value of the Property, Plant and Equipment of the Obligated Group, unless prior to said disposition:

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

(ii) 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 or operational utility of the remaining Property, Plant and Equipment and does not materially adversely affect the operations of the Obligated Group; or

(iii) there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that such Property, Plant and Equipment is being transferred to a Person who is not an Obligated Group Member if such Person shall become a Member pursuant to the provisions of the Master Indenture coincidental to such transfer; or

(iv) there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that the Transaction Test would be, taking into consideration the effect of such disposition, satisfied.

As used in the Deed of Trust with respect to any leasehold interest included in the Deed of Trust Property, the terms "disposition" and "dispose of" include, in addition to their customary meanings, the amendment, modification or termination of the lease in question. Notwithstanding the foregoing, the Corporation may amend the provisions of its Ground Lease dated November 1, 2012, between the Corporation and G&L Santa Clarita, LLC, relating to the facility known as "MOB-1" provided that no such amendment shall result in a subordination of the lien of the Deed of Trust on the Corporation's leasehold interest in the Ground Lease.

In addition to the foregoing limitations, the Members may not sell, lease or otherwise dispose of any Deed of Trust Property unless the Master Trustee shall be furnished with an Officer's Certificate to the effect that (i) the security of the Deed of Trust and the ability of the trustee thereunder to foreclose upon the remaining Deed of Trust Property will not be impaired as a result of the disposition of such Property, (ii) the appropriate Member shall have conveyed to the trustee under the Deed of Trust such rights-of-way, easements and other rights in land as are required for ingress to and egress from the remaining Deed of Trust Property, for the utilization of the facilities located thereon and for utilities required to serve such facilities, (iii) the remaining Deed of Trust Property shall be in compliance with all applicable zoning requirements, (iv) such disposition does not adversely affect the operation of the acute care hospital located in the City of Santa Clarita and known as "Henry Mayo Newhall Memorial Hospital", and (v) the Members have completed or obtained such diligence (including, without limitation, surveys, title insurance endorsements and zoning letters, as applicable) as may be necessary to provide such Officer's Certificate.

Notwithstanding the foregoing, no Obligated Group Members shall sell, lease or otherwise dispose of all or a substantial part of the assets comprising the acute care hospital located in the City of Santa Clarita and known as "Henry Mayo Newhall Memorial Hospital" if any Master Indenture Obligations are then Outstanding.

Each Obligated Group Member agrees that it will not dispose of its cash and cash equivalents in any Fiscal Year to a Person that is not an Obligated Group Member in an amount in excess of 20% of the cash and cash equivalents of the Obligated Group.

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 (excluding employee relocation loans and 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 Affiliate which has the purpose to receive and disburse such restricted gifts.

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

(a) Long-Term Indebtedness, if prior to the date of incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) an Officer's Certificate to the effect that 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 1.25:1.0; or

(ii) (A) an Officer's Certificate to the effect that the Debt Service Coverage Ratio for the most recent Fiscal Year (excluding the additional Long-Term Indebtedness to be incurred) was not less than 1.25:1.0 and (B) an Officer's Certificate to the effect that 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 1.3:1.0. 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 Debt Service Coverage Ratios at least equal to those required by this subsection, the ratio requirements described in this subsection (a)(ii) shall be reduced to the highest ratios that, in the opinion of the Independent Consultant, are obtainable under such Government Restrictions or Industry Restrictions, but in no event less than a ratio of 1.0:1.0.

(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 the provisions described in subsection (a) above are satisfied calculated as if such Short-term Indebtedness was Long-Term Indebtedness or an Officer's Certificate is delivered to the Master Trustee stating that the total amount of such Short-term Indebtedness shall not exceed 20% of Total Revenues.

(d) Nonrecourse Indebtedness without limitation, provided that an Officer's Certificate is delivered to the Master Trustee stating that the proceeds of Nonrecourse Indebtedness in the aggregate shall not be used to acquire or construct inpatient acute care hospital facilities.

(e) Long-Term Indebtedness, if such Long-Term Indebtedness is issued or incurred to refund Long-Term Indebtedness and the Master Trustee receives 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 that the aggregate principal amount of such Indebtedness does not, as of the date of incurrence, exceed 10% 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.

Filing of Financial Statements, Certificate of No Default and Other Information.

(a) Each Member 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 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 150 days after the last day of each Fiscal Year beginning with the Fiscal Year ending September 30, 2013, one or more financial statements which, in the aggregate, shall include the Material 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 other Persons required to be consolidated or combined with such Obligated Group Member(s) under GAAP 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 more than one financial statement is delivered to the Master Trustee pursuant to this subsection (b)(i), or if a single financial statement is delivered that includes Persons other than Obligated Group Members and 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 and Immaterial Affiliates 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 150 days after the last day of each Fiscal Year beginning with the Fiscal Year ended September 30, 2013, 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 Material 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;

(3) at the option of the Obligated Group Representative, may exclude one or more Obligated Group Members that are not Material Obligated Group Members; and

(4) 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, a certificate of the chief financial officer of the Obligated Group Representative, 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 Members to cure such Event of Default.

(c) Notwithstanding the foregoing, the results of operation and financial position of Immaterial Affiliates need not be excluded from financial statements delivered to the Master Trustee, and such results of operation and financial position may be considered as if they were a portion of the results of operation and financial position of the Obligated Group Members for all purposes of the Master Indenture notwithstanding the inclusion of the results of operation and financial position of such Immaterial Affiliates. 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.

Insurance.

Required Insurance Coverage. Each Obligated Group Member covenants that it will, except as provided in the next paragraph, maintain, or cause to be maintained, insurance covering such risks and in such amount as, in its reasonable judgment, is adequate to protect it and its Property and operations, including (to the extent that such Obligated Group Member is a health care institution) professional liability or medical malpractice insurance, and in the case of medical malpractice insurance, shall not be less than the customary standard of coverage maintained by institutions of like size and operations. The Obligated Group Representative shall retain an Insurance Consultant once every two years, commencing with Fiscal Year ending September 30, 2014. Each Obligated Group Member agrees that it will follow any recommendations of the Insurance Consultant to the extent feasible in the opinion of the Obligated Group Representative.

Self-Insurance. In lieu of maintaining the insurance policies required by the paragraph above, each Obligated Group Member may self-insure any of the required coverage (or a portion thereof) other than coverage with respect to Property, Plant and Equipment provided the Master Trustee receives (as soon as practicable but in no event later than five months after the end of each Fiscal Year in which an Insurance Consultant is required to be retained under subsection (a) above) a report of an Insurance Consultant to the effect that such self-insurance is consistent with proper management and insurance practices. With respect to Property, Plant and Equipment coverage, each Obligated Group Member may maintain deductibles with respect to the coverage required in an amount not greater than the greater of (i) $5,000,000 or (ii) five percent (5%) of the value of the Property, Plant and Equipment insured.

Recovery of Insurance Proceeds. In the event of damage to or destruction of all or any part of the Property of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the Obligated Group Member shall exercise its commercially reasonable good faith efforts to recover any applicable insurance and cause such proceeds to be paid to the Obligated Group Representative. From such proceeds, the Obligated Group Representative shall provide for the payment or reimbursement of reasonable expenses of obtaining the recovery. The Obligated Group Representative shall then give written notice to the Master Trustee of such expenses and of the amount of the remaining proceeds (herein called the "Net Proceeds").

Use of Net Proceeds. Subject to the provisions of any Related Bond Document pertaining to a Permitted Lien or mandating the application of Net Proceeds to the redemption of the Related Bonds, the affected Obligated Group Member shall apply the Net Proceeds for any lawful corporate purpose as such Obligated Group Member determines, if the Obligated Group Representative shall first have delivered to the Master Trustee an Officer's Certificate stating that the projected Debt Service Coverage Ratio for each of the next two full succeeding

Fiscal Years immediately following the date of such Officer Certificate, taking into account such damage or destruction and the proposed use of the Net Proceeds is at least 1.1. If the Obligated Group Representative is unable to deliver the foregoing Officer's Certificate, the affected Obligated Group Member shall apply the Net Proceeds, or so much thereof as may be needed, to the repair, replacement, restoration or reconstruction of the affected Property or, at the option of the applicable Obligated Group Member, to any other capital project of equivalent value and utility, to the acquisition of any property or to the repayment in whole or in part of any Outstanding Master Indenture Obligations in such order of maturity or maturities or proportions as the Obligated Group Representative shall determine.

Balance of Net Proceeds. Any Net Proceeds remaining after compliance by the affected Obligated Group Member and the Obligated Group Representative with subsection (d) above shall be transferred by the Obligated Group Representative to the Master Trustee and applied to the redemption or defeasance of the Outstanding Master Indenture Obligations in such order of maturity or maturities or proportions as the Obligated Group Representative shall determine and direct in writing to the Master Trustee.

Eminent Domain. In the event of a taking by eminent domain of all or any part of the Property of the Obligated Group with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Group, the affected Obligated Group Member or the Obligated Group Representative shall exercise its commercially reasonable good faith efforts to recover any applicable proceeds and cause such proceeds to be paid to the Obligated Group Representative. The Obligated Group Representative shall make appropriate deductions from such proceeds as in the case of insurance proceeds and shall give written notice to the Master Trustee of such deductions and of the amount of the remaining proceeds (also, "Net Proceeds"). The Net Proceeds shall be applied in the same manner as insurance proceeds are applied pursuant to subsections (d) and (e) of this Section.

Events of Default and Remedies

Events of Default. Event of Default under the Master Indenture include:

(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 after applicable grace, notice and/or cure periods, if any.

(b) Failure on the part of the Obligated Group to attain a Debt Service Coverage Ratio of at least 1.0:1.0 for any Fiscal Year.

(c) Any Obligated Group Member shall fail to observe or perform any other covenant or agreement under the 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 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). See "SUPPLEMENT NO. 6 – Modifications to Master Indenture Provisions So Long As Bonds Outstanding" in this APPENDIX C for amendments to this provision for so long as the Bonds are outstanding.

(d) Any Obligated Group Member shall default in the payment of Indebtedness (other than (1) Subordinated Indebtedness, (2) Nonrecourse Indebtedness, and (3) Indebtedness secured by a Master Indenture Obligation, which shall be governed by subsection (a) described above) in an aggregate outstanding principal amount greater than 5% of the aggregate principal amount of Total Revenues of the Obligated Group, and any grace, notice and/or cure period for such payment shall have expired; provided, however, that such default shall not constitute an Event of Default 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 after applicable notice, grace and/or cure periods, if any.

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 under the Master Indenture 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.

Acceleration; Annulment of Acceleration. 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 25% 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 under the Master Indenture, shall be due and payable on the Master Indenture Obligations.

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 under the Master Indenture; 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 of acceleration) 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.

Additional Remedies and Enforcement of Remedies. 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 25% 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 under the Master Indenture by such proceedings as the Master Trustee may deem 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) Exercise any and all remedies under the Deed of Trust;

(iii) Civil action upon all or any part of the Master Indenture Obligations;

(iv) Civil action to require any Person holding moneys, 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;

(v) Civil action to enjoin any acts which may be unlawful or in violation of the rights of the Holders of Master Indenture Obligations;

(vi) Civil action to obtain a writ of mandate against any Obligated Group Member or Controlling Member, or against any officer or member of the Governing Body of any Obligated Group Member or Controlling Member, to compel performance of any act specifically required by the Master Indenture or any Master Indenture Obligation; and

(vii) Enforcement of any other right or remedy of the Holders conferred by law or by the Master Indenture.

Regardless of the occurrence of an Event of Default, if requested in writing by the Holders of not less than 25% 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 under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, 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 of the Master Indenture or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not making such request. Nothing in the Master Indenture 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.

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 Master Indenture (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 the Master Indenture):

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), 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 the Master Indenture):

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 moneys shall be applied at such times as the Master Trustee shall determine, having due regard for the amount of moneys available and the likelihood of additional moneys becoming available in the future. Upon any date fixed by the Master Trustee for the application of such moneys 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 moneys 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 provision 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 Members of the Obligated Group or such Person as a court of competent jurisdiction may direct.

Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) under the Master Indenture 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. Any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Master Indenture Obligations.

Master Trustee to Represent Holders. The Master Trustee is 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 the Master Indenture, the Master Indenture Obligations, any Related Supplement and applicable provisions of law, in each case subject to the Holders' control of proceedings described in the following paragraph. The Holders, by taking and holding the Master Indenture Obligations, shall be conclusively deemed to have so appointed the Master Trustee.

Holders' Control of Proceedings. If an Event of Default has occurred and is continuing, notwithstanding anything in the Master Indenture 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 of the Master Indenture. 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 of the Master Indenture 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 provision shall impair the right of the Master Trustee to take any other action authorized by the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Waiver of Event of Default. 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 to the Master Trustee and the Holders may be exercised from time to time and as often as may be deemed expedient by them. 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 of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture. 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 and its consequences; provided, however, that, except under the circumstances described in the second paragraph under the heading "Acceleration; Annulment of Acceleration" above, 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.

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, subject to the imposition on the receiver of all applicable Industry Restrictions and Governmental Restrictions, 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.

Master Trustee Limit on Obligation to Foreclose. Notwithstanding anything contained in the Master Indenture or in the Deed of Trust to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Master Trustee to liability under any Environmental Law, the Master Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto. The term "Hazardous Substances" shall mean any chemical, substance or material classified or designated as hazardous, toxic or radioactive, or other similar term, and now or hereafter regulated under any Environmental Law, including without limitation, asbestos, petroleum and hydrocarbon products. The Master Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action.

Supplements and Amendments

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:

(i) To correct any ambiguity or formal defect or omission in the Master Indenture;

(ii) 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 under the Master Indenture and which does not materially and adversely affect the interests of the Holders;

(iii) 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;

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

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

(vi) To obligate a successor to any Obligated Group Member; or

(vii) To add a new Obligated Group Member; or

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

Supplements Requiring Consent of Holders. Other than Related Supplements referred to in the preceding section, 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 in the Master Indenture; provided, however, that nothing 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 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 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; or

(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.

Satisfaction and Discharge of Master Indenture

Satisfaction and Discharge of Master Indenture. The Master Indenture shall cease to be of further effect (except for certain compensation and reimbursement provisions, 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) an Irrevocable 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 under the Master Indenture 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 the 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. 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.

Credit Enhancer Deemed Holder of Master Indenture Obligation. Except to the extent a Related Supplement or a Master Indenture Obligation provides otherwise, any credit enhancer of Related Bonds shall be deemed the Holder of the related Master Indenture Obligation for purposes of the 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 Master Indenture Obligation shall be treated as if such related Master Indenture Obligation were two Master Indenture 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.

SUPPLEMENT NO. 6

General

The following are summaries of certain provisions of Supplement No. 6. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of Supplement No. 6.

Payments on Obligation No. 6; Credits

Principal of and interest and any applicable redemption premium on Obligation No. 6 are payable in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts. Except as provided in Supplement No. 6 and described in the following paragraph with respect to credits, and the section regarding redemption, payments on the principal of and premium, if any, and interest on Obligation No. 6 shall be made at the times and in the amounts specified in Obligation No. 6 by the Corporation (i) depositing or causing to be deposited the same with or to the account of the Bond Trustee at or prior to the opening of business on the day such payments shall become due or payable (or the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal corporate trust office of the Bond Trustee is located) and (ii) giving notice to the Master Trustee and the Bond Trustee of each payment of principal, interest or premium on Obligation No. 6, that specifies the amount paid, identifies such payment as a payment on Obligation No. 6 and identifies the Obligated Group Members on whose behalf such payment is made. Subject to receipt by the Master Trustee from the

Holder of Obligation No. 6 of notice to the contrary, the Master Trustee may conclusively assume that such payment has been made when due.

The Corporation shall receive credit for payment on Obligation No. 6, in addition to any credits resulting from payment or redemption from other sources, as follows:

(i) On installments of interest on Obligation No. 6 in an amount equal to moneys deposited in the Interest Account created under the Bond Indenture to the extent such amounts have not previously been credited against payments on Obligation No. 6;

(ii) On installments of principal of Obligation No. 6 in an amount equal to moneys deposited in the Principal Account created under the Bond Indenture, to the extent such amounts have not previously been credited against payments on Obligation No. 6;

(iii) On installments of principal and interest on Obligation No. 6 in an amount equal to the principal of Bonds for the payment at maturity or redemption of which sufficient amounts in cash or Investment Securities are on deposit as provided in the section of the Bond Indenture regarding deposit of money or securities 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 and interest which would have been used, but for such call for redemption, to pay principal of and interest represented by such Bonds when due at maturity; and

(iv) On installments of principal and interest on Obligation No. 6 in an amount equal to the principal of Bonds acquired by the Corporation and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Redemption of Obligation No. 6

So long as all amounts which have become due under Obligation No. 6 have been paid or credits for such payments have occurred, the Members shall have the right, at any time and from time to time, to pay in advance all or part of the amounts to become due under Obligation No. 6; provided that in no event shall Obligation No. 6 be redeemed unless a corresponding amount of Bonds are also redeemed. Redemptions may be made by payments of cash or credits for such payments may occur by surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Revenue Fund and, at the request of and as determined by the Corporation, credited against payments due under Obligation No. 6 or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding (as defined in the Bond Indenture) or any additional payments required to be made under the Bond Indenture remain unpaid, the Corporation shall not be relieved of obligations under the Bond Indenture.

Registration, Number, Negotiability and Transfer of Obligation No. 6

Except as provided in Supplement No. 6 and as described in the following paragraph, Obligation No. 6 shall consist of a single Obligation without coupons registered as to principal and interest in the name of the Bond Trustee and no transfer of Obligation No. 6 shall be registered under the Master Indenture except for transfers to a successor Bond Trustee.

Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 6 may be transferred, if and to the extent the Bond Trustee requests that the restrictions of Supplement No. 6 described in the preceding paragraph on transfers be terminated.

Modifications to Master Indenture Provisions So Long As Bonds Outstanding

Supplement No. 6 contains amendments to certain provisions of the Master Indenture for so long as the Bonds are Outstanding:

Clause (bb) of the definition of "Permitted Liens" in shall be changed to read as follows: "(bb) Any other Lien on Property provided that the Value of all Property other than Gross Revenues encumbered by all Liens permitted as described in this clause (bb) does not exceed 15% of the sum of the Value of all Property, Plant and Equipment of the Obligated Group Members, calculated at the time of creation of such Lien."

The definition of "Value" in shall be changed to read as follows: "'Value,' when used with respect to Property, means the aggregate value of all such Property, with each component of such Property valued at its Book Value."

The references to "1.10" in the section of the Master Indenture relating to debt service coverage shall be changed to "1.25."

The references to "sixty (60) days" in the section of the Master Indenture relating to the period to cure a covenant default shall be changed to "thirty (30) days."

A new section is added to the Master Indenture to provide as follows:

Days Cash on Hand. Each Member of the Obligated Group agrees that the Obligated Group will maintain a Days Cash on Hand of not less than 60 as of the end of each period for which a calculation is required as described in the following paragraph.

Compliance with the requirements of the prior paragraph shall be calculated by the Obligated Group semi-annually as of each March 31 and September 30, commencing March 31, 2017, based on (i) for each March 31, unaudited financial statements of the Obligated Group when available (but no later than 60 days after the period-end) and (ii) for each September 30, the Obligated Group Financial Statements for each Fiscal Year when available (but not later than 150 days after the year-end each September 30, commencing with the Fiscal Year ending September 30, 2017).

If the requirement to maintain Days Cash on Hand is not met for any period described in the previous paragraph, the Obligated Group agrees to retain an Independent Consultant to make recommendations designed to increase Days Cash on Hand to the required number of Days Cash on Hand. Each Member of the Obligated Group agrees to follow, to the extent permitted by law, the recommendations of the Independent Consultant.

So long as an Independent Consultant shall be retained and each Member of the Obligated Group shall follow such Independent Consultant's recommendations to the extent required by the Master Indenture, the covenants set forth in the Master Indenture described in this section shall be deemed to have been complied with even if the Days Cash on Hand of the Obligated Group are below the required level as of the end of any period for which the calculations are required; provided, however, that it shall constitute an Event of Default if the Days Cash on Hand are less than 45 days as of the end of any such period, regardless of whether an Independent Consultant's recommendations are being followed or an Independent Consultant has been retained.

"Days Cash on Hand" means, as of any applicable date of determination, the amount calculated as the quotient of:

1) the sum of cash and Unrestricted Investments (excluding any debt service reserve funds) less Short-Term Indebtedness on such date; <u>divided by</u>

2) (x) operating expenses for the twelve months then ended, excluding depreciation and amortization expense; <u>divided by</u> (y) the number of days in such twelve month period

"Unrestricted Investments" means readily marketable securities and other liquid investments which are generally available for payment of operating expenses or debt service.

A new Section is added to the Master Indenture to provide as follows:

Ratio of Funded Debt to Capitalization. Each Obligated Group Member agrees that it shall not permit the ratio determined by dividing the sum of its Funded Debt by the amount of its Capitalization to be greater than 0.70 to 1.00 as of the end of each period for which a calculation is required as described in the paragraph below. It shall constitute an Event of Default if such ratio is greater than 0.70 to 1.00 as of the end of any such period.

Compliance with the Funded Debt to Capitalization ratio shall be calculated by the Obligated Group semi-annually as of each March 31 and September 30, commencing March 31, 2017, based on (i) for each March 31, unaudited financial statements of the Obligated Group when available (but no later than 60 days after the period-end) and (ii) for each September 30, the Obligated Group Financial Statements for each Fiscal Year when available (but not later than 150 days after the year-end each September 30, commencing with the Fiscal Year ending September 30, 2017).

"Capitalization" means the sum of (i) the aggregate principal amount of all outstanding Long-Term Indebtedness of the Obligated Group plus (ii) the aggregate amount of unrestricted net assets of the Obligated Group.

"Funded Debt" means the aggregate of all the outstanding principal balances of all Indebtedness for borrowed money and capitalized leases, if any.

BOND INDENTURE

General

The Bond Indenture sets forth the terms of the Bonds, the application of the Bond proceeds, the nature and extent of the security for the Bonds, various rights of the Bondholders, rights, duties and immunities of the Bond Trustee and the rights and obligations of the Authority. Certain provisions of the Bond Indenture are summarized below. Other provisions are summarized in this Official Statement under the captions "THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Bond Indenture.

Definitions

The following is a summary of certain terms used in this Summary of Principal Documents. All capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Bond Indenture.

Additional Payments means the payments so designated and required to be made by the Corporation pursuant to the Loan Agreement.

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 means the California Public Finance Authority, or its successors and assigns.

Authorized Representative means with respect to the Corporation and each Member of the Obligated Group, each chairman, president, chief executive officer, chief financial officer or any other person designated as an Authorized Representative by a Certificate signed by the chairman, president, chief executive officer or chief financial officer of the Corporation or such Member and filed with the Bond Trustee.

Authorized Signatory means any member of the Board of Directors 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.

Bonds means California Public Finance Authority Revenue Bonds (Henry Mayo Newhall Hospital), Series 2017, authorized by, and at any time Outstanding pursuant to, the Bond Indenture.

Bond Indenture means the Bond Indenture relating to the Bonds, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

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 Bond Trustee under the Bond Indenture.

C***ertificate***, ***Statement***, ***Request***, ***Requisition*** and ***Order*** of the Authority or the Corporation mean, respectively, a written certificate, statement, request, requisition or order signed (i) in the name of the Authority by an Authorized Signatory of the Authority, or (ii) in the name of the Corporation by an Authorized Representative of the Corporation. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Bond Indenture, each such instrument shall include the statements provided for in the Bond Indenture.

Code means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

Continuing Disclosure Agreement means that certain Continuing Disclosure Agreement between the Corporation and the Bond Trustee dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Corporate Trust Office means the office of the Bond Trustee, or such other or additional offices as shall be specified by the Bond Trustee in writing delivered to the Authority and the Corporation except that with respect to presentation of the Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Bond Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Corporation means Henry Mayo Newhall Memorial Hospital dba Henry Mayo Newhall 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 the Master Indenture.

Corporation Documents means, collectively, the Loan Agreement, the Master Indenture, Supplement No. 6, Obligation No. 6, the Deed of Trust, the Tax Certificate and any other document or agreement executed on behalf of the Corporation in connection with the transactions contemplated thereby.

Deed of Trust has the meaning given to such term in the Master Indenture, and includes the Deed of Trust, as supplemented by the First Supplemental Deed of Trust with Fixture Filing and Security Agreement, dated as of February 1, 2014, and as further supplemented by the Second Supplemental Deed of Trust with Fixture Filing and Security Agreement, dated as of February 1, 2017, from the Corporation, as trustor, to First American Title Company, as deed of trust trustee, for the benefit of the Master Trustee, as beneficiary.

Deed of Trust Property has the meaning given to such term in the Master Indenture.

Defeasance Obligations means:

(1) non-callable 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);

(2) evidences of ownership of proportionate interests in future interest and principal payments on obligations described in clause (1), provided that such obligations are held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated;

(3) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively; and

(4) securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof.

Event of Default means any of the events specified in the Bond Indenture.

Facilities means the Corporation's acute health care facility located generally at 23845 McBean Parkway, 23833 McBean Parkway, 23701 McBean Parkway and 25727 McBean Parkway, in the community of Valencia in the City of Santa Clarita, California 91355.

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.

Fitch means Fitch, Inc., doing business as Fitch Ratings, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Bond Trustee.

Gross Revenues has the meaning given to such term in the Master Indenture

Holder or ***Bondholder***, whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

Interest Account means the account by that name established in the Revenue Fund pursuant to the Bond Indenture.

Investment Securities if and to the extent the same are at the time legal for investment of funds held under the Bond Indenture, dollar denominated investments (provided that the Bond Trustee shall be entitled to rely upon any investment directions from the Corporation as conclusive certification to the Bond Trustee that the investments described therein are so authorized under the laws of the State of California):

(a) United States Government Obligations;

(b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency;

(c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation or the Federal Farm Credit Bank) which is either (i) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, or (ii) backed by the full faith and credit of the United States of America;

(d) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Master Trustee or the Bond Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and , which mature not more than 365 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which matures not more than 270 days after the date of purchase;

(f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(g) asset-backed securities, commercial mortgage-backed securities, or mortgage-backed securities which are, at the time of purchase, rated by any Rating Agency in any of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(h) investment agreements with banks that at the time the agreement is executed are at the time of purchase rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency or investment agreements with non-bank financial institutions, provided that (1) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time the agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is at the time of purchase rated by any Rating Agency in one of the two highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term indebtedness by any Rating Agency. If such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), then investment agreements with the non-bank financial institution will be permitted;

(i) repurchase agreements with respect to and secured by United States Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including the Bond Trustee or its affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and that the collateral is free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Bond Trustee or the Bond Trustee's agent; and

(j) investments in a money market fund, including funds of the Bond Trustee or its affiliates, rated (at the time of purchase) in the highest rating category for this type of investment by any Rating Agency including such funds for which the Bond Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives and retains a fee for services provided to the fund, (ii) the Bond Trustee collects fees for services rendered pursuant to this Bond Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or an affiliate of the Bond Trustee; and

(k) shares in any investment company, money market mutual fund, fixed income mutual fund, Exchange Traded Fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and whose investments consist solely of Investment Securities as defined in paragraphs (a) through (j) above, including such funds for which the Bond Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives and retains a fee for services provided to the fund, (ii) the Bond Trustee collects fees for services rendered pursuant to this Bond Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or an affiliate of the Bond Trustee.

The Bond Trustee shall be entitled to assume that any investment which at the time of purchase is an Investment Security remains an Investment Security thereafter, absent receipt of written notice or information to the contrary.

For the purposes of this definition, obligations issued or held in the name of the Bond Trustee (or in the name of Authority and payable to the Bond Trustee) in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Bond Trustee.

Loan Agreement means that certain loan agreement by and between the Authority and the Corporation, relating to the Bonds, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Bond Indenture.

Loan Default Event means any of the events specified in the Loan Agreement.

Loan Repayments means the payments so designated and required to be made by the Corporation pursuant to the Loan Agreement.

Mandatory Sinking Account Payment means the amount required by the Bond Indenture to be paid on any single date for the retirement of Bonds of such maturity.

Master Indenture means that certain Master Trust Indenture, dated as of December 1, 2013, between the Corporation 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 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 successor master trustee under the Master Indenture.

Members means each Person that is then obligated under the Master Indenture.

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.

Obligated Group has the meaning given that term in the Master Indenture.

Obligation No. 6 means the obligation issued under the Master Indenture and Supplement No. 6.

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 or the Bond Trustee. If and to the extent required by the provisions of the Bond Indenture, each Opinion of Counsel shall include the statements provided for in the Bond Indenture.

Outstanding, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Bond Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the 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 the Bond Indenture, including Bonds (or portions of Bonds) referred to in the Bond Indenture; 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 the Bond Indenture.

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 means the account by that name in the Revenue Fund established pursuant to the Bond Indenture.

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.

Project Fund means the fund by that name established pursuant to the Bond Indenture.

Rating Agency means S&P, Moody's, Fitch or any national rating agency then rating the Bonds.

Rating Category means one of the general rating categories of a Rating Agency without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

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 the Bond Indenture.

Revenue Fund means the fund by that name established pursuant to the Bond Indenture.

Revenues means all amounts received by the Authority or the Bond Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or Obligation No. 6, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Bond Indenture, but not including any Additional Payments or Administrative Fees and Expenses or any moneys required to be deposited to the Rebate Fund.

Serial Bonds means the Bonds, falling due by their terms in specified years, for which no Mandatory Sinking Account Payments are provided.

S&P means S&P Global Ratings, a business of Standard & Poor's Financial Services LLC, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Bond Trustee.

Supplement No. 6 means that certain supplemental master indenture, dated as of February 1, 2017, between the Corporation and the Master Trustee.

Tax Certificate means the Tax Certificate and Agreement delivered by the Authority and the Corporation at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

Term Bonds means the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

United States Government Obligations means:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of which are fully guaranteed by the United States of America;

(2) certificates or other instruments that evidence direct ownership of future principal and/or interest on obligations described in clause (1), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and

(3) obligations (a) the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (b) the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2), and (c) that are rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds).

Pledge and Assignment; Revenue 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, there are 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 the 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 the 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.

The Authority 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 the preceding paragraph and all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive any Additional Payments or Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to receive any amounts paid by the Corporation pursuant to the Loan Agreement relating to reimbursement of certain expenses or rights of the Authority to indemnification, enforcement or inspection or to receive notices or opinions, (iii) the obligation of the Corporation to make deposits pursuant to the Tax Certificate and (iv) the right of the Authority to enforce the special services covenant under the Loan Agreement) and Obligation No. 6. The Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bond Trustee and shall forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee shall also be entitled to and subject to the provisions of the 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. 6 other than for those rights retained by the Authority.

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 the Bond Indenture 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 the Bond Indenture.

Allocation of Revenues

On or before the fifth (5^{th}) Business Day prior to each Interest Payment Date, 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: 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: to the Principal Account, the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds and the aggregate amount of Mandatory Sinking Account Payments required to be paid into the respective Sinking Account for Outstanding Term Bonds, in each case at the next ensuing principal payment date; and

Third: to the Rebate Fund, such amounts as are required to be deposited therein by the Bond Indenture (including the Tax Certificate); and

Upon Request of the Corporation, any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the Corporation.

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 the Bond Indenture).

Application of Principal Account

All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying Sinking Fund Installments, or paying principal of the Bonds at maturity or to pay principal of the Bonds upon purchase or redemption as provided therein.

With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Bond Trustee shall transfer the amount deposited in the Principal Account for the purpose of making a Mandatory Sinking Account Payment from the Principal Account to the applicable Sinking Account. On each Mandatory Sinking Account Payment date, the Bond Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds of the maturity for which such Sinking Account was established, provided that, at any time prior to giving notice of such redemption, the Bond Trustee shall apply such moneys to the purchase of Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Bonds of the maturity for which such Sinking Account was established with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited Bonds of such maturity with the Bond Trustee, or Bonds of such maturity were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to the Bond Indenture shall be delivered to the Bond Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds of the maturity for which such Sinking Account was established are no longer Outstanding shall be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Corporation with the Bond Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Corporation directs.

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 the Bond Indenture, 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 or an Event of Default exists, in inverse order of their payment dates).

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the Bond Indenture shall be invested and reinvested by the Bond Trustee, upon the written direction of the Corporation, solely in Investment Securities subject to the limitations and other provisions set forth in the Bond Indenture.

Events of Default

The following events shall be Events of Default under the Bond Indenture:

(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 clause (D) below, default by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in the Bond Indenture or in the Bonds, if such default shall have continued for a period of 30 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 25% in aggregate principal amount of the Bonds at the time Outstanding;

(D) default by the Authority in the observance of the tax covenants set forth in the Bond Indenture, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Corporation; or

(E) a Loan Default Event.

Acceleration of Maturities

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Bond Trustee may, and upon the written direction of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon notice in writing to the Authority and the Corporation, declare the principal of the Bonds, 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 the Bond Indenture or in the Bonds contained to the contrary notwithstanding.

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, there shall be deposited with the Bond Trustee a sum sufficient to pay all the principal, Mandatory Sinking Account Payments or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rates borne by the respective Bonds and the reasonable charges and expenses of the Authority and the Bond Trustee, 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 Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding, by written notice to the Authority, the Corporation and the Bond Trustee, or the Bond Trustee may, on behalf of the Holders of all the Bonds, by written notice to the Authority and the Corporation, 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.

Bond Trustee to Represent Bondholders

The Bond Trustee is irrevocably appointed pursuant to the Bond Indenture (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Bond Indenture, the Loan Agreement, Obligation No. 6, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Bond Indenture, or in aid of the execution of any power granted in the Bond Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, in such Holders under the Bond Indenture, the Loan Agreement, Obligation No. 6, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Bond Indenture, pending such proceedings. All rights of action under the 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 the Bond Indenture.

Bondholders' Direction of Proceedings

Anything in the Bond Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, to direct the method of conducting all remedial proceedings taken by the Bond Trustee under the Bond Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the 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.

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 the Bond Indenture, the Loan Agreement, Obligation No. 6 or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than 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; (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 30 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Modification or Amendment of the Bond Indenture

The 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 when the written consent of the Corporation and the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the 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 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 such Supplemental Bond Indenture, 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.

The 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, so long as no Loan Default Event has occurred and is continuing, 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 the 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 in the Bond Indenture 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 the Bond Indenture, or in regard to matters or questions arising under the Bond Indenture, as the Authority, the Corporation or the Bond Trustee may deem necessary or desirable and not inconsistent with the Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Bond Indenture in such manner as to permit the qualification of the Bond Indenture 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 Certificate;

(5) to facilitate the transfer of Bonds from one Securities Depository to another or the withdrawal from the 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; or

(7) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

Amendment of Loan Agreement

Except as provided in the Bond Indenture, the Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination unless the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination is filed with the Bond Trustee, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Authority or the Bond Trustee by the Corporation pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

Notwithstanding the provisions of the Bond Indenture described in the paragraph above, 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 the 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 changes which will not materially adversely affect the interests of the Holders of the Bonds.

The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by the Bond Indenture as described above which materially adversely affects the Bond Trustee's own rights, duties or immunities under the Bond Indenture or otherwise. In executing, or accepting the additional covenants and agreements created by, any amendment, modification or termination of the Loan Agreement permitted by the Bond Indenture, the Bond Trustee and the Authority shall receive, and shall be fully protected in relying

upon, an Opinion of Counsel stating that the execution of such amendment, modification or termination of the Loan Agreement is authorized by and in compliance with the Bond Indenture.

Discharge of Bond Indenture

The Bonds may be paid by the Authority or the Bond Trustee on behalf of the Authority in any of the following ways:

(a) 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;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount to pay when due or redeem all Bonds then Outstanding; or

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the Bond Indenture 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 the Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Bond Indenture and the pledge of Revenues and other assets made under the Bond Indenture and all covenants, agreements and other obligations of the Authority under the Bond Indenture (except as otherwise specifically provided in the Bond Indenture) shall cease, terminate, become void and be completely discharged and satisfied.

Deposit of Money or Securities with Bond Trustee

Whenever in the 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 the Bond Indenture (other than the Rebate Fund) and shall be:

(a) 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 provided in the Bond Indenture 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

(b) Defeasance Obligations (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient, in the opinion of a certified public accountant, 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 provided in the Bond Indenture 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 the 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.

LOAN AGREEMENT

General

The Loan Agreement is an agreement between the Authority and the Corporation whereby the Authority agrees to lend the proceeds of the Bonds to the Corporation and the Corporation agrees to make payments to the Bond Trustee sufficient to pay debt service on the Bonds.

The following are summaries of certain provisions of the Loan Agreement. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Loan Agreement.

Definitions

Unless otherwise required by context, all terms used in the Loan Agreement have the meanings assigned to such terms in the Bond Indenture.

Issuance of Obligation No. 6

In consideration of the issuance of the Bonds by the Authority and the application of the proceeds thereof as provided in the Bond Indenture, the Corporation agrees to issue, and to cause to be authenticated and delivered to the Authority or its designee, pursuant to the Master Indenture and Supplement No. 6, concurrently with the issuance and delivery of the Bonds, Obligation No. 6. The Authority agrees that Obligation No. 6 shall be registered in the name of the Bond Trustee.

Payments of Principal, Premium and Interest

In consideration of the loan of such proceeds to the Corporation, the Corporation agrees that, on or before the fifth (5^{th}) Business Day preceding each Interest 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 next Interest Payment Date by the Bond Indenture. Notwithstanding the foregoing, if four (4) Business Days 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 under the Loan Agreement 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.

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: (i) 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 under the Loan Agreement or arising due to the transactions contemplated thereby; (ii) all reasonable fees, charges and expenses of the Bond Trustee for services rendered under the Bond Indenture, as and when the same become due and payable; (iii) 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 or opinions or provide such other services required under the Loan Agreement or the other Corporation Documents; and (iv) 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 the Loan Agreement, the other Corporation Documents, the Bonds or the Bond Indenture. Such Additional Payments shall be billed to the Corporation by the Authority or the Bond Trustee from time to time and shall be paid by the Corporation within 30 days after receipt of the bill by the Corporation.

Credits for Payments

The Corporation shall receive credit against its Loan Repayments, 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 the Bond Indenture) in cash or Investment Securities are on deposit as provided in the Bond Indenture to the extent such amounts have not previously been credited against such payments, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal, premium, if any, and interest which would have been used, but for such call for redemption, to pay principal of and interest on such Bonds when due at maturity; and

(d) on installments of principal and interest in an amount equal to the principal amount of Bonds acquired by the Corporation and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Prepayment

The Corporation shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Optional Redemption Account of the Redemption Fund and, at the request of and as determined by the Corporation, credited against payments due under the Loan Agreement 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 under the Loan Agreement remain unpaid, the Corporation shall not be relieved of its obligations thereunder.

Tax Covenant

The Corporation covenants and agrees that it will at all times do and perform all acts and things permitted by law, the Tax Certificate and the Loan Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded.

Continuing Disclosure

The Corporation covenants and agrees that it will 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. Notwithstanding any other provision of the Loan Agreement or the Bond Indenture, failure of the Corporation to enter into and comply with the such a 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 such Continuing Disclosure Agreement) or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall (but only to the extent the Bond Trustee has been indemnified by the Corporation 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 Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations described in this paragraph.

Events of Default

The following events will be "Loan Default Events": (i) failure by the Corporation to pay in full any Loan Repayment when such Loan Repayment is due and payable; (ii) failure of the Corporation to pay any other payment required under the Loan Agreement when due and payable; (iii) if any representation or warranty made by the Corporation in any Corporation Document or in any document, instrument or certificate furnished to the Bond Trustee or the Authority in connection with the issuance of Obligation No. 6 or the Bonds shall at any time prove to have been incorrect in any material respect as of the time made; (iv) failure by the Corporation to observe or perform any covenant, condition, agreement or provision in the Loan Agreement on its part to be observed or performed, other than as referred to in (i) - (iii) above, or breach of any warranty by the Corporation contained in any Corporation Document, for a period of 30 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 30-day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such 30-day period, such failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Bond Trustee; (v) certain incidents of bankruptcy, insolvency or similar conditions; (vi) 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 Facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or (vii) any Event of Default as defined in and under the Bond Indenture or the Master Indenture.

Remedies on Default

Upon the occurrence and during the continuance of any Loan Default Event, the Authority or the Bond Trustee, on behalf of the Authority, but subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due under the Loan Agreement, to enforce performance and observance of any obligation or agreement of the Corporation under the Loan Agreement or to protect the interests securing the same, and may, among other things, upon written notice to the Corporation, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under the Loan Agreement, whereupon the same shall become immediately due and payable. The Authority or the Bond Trustee may take any action at law or in equity to collect the payment required under the Loan Agreement 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 under the Loan Agreement.

Amendments of Loan Agreement

The Loan Agreement may be amended, changed or modified only as provided in the Bond Indenture.

DEED OF TRUST

General

The following is a summary of certain provisions of the Deed of Trust, as amended from time to time, including by the Second Supplemental Deed of Trust with Fixture Filing and Security Agreement, not described elsewhere in this Official Statement. This summary should not be considered as a full statement of the Deed of Trust. For purposes of this summary of the Deed of Trust, the term "Trustee" means the title company indicated in the Deed of Trust and "Trustor" means the Corporation.

Grant in Trust

The Trustor irrevocably grants, bargains, sells, conveys, grants a security interest in, warrants, transfers and absolutely, unconditionally and irrevocably assigns, subject to "Permitted Liens" (as that term is defined in the Master Indenture), to the Deed of Trust Trustee, in trust, with power of sale and right of entry and possession, the entire right, title and interest (a) of Trustor in and to that certain real property (the "Land") situated in Los Angeles County, State of California, and more particularly described in the Deed of Trust, (b) that the Trustor otherwise may hereafter acquire in the Land, and (c) that the Trustor now has or may hereafter acquire in:

i. All buildings, structures, improvements, fixtures, equipment and appurtenances now and hereafter owned, constructed, located, erected, installed or affixed by or on behalf of the Trustor upon or appurtenant to the Land and all replacements and substitutions therefor ("Facilities");

ii. All appurtenances, improvements, easements, pipes, transmission lines or wires and other rights used in connection with the Land or as a means of access thereto, whether now or hereafter owned or constructed or placed upon, or used in connection with, in the Land or Facilities ("Appurtenances");

iii. All equipment, machinery, goods and other personal property of the Trustor, whether movable or not, if the same is: (a) now owned or hereafter acquired by the Trustor, (b) now or hereafter located at the Facilities, or (c) financed with the proceeds of any Master Indenture Obligations (as defined in the Master Indenture) under the Master Indenture (the "Master Indenture Obligations") (the equipment, machinery, goods and other personal property described in the clause (c) being referred to herein as "After Acquired Master Indenture Property"), and all improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor, including, without limitation, all machinery, equipment, material, furnishings and appliances for generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, for purposes of ventilation, sanitation or drainage, for exclusion of vermin or insects, for removal or disposal of dust, refuse or garbage; all elevators, awnings, window coverings, floor covering, laundry equipment, kitchen equipment, cabinets, furniture and furnishings; all fixed and moveable equipment now or hereafter installed or placed upon or in the Land or Facilities or After Acquired Master Indenture Property for use in health care, treatment, diagnosis and services or for other health care uses; the products and proceeds from any and all such property; all the estate, interest, right, title, property or other claim or demand of every nature whatsoever, in and to such property, including specifically, but without limitation, all deposits made with or other security given to utility companies by the Trustor with respect to such property and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire ("Equipment");

iv. All leases, subleases, occupancy agreements and licenses for use with respect to any or all the Land, Facilities, Appurtenances and Equipment and, without duplication, After Acquired Master Indenture Property ("Leases"),

v. All rentals or other payments which may now or hereafter accrue or otherwise become payable under the Leases to or for the benefit of the Trustor together with all other income, rents, revenues, issues, profits, reserves, and royalties produced by the Land, Facilities, Appurtenances and Equipment and, without duplication, After Acquired Master Indenture Property or by all management or service contracts or other contracts affecting the Property, including but not limited to security deposits (collectively the "Rents");

vi. All earnings, products, damages, indemnifications, insurance proceeds and any other proceeds from any and all of such Land, Facilities, Appurtenances, Equipment, Leases, Rents and without duplication After Acquired Master Indenture Property, and Accounts (as defined below) including specifically, but without limitation, all deposits made with or other security given to utility companies and claims or demands relating to insurance or condemnation awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by the Trustor with respect thereto ("Proceeds");

vii. All accounts, accounts receivable and other rights to payment of money now owned or hereafter acquired by the Trustor, whether due or to become due and whether or not earned by performance ("Accounts"), arising from the use or rental of the Facilities, Appurtenances, Equipment, Leases, Rents or Proceeds and without duplication After Acquired Master Indenture Property, including without limitation, the following:

(1) Any and all Accounts arising from any source, including without limitation operations of the Trustor or its agents at the Facilities and without duplication After Acquired Master Indenture Property; and

(2) Any and all Accounts accruing from in-patient, out-patient, day treatment, and any other programs run by and operations of the Trustor or its agents in the Facilities and without duplication, After Acquired Master Indenture Property.

For purposes thereof, "Accounts" covered include without limitation, to the extent permitted by law, accounts, chattel paper, deposit accounts and instruments as defined by the California Commercial Code, and any amounts receivable from third party payors (including insurance companies, Medicare and Medicaid, including without limitation any Medicare and/or Medicaid losses paid on recapture, unless otherwise prohibited by law) in connection with the foregoing;

viii. All right, title and interest of the Trustor in all the Trustor's inventory, raw materials, work in process, finished goods and goods held for sale or lease or furnished under contracts of service, and all returned and repossessed goods, and all goods covered by documents of title, including warehouse receipts, bills of lading and all other documents of every type covering all or any part of the property described in subsections i. through and including vii. above, now owned or hereafter acquired, whether held by the Trustor or any third party, which is located on, appurtenant to, relating to, or used by or useful in connection with the forgoing ("Inventory"); and

All of the above referenced Land, Facilities, Appurtenances, Equipment, Leases, Rents, Proceeds, Accounts, After Acquired Master Indenture Property and Inventory as conveyed to the Deed of Trust Trustee or made subject to the security interest herein described is collectively referred to herein as the "Property."

The Trustor warrants and agrees that as of the date of recording of the Deed of Trust it has not entered into any sales agreement, option, assignment, sublease, pledge, mortgage, deed of trust, financing statement, security agreement or any other arrangement regarding the Property apart from the transactions referenced in or secured by the Deed of Trust and apart from Permitted Liens and has not nor will execute any document or instrument referring to or covering the Property or any part thereof apart from matters constituting Permitted Liens, and no such documents or instruments are on file, recorded or in effect in any public office, other than Permitted Liens and agrees that the Property is, and shall be, kept free from any lien, security interest, encumbrance, pledge, or any other interest other than the Permitted Liens.

Secured Obligations

The grants described in the previous section are made for the purpose of securing the:

a. Payment and performance of each and every obligation of the Obligated Group Members (as defined in the Master Indenture) under the Master Indenture and any Related Supplement (as defined in the Master Indenture), with respect to all Master Indenture Obligations issued and Outstanding (as defined in the Master Indenture) under the Master Indenture including, without limitation, the payment of a dollar amount specified in the Deed of Trust or so much thereof as Outstanding, together with interest thereon as specified in the Master Indenture. The Deed of Trust shall secure any such Required Payments (as defined in the Master Indenture) which become due and payable as the result of any future advances made pursuant to the Master Indenture, whether such Required Payments are funded through advances which are either obligatory or are to be made at the option of Beneficiary or otherwise related to or in connection with the Master Indenture, as are made by Beneficiary to the same extent as if such future advances were made on the date of the execution of the Deed of Trust and any such future advances are intended to and shall have priority from the date the Deed of Trust is recorded.

b. Payment and performance of each and every obligation, covenant and agreement contained in the Deed of Trust.

The foregoing obligations are sometimes referred to in the Deed of Trust as the "Obligations" and, for purposes of this summary, are hereinafter referred to as the "Deed of Trust Obligations."

Security Agreement and Fixture Filing

The Deed of Trust shall also constitute a security agreement and the Trustor pledges and grants to the Beneficiary, subject to Permitted Liens, a security interest in and to all of the Property not constituting real property under the laws of the State of California ("Personal Property"), whether Trustor now has or hereafter obtains an interest in such Personal Property and all the proceeds or products thereof. Upon any default of the Trustor thereunder, the Beneficiary shall be entitled to exercise with respect to all such collateral all of the rights and remedies set forth in the Deed of Trust, in the Master Indenture or otherwise afforded to a secured party in default under the terms of Article 9 of the Uniform Commercial Code, any or all of which may be pursued and exercised concurrently, consecutively, alternatively or otherwise. The Trustor will execute and or file, as appropriate, one or more supplemental security agreements and financing statements as the Beneficiary may from time to time reasonably require, covering any property now or hereafter constituting a portion of the Property and otherwise the collateral securing the Deed of Trust Obligations secured thereunder and such financing statements and other and further assurances as the Beneficiary may reasonably request to perfect or evidence the security interest created in the Deed of Trust (which shall cover all proceeds and products of collateral), including, but not limited to, UCC-1 Financing Statements (which shall contain the description of collateral attached as Exhibit B) and UCC Continuation Statements.

The Trustor will pay all costs of filing any financing, continuation or termination statements with respect to the security interest created by the Deed of Trust; and the Beneficiary is authorized and appointed the Trustor's attorney-in-fact to do, at the Beneficiary's option and at the Trustor's expense, all acts and things which the Beneficiary may deem necessary to perfect and continue perfected the security interest created by the Deed of Trust and to protect the Property. The Beneficiary may execute, sign, endorse, transfer or deliver, in the name of the Trustor, notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, certificates of title, applications for certificates of title, or any other documents necessary to evidence, perfect or realize upon the security interests and Deed of Trust Obligations created or secured by the Deed of Trust. The authority shall be considered a power coupled with an interest and shall be irrevocable until all the Deed of Trust Obligations secured under the Deed of Trust shall have been paid in full.

The Deed of Trust constitutes a Financing Statement filed under Section 9502(c) of the Uniform Commercial Code as a fixture filing in the Official Records of the County Recorder of the County in which the property is located with respect to any and all Property that may now or hereafter become or constitute Fixtures (as defined by the Uniform Commercial Code), and with respect to any goods or other Personal Property that may now be or hereafter become such Fixtures.

All references in the Deed of Trust to Uniform Commercial Code shall be to the Uniform Commercial Code, as enacted in the State of California.

Covenants of the Trustor

For the purpose of protecting and preserving the security of the Deed of Trust, the Trustor promises and agrees as follows:

i. to take all commercially reasonable action necessary to keep the Property free of dry rot, fungus, termites, beetles and all other wood-boring, wood-eating, harmful or destructive insects, and in all respects properly to care for and keep all of the Property, including all such buildings, structures and other improvements, in good condition and repair consistent with the requirements of the Master Indenture;

ii. not to remove, demolish or substantially alter (except such alterations as may be required by laws, ordinances or regulations or permitted pursuant to the Master Indenture) any of the Facilities; provided, however, that the Trustor may make such proper replacements, repairs, renewals, removals and alterations as it shall in good faith reasonably determine are necessary or advisable to maintain or enhance the efficiency and value of the security created under the Deed of Trust;

iii. to complete promptly and in good and businesslike manner any building or other improvements which may be constructed on the Land, to promptly restore in like manner (to the extent permitted by law) any Facilities which may be damaged or destroyed thereon, and to pay when due and payable all claims for labor

performed and materials furnished therefor, provided that the Trustor shall not be required to pay any such claim if it shall diligently in good faith contest the validity thereof and, if so contested, shall provide a bond or other security for or method of payment thereof in a manner satisfactory to the Master Trustee in its sole discretion;

iv. to comply with all laws, ordinances, regulations, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements to be made thereon;

v. not to commit, suffer or permit any waste, and not to permit any deterioration, of the Property; and

vi. not to commit, suffer or permit any act to be done in or upon the Property in violation of any law or ordinance if such act might have consequences that would materially and adversely affect the financial condition, assets, properties or operation of the Trustor;

Trustor shall provide and maintain hazard insurance as required by the Master Indenture, and to deliver duplicate originals or certified copies of the policies of said insurance to the Deed of Trust Trustee upon its request; it being mutually agreed that the proceeds of any claim under such insurance in excess of the amount described in the Master Indenture shall be deposited and applied as provided in the Master Indenture, and are assigned under the Deed of Trust to said Master Trustee to be held and disbursed by the Master Trustee as provided in the Master Indenture, and that any unexpired insurance and all returnable insurance premiums shall inure to the benefit of, and pass to, the purchaser of the property covered thereby at any Deed of Trust Trustee's sale held thereunder;

Trustor shall appear in and defend any action or proceeding affecting or purporting to affect the security of the Deed of Trust, any additional or other security for any of the obligations secured under the Deed of Trust, or the interest, rights, powers, or duties of the Deed of Trust Trustee or the Beneficiary thereunder, it being agreed, however, that in the case of an action or proceeding against the Deed of Trust Trustee or the Beneficiary said Deed of Trust Trustee or Beneficiary, at its option, may appear in and defend any such action or proceeding and, in addition, it being agreed that the Deed of Trust Trustee or Beneficiary may commence any action or proceeding deemed necessary by it to perfect, maintain or protect such interest, rights, powers or duties, all in such manner and to such extent as it may determine in its sole discretion to be appropriate, and the Deed of Trust Trustee or Beneficiary is authorized to pay, purchase or compromise on behalf of the Trustor any encumbrance or claim which in its judgment appears or purports to affect the security thereof or to be superior hereto; to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum, in any above described action or proceedings in which the Beneficiary or the Deed of Trust Trustee may appear;

Trustor promises and agrees:

i. to pay at least five (5) days before default or delinquency, and submit to the Beneficiary a receipt or other evidence of payment, or certified copy thereof, evidencing payment of, all taxes and assessments affecting the Property, and any accrued interest, cost or penalty thereon, provided that the Trustor shall not be required to pay any such tax or assessment if it shall diligently in good faith contest the validity thereof and, if so contested, shall provide a bond or other security for or method of payment thereof in a manner satisfactory to the Master Trustee in its sole discretion;

ii. to pay when due and payable all encumbrances (including any debt secured by deed of trust), ground rents, liens or charges, with interest, on the Property or any part thereof which appear to be prior or superior hereto, and to pay immediately and in full all such encumbrances (excluding permitted encumbrances), rents, liens or charges, if any, which may now be due or payable; provided that the Trustor shall not be required to pay any such encumbrances, rent, lien or charge if it shall in good faith contest the validity thereof and, if so contested, shall provide a bond or other security for or method of payment thereof in manner satisfactory to the Beneficiary in its sole discretion; and

iii. to pay when due and payable all costs, fees and expenses of these trusts, including costs of evidence of title and the Deed of Trust Trustee's fees in connection with sale, whether completed or not, which amounts shall become due upon delivery to the Deed of Trust Trustee of declaration of default and demand for sale, as hereinafter provided; and

Trustor shall pay immediately and without demand all reasonable sums expended or expenses incurred by the Deed of Trust Trustee or by the Beneficiary to enforce the terms of the Deed of Trust and/or the Master Indenture, including reasonable attorneys' fees, under any of the terms of the Deed of Trust, with interest from date of expenditure at the lower of ten percent (10%) per annum (compounded monthly) or the maximum rate permitted by law to be charged by Deed of Trust Trustee;

Trustor shall not, directly or indirectly (through the conveyance of ownership interests in the beneficial owners of the Property at any level), sell, convey, mortgage, grant, bargain, encumber, pledge, assign, grant options with respect to, lease or otherwise transfer or dispose of (voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) the Property or any part thereof or any legal or beneficial interest therein other than (i) with respect to Permitted Liens, or (ii) as expressly permitted pursuant to the terms of the Master Indenture;

Trustor shall promptly, upon the written request of Beneficiary, but not more frequently than once per year, provide to Beneficiary, at Trustor's expense, with an environmental site assessment or environmental audit report prepared by an environmental engineering firm acceptable to Beneficiary and in a form acceptable to Beneficiary, assessing the presence or absence of any Hazardous Materials (as hereinafter defined) and the potential costs in connection with the abatement, cleanup or removal of any Hazardous Materials found in, on, under or about the Property. Trustor shall cooperate in the conduct of such site assessment or environmental audit; and

In the event of the passage after the date of the recordation of the Deed of Trust of any law of the State of California reducing the value of the Property or any part hereto for the purpose of taxation, or resulting in any lien on the Property, or changing in any way the laws now in force for the taxation of the Deed of Trust or the indebtedness secured under the Deed of Trust for state or local purposes (but not including income taxes payable on the receipt of interest due under the Master Indenture) in a manner which is adverse to Beneficiary, or the manner of the operation of any such taxes so as to adversely affect the interest of Beneficiary, then, and in such event, Trustor shall bear and pay the full amount of such taxes.

Remedies

Upon the occurrence of any failure to pay and perform the Deed of Trust Obligations when due or otherwise upon an Event of Default under the Master Indenture, Beneficiary may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Trustor and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Beneficiary, whether at law, equity or otherwise:

Acceleration; Notice of Default. The Beneficiary shall have the option of declaring the unpaid balance owing under the Master Indenture Obligations and any other sums secured under the Deed of Trust immediately due and payable as provided in the Master Indenture. Having so declared, the Deed of Trust Trustee shall provide and record such notices of default and of the election to cause the Property or any part of it to be sold as are required by law. The Deed of Trust Trustee, upon written request by the Beneficiary, from time to time before the Deed of Trust Trustee's sale, may rescind any such notice of default and of election to cause to be sold the Property and may execute a written notice of such a rescission, which notice, when recorded, shall also constitute a cancellation of any prior declaration of default and demand for sale. The exercise of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring or impair the right of the Beneficiary to execute and deliver to the Deed of Trust Trustee; as above provided, other requests for notices of default and of election to cause to be sold the Property to satisfy the obligations thereof, nor otherwise affect any provision, covenant or condition of this Deed of Trust or any of the rights, obligations or remedies of the parties hereunder.

Foreclosure. Institute an action to foreclose this Deed of Trust, or cause the Property or any part thereof to be sold under the power of sale granted under the Deed of Trust in any manner permitted by applicable law. In connection with any sale or sales hereunder, Beneficiary may elect to treat any of the Property which consists of a right in action or which is property that can be severed from the real property covered under the Deed of Trust or any improvements thereon without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with applicable law, separate and apart from the sale of real property. Any sale of any personal property hereunder shall be conducted in any manner permitted by Section 9604 of the Uniform Commercial Code or any

other applicable section of the Uniform Commercial Code. Where the Property consists of real and personal property or fixtures, whether or not such personal property is located on or within the real property, Beneficiary may elect in its discretion to exercise its rights and remedies against any or all of the real property, personal property, and fixtures in such order and manner as is now or hereafter permitted by applicable law. Without limiting the generality of the foregoing, Beneficiary may, in its discretion and without regard to the adequacy of its security, elect to proceed against any or all of the real property, personal property and fixtures in any manner permitted under Section 9604(a)(1) of the Uniform Commercial Code; and if Beneficiary elects to proceed in the manner permitted under Section 9604(a)(1)(B) of the Uniform Commercial Code, the power of sale granted under the Deed of Trust shall be exercisable with respect to all or any of the real property, personal property and fixtures covered under the Deed of Trust, as designated by Beneficiary, and Deed of Trust Trustee is under the Deed of Trust authorized and empowered to conduct any such sale of any real property, personal property and fixtures in accordance with the procedures applicable to real property. Where the Property consists of real property and personal property, any reinstatement of the obligation secured under the Deed of Trust, following default and an election by Beneficiary to accelerate the maturity of such obligation, which is made by Trustor or any other person or entity permitted to exercise the right of reinstatement under California Civil Code Section 2924c or any successor statute, shall, in accordance with the terms of Uniform Commercial Code Section 9604(a)(3)(C), not prohibit Beneficiary from conducting a sale or other disposition of any personal property or fixtures or from otherwise proceeding against or continuing to proceed against any personal property or fixtures in any manner permitted by the Uniform Commercial Code; nor shall any such reinstatement invalidate, rescind or otherwise affect any sale, disposition or other proceeding held, conducted or instituted with respect to any personal property or fixtures prior to such reinstatement or pending at the time of such reinstatement. Any sums paid to Beneficiary in effecting any reinstatement pursuant to California Civil Code Section 2924c shall be applied to the secured obligation and to Beneficiary's and Deed of Trust Trustee's reasonable costs and expenses in the manner required by California Civil Code Section 2924c. Should Beneficiary elect to sell any portion of the Property which is real property or which is personal property or fixtures that Beneficiary has elected under Uniform Commercial Code Section 9604(a)(1)(B) to sell together with real property in accordance with the laws governing a sale of real property, Beneficiary or Deed of Trust Trustee shall give such notice of default and election to sell as may then be required by law. Thereafter, upon the expiration of such time and the giving of such notice of sale as may then be required by law, and without the necessity of any demand on Trustor, Deed of Trust Trustee, at the time and place specified in the notice of sale, shall sell such real property or part thereof at public auction to the highest bidder for cash in lawful money of the United States, Deed of Trust Trustee may, and upon request of Beneficiary shall, from time to time, postpone any sale hereunder by public announcement thereof at the time and place noticed therefor. If the Property consists of several lots, parcels or items of property, Beneficiary may: (i) designate the order in which such lots, parcels or items shall be offered for sale or sold, or (ii) elect to sell such lots, parcels or items through a single sale, or through two or more successive sales, or in any other manner Beneficiary deems in its best interest. Any person, including Trustor, Deed of Trust Trustee or Beneficiary, may purchase at any sale hereunder, and Beneficiary shall have the right to purchase at any sale hereunder by crediting upon the bid price the amount of all or any part of the indebtedness secured under the Deed of Trust. Should Beneficiary desire that more than one sale or other disposition of the Property be conducted, Beneficiary may, at its option, cause the same to be conducted simultaneously, or successively, on the same day, or at such different days or times and in such order as Beneficiary may deem to be in its best interest, and no such sale shall terminate or otherwise affect the lien of this Deed of Trust on any part of the Property not sold until all indebtedness secured under the Deed of Trust has been fully paid. In the event Beneficiary elects to dispose of the Property through more than one sale, Trustor agrees to pay the costs and expenses of each such sale and of any judicial proceedings wherein the same may be made, including reasonable compensation to Deed of Trust Trustee and Beneficiary, their agents and counsel, and to pay all expenses, liabilities and advances made or incurred by Deed of Trust Trustee in connection with such sale or sales, together with interest on all such advances made by Deed of Trust Trustee at the lower of ten percent (10%) per annum (compounded monthly) or the maximum rate permitted by law to be charged by Deed of Trust Trustee. Upon any sale hereunder, Deed of Trust Trustee shall execute and deliver to the purchaser or purchasers a deed or deeds or a bill of sale or bills of sale conveying the property so sold, but without any covenant or warranty whatsoever, express or implied, whereupon such purchaser or purchasers shall be let into immediate possession of such property; and the recitals in any such deed or bill of sale of facts, such as default, the giving of notice of default and notice of sale, and other facts affecting the regularity or validity of such sale or disposition shall be conclusive proof of the truth of such facts, and any such deed or bill of sale shall be conclusive against all persons as to such facts recited therein.

Judicial Action. Bring an action in any court of competent jurisdiction to foreclose this Deed of Trust or to enforce any of the covenants and agreements contained therein.

Entry. Beneficiary personally, or by its agents or attorneys, may enter all or any part of the Property, and may exclude Trustor, its agents and servants wholly therefrom without liability for trespass, damages or otherwise. Trustor shall surrender possession of the Property to Beneficiary on demand after the happening of any default of the payment or performance of the Deed of Trust Obligations. Thereafter, Beneficiary may use, operate, manage and control the Property and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys or receivers. Upon each such entry, Beneficiary, at the expense of Trustor from time to time, either by purchase, repairs or construction, may maintain and restore the Property, may complete the construction of improvements (and in the course of such completion may make such changes in the contemplated or completed improvements as Beneficiary may deem desirable), may make all necessary or desirable repairs, renewals and replacements and such alterations, additions, betterments and improvements thereto and thereon as Beneficiary may deem advisable, and may insure the Property. Beneficiary shall have the right to manage, operate, rent and lease the Property and to carry on the business thereof and exercise all rights and powers of Trustor with respect thereto, either in the name of Trustor or otherwise as Beneficiary shall deem appropriate. The Deed of Trust Trustee and the Beneficiary shall not be under any obligation to make any of the payments or do any of the acts above mentioned, but, upon election so to do, employment of an attorney is authorized and payment of such reasonable attorney's fees and of all other necessary expenditures is secured under the Deed of Trust.

Without limitation of the foregoing, if Trustor defaults in the performance of any of the covenants or agreements contained in this Deed of Trust or under the Master Indenture, or if any action or proceeding is commenced which affects Beneficiary's interest in the Property or any part thereof, including, but not limited to, eminent domain, code enforcement, or proceedings of any nature whatsoever under any federal or state law, whether now existing or hereafter enacted or amended, relating to bankruptcy, insolvency, arrangement, reorganization or other form of debtor relief, then Beneficiary may, but without obligation to do so and without releasing Trustor from any obligation hereunder, cure such defaults, make such appearances, disburse such sums and/or take such other action as Beneficiary deems necessary or appropriate to protect Beneficiary's interest, including disbursement of attorneys' fees, entry upon the Property to make repairs, payment of taxes or insurance premiums or otherwise cure the default in question or protect the security of the Property, and payment, purchase, contest or compromise of any encumbrance, charge or lien encumbering the Property. Trustor further agrees to pay all expenses incurred by Beneficiary (including fees and disbursements of counsel) pursuant to this paragraph, including those incident to the curing of any default and/or the protection of the rights of Beneficiary hereunder, and enforcement or collection of payment of the Deed of Trust Obligations, including, without limitation, any future advances, whether by judicial or nonjudicial proceedings, or in connection with any bankruptcy, insolvency, arrangement, reorganization or other debtor relief proceeding of Trustor, or otherwise. Any amounts disbursed by Beneficiary pursuant to this paragraph shall be additional indebtedness of Trustor secured by this Deed of Trust as of the date of disbursement and shall bear interest at the lower of ten percent (10%) per annum (compounded monthly) or the maximum rate permitted by law to be charged by Deed of Trust Trustee from such date until paid by Trustor in full. All such amounts shall be payable by Trustor immediately without demand. Nothing contained in this paragraph shall be construed to require Beneficiary to incur any expense, make any appearance, or take any other action, and any action taken by Beneficiary pursuant to this paragraph shall be without prejudice to any other rights or remedies available to Beneficiary hereunder, under the Master Indenture or at law or in equity.

Collection of Rents. Beneficiary may collect and receive all Rents. Beneficiary may deduct, from the monies so collected and received, all expenses of conducting the business of the Property and of all maintenance, repairs, renewals, replacements, alterations, additions, betterments and improvements and amounts necessary to pay for insurance, taxes and assessments, liens or other charges upon the Property or any part thereof, as well as reasonable compensation for the services of Beneficiary and for all attorneys, agents, clerks, servants, and other employees engaged and employed by Beneficiary. After such deductions and the establishment of all reasonable reserves, Beneficiary shall apply all such monies to the payment of the unpaid Deed of Trust Obligations. Beneficiary shall account only for Rents actually received by Beneficiary. The collection or receipt of Rents from the Property by the Deed of Trust Trustee or the Beneficiary after declaration of default shall not affect or impair such default or declaration of default or any election to cause the Property to be sold or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt or collection of any such Rents.

Receivership. Beneficiary may have a receiver appointed to enter into possession of the Property, collect the Rents therefrom and apply the same as the court may approve. Beneficiary may have a receiver appointed, as a matter of right without notice and without the necessity of proving either the inadequacy of the security provided by this Deed of Trust or the insolvency of Trustor or any other person or entity who may be legally or equitably liable to pay the

Deed of Trust Obligations. Trustor and each such person or entity, presently and prospectively, waive such proof and consent to the appointment of such receiver. If Beneficiary or any receiver collects the Rents, the monies so collected shall not be substituted for payment of the Deed of Trust Obligations, nor can they be used to cure any default, without the prior written consent of Beneficiary. Beneficiary shall not be liable to account for Rents not actually received by Beneficiary. Without limiting the foregoing, Trustor specifically agrees that any action maintained by Beneficiary for the appointment of any receiver, trustee or custodian to collect rents, issues or profits or to obtain possession of the Property shall not constitute an "action" within the meaning of Section 726 of the California Code of Civil Procedure.

Specific Performance. Beneficiary may institute an action for specific performance of any covenant contained or in aid of the execution of any power granted in the Deed of Trust.

Recovery of Sums Required to be Paid. Beneficiary may, from time to time, take action to recover any sum or sums which constitute a part of the Deed of Trust Obligations as such sums shall become due, without regard to whether or not the remainder of the Deed of Trust Obligations shall be due, and without prejudice to the right of Beneficiary thereafter to bring an action of foreclosure or any other action for each default existing from time to time.

Waiver of Lien. To waive its lien against the Property or any portion thereof, whether fixtures or personal property, to the extent such property is found to be environmentally impaired in accordance with California Code of Civil Procedure 726.5 and to exercise any and all rights and remedies of an unsecured creditor against Trustor and all of Trustor's assets and property for the recovery of any deficiency and Environmental Costs, including, but not limited to, seeking an attachment order pursuant to California Code of Civil Procedure Section 483.010. As between Beneficiary and Trustor, for purposes of California Code of Civil Procedure 726.5, Trustor shall have the burden of proving that Trustor or any related party (or any affiliate or agent of Trustor or any related party) was not in any way negligent in permitting the release or threatened release of the Hazardous Materials. Trustor acknowledges and agrees that notwithstanding any term or provision contained in the Deed of Trust or in the Master Indenture, all judgments and awards entered against Trustor shall be exceptions to any non-recourse or exculpatory provision and Trustor shall be fully and personally liable for all judgments and awards entered against Trustor hereunder and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust and Trustor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance or any other transfer of the Property or this Deed of Trust. For the purposes of any action brought under this subparagraph, Trustor waives the defense of laches and any applicable statute of limitations.

Other Remedies. Exercise any and all other rights or remedies with respect to the Property or Trustor as may then be available under applicable law, including, but not limited to, the exercise of any and all rights and remedies in the manner and according to the procedures permitted under applicable law with respect to any personal property and/or real property covered by this Deed of Trust.

Amendments; Releases or Reconveyances.

The Deed of Trust may be amended, changed, modified or terminated at any time by the written consent of the Master Trustee and the Trustor, in accordance with the terms of the Master Indenture.

Without affecting the liability of any other Person liable for the payment of any obligation mentioned in the Deed of Trust, and without affecting the lien or charge of the Deed of Trust upon any property not then or theretofore released as security for the full amount of all unpaid obligations, the Deed of Trust Trustee may, upon written request by the Master Trustee in accordance with the Master Indenture, from time to time, and without notice to the Trustor, release any person other than the Trustor so liable, extend the maturity or alter any of the terms of any such obligation, or grant other indulgences, release or reconvey, or cause to be released or reconveyed, any portion or all of the Property, release any other or additional security for any obligation mentioned in the Deed of Trust, or make compositions or other arrangements with debtors in relation thereto; and if the Deed of Trust Trustee at any time holds any additional security for any obligations secured under the Deed of Trust, it may enforce the sale thereof or otherwise realize upon the same at its option, either before or concurrently with the Deed of Trust or after a sale is made thereunder.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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February __, 2017

California Public Finance Authority
1400 West Lacey Boulevard
Hanford, California 93230

$109,625,000
California Public Finance Authority
Revenue Bonds
(Henry Mayo Newhall Hospital)
Series 2017
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Public Finance Authority (the "Authority") in connection with issuance of $109,625,000 aggregate principal amount of California Public Finance Authority Revenue Bonds (Henry Mayo Newhall Hospital), Series 2017 (the "Bonds"), issued pursuant to a bond indenture, dated as of February 1, 2017 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to Henry Mayo Newhall Memorial Hospital, doing business as Henry Mayo Newhall Hospital (the "Corporation") pursuant to a loan agreement, dated as of February 1, 2017 (the "Loan Agreement"), between the Authority and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Certificate, opinions of counsel to the Trustee and the Corporation, certificates of the Authority, the Trustee, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Katten Muchin Rosenman LLP, special counsel to the Corporation, 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"). We note that the opinion is 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 within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Corporation does not address Section 513 of the Code. Failure

of the Corporation to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization 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 within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, 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, 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. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 limitations on legal remedies against joint powers authorities in 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 opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the

Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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 constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. 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. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX E

BOOK-ENTRY SYSTEM

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APPENDIX E

BOOK-ENTRY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX E HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE HOSPITAL OR THE TRUSTEE AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

The Depository Trust Company ("DTC") New York, NY, acts as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each maturity, and deposited with DTC.

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them.

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

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

Principal, premium, if any, redemption proceeds and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, its nominee, the Bond Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, as applicable, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement of physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

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

THE BOND TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by Henry Mayo Newhall Memorial Hospital dba Henry Mayo Newhall Hospital, a California nonprofit public benefit corporation (the "Hospital") and Digital Assurance Certification, L.L.C., in its capacity as dissemination agent hereunder (the "Dissemination Agent"), in connection with the issuance of $109,625,000 California Public Finance Authority Revenue Bonds (Henry Mayo Newhall Hospital), Series 2017 (the "Bonds"). The Bonds are being issued pursuant to a Bond Indenture, dated as of February 1, 2017 (the "Bond Indenture"), between the California Public Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (the "Bond Trustee"). The proceeds of the Bonds are being loaned by the Authority to the Hospital pursuant to a Loan Agreement, dated as of February 1, 2017 (the "Loan Agreement"), between the Authority and the Hospital. The obligations of the Hospital under the Loan Agreement are secured by payments made by the Hospital on Obligation No. 6 issued under the Master Indenture of Trust, dated as of December 1, 2013, as supplemented and amended to date (as from time to time amended and supplemented pursuant to its terms, the "Master Indenture"), between The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), and the Hospital, as the sole member of the Obligated Group and acting as Obligated Group Representative, pursuant to the Supplemental Master Indenture for Obligation No. 6 dated as of February 1, 2017 ("Supplement No. 6"), between the Master Trustee and the Hospital. The Dissemination Agent and the Hospital covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Hospital and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Hospital and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any Person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Hospital 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).

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Hospital and which has filed with the Master Trustee a written acceptance of such designation.

"Listed Event" 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 reports 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" means the final Official Statement dated January 24, 2017 relating to the Bonds.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Quarterly Report" shall mean any Quarterly Report provided by the Hospital pursuant to, and as described in, Section 3(c) of this Disclosure Agreement.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual and Quarterly Reports.

(a) The Hospital shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of its fiscal year, commencing with the fiscal year ending September 30, 2017, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report must be submitted to the MSRB in electronic format, accompanied by such indentifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Hospital 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 Hospital's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Hospital (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent and the Master Trustee (if the Master 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 Hospital to determine if the Hospital is in compliance with subsection (a).

(c) In addition to the Annual Report required to be filed pursuant to subsection (a), the Hospital shall, or shall cause the Dissemination Agent to, provide to the MSRB, not later than sixty (60) days after the end of each quarter of the Hospital's fiscal year (except for the fourth fiscal quarter), commencing with the fiscal quarter ended December 31, 2016, unaudited financial information for the Hospital for such fiscal quarter, including a balance sheet, a cash flow statement and a statement of operations, presented on a basis substantially consistent with the format of the audited financial statement.

In addition, the Hospital shall, or shall cause the Dissemination Agent to, provide such quarterly unaudited financial information or the Annual Report, at the same time as the filing with the MSRB, to any Beneficial Owner that submits a written request for such information to Hospital at least two (2) business days prior to the end of such fiscal quarter (except for the fourth fiscal quarter) or fiscal year, as appropriate (such request by the Beneficial Owner to remain in effect for subsequent filings until changed or revoked by such Beneficial Owner). The quarterly unaudited financial information must be submitted to the MSRB in electronic format, accompanied by such indentifying information as is prescribed by the MSRB.

(d) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by 6:00 p.m. Eastern time on the date required in subsection (a) (or, if such date falls on a

Saturday, Sunday or holiday, then the first business day thereafter), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(e) The Dissemination Agent shall file a report with the Hospital, the Authority and (if the Dissemination Agent is not the Master Trustee) the Master Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Neither the Dissemination Agent nor the Master Trustee shall have any duty or obligation to review such Annual Report.

(f) If either the underlying ratings of the California Statewide Communities Development Authority Insured Revenue Bonds (Henry Mayo Newhall Memorial Hospital), Series 2014 or the ratings on the Bonds are at any time downgraded to "BB+" or less by Fitch or "BB+" or less by S&P, the Hospital shall conduct semi-annual investor update calls until such time as the applicable rating is upgraded to "BBB-" or greater by Fitch or "BBB-" or greater by S&P.

SECTION 4. Content of Annual Reports. The Hospital's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Hospital 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 the Hospital's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB 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 information contained in Appendix A to the Official Statement under the caption "UTILIZATION", "STATISTICAL AND FINANCIAL INFORMATION—Sources of Net Patient Service Revenues", "—Financial Information", "OTHER STATISTICAL AND FINANCIAL INFORMATION—Outstanding Indebtedness", "—Maximum Annual Debt Service Coverage", "—Capitalization" and "—Liquidity" for the most recently completed fiscal year.

Any or all of the information above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues with respect to which the Hospital is an "obligated person" (as defined by the Rule), which have been made available to the public on the MSRB's website. The Hospital shall clearly identify each such other document so included by reference. Neither the Master Trustee nor the Dissemination Agent need verify the content or correctness of the Annual Report or quarterly financials.

SECTION 5. Reporting of Significant Events.

The Hospital shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, no later than ten (10) business days after the occurrence of such event:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, IRS notices or events affecting the tax status of the security;

7. modifications to rights of securities holders, if material;

8. bond calls, if material;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities, if material;

11. rating changes;

12. tender offers;

13. bankruptcy, insolvency, receivership or similar event of the obligated person;

14. merger, consolidation, or acquisition of the obligated person, if material; and

15. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The Dissemination Agent agrees to promptly file with the MSRB any notice of a Listed Event submitted to it by the Hospital for filing. Such notice of the occurrence of a Listed Event must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The Hospital'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 or upon delivery to the Master Trustee of an opinion of counsel expert in federal securities laws selected by the Hospital and acceptable to the Master Trustee to the effect that compliance with this Disclosure Agreement is not required by the Rule. If the Hospital's obligations under this Disclosure Agreement are assumed in full by some other entity, such Person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Hospital and the Hospital shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Hospital shall give notice of such termination or substitution in the same manner as for a Listed Event.

SECTION 7. Dissemination Agent. The Hospital 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 Hospital pursuant to this Disclosure Agreement. The Dissemination Agent (if other than the Hospital) may resign by providing thirty (30) days written notice to the Hospital and the Master 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 Hospital in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Hospital shall be the Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C.

The services provided by the Dissemination Agent under this Disclosure Agreement solely relate to the execution of instructions received from the Hospital and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). The Dissemination Agent will not provide any advice or recommendation to the Hospital or anyone on the Hospital's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Hospital and the Dissemination Agent (or the Master Trustee, if the Hospital is the Dissemination Agent) may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Hospital which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) 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, 4, or 5, 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 counsel expert in federal securities laws selected by the Hospital and acceptable to the Master Trustee, 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 Bond Indenture for amendments to the Bond Indenture with the consent of Holders, or (ii) does not, in the opinion of counsel expert in federal securities laws selected by the Hospital and acceptable to the Bond Trustee, 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 Hospital 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 Hospital. 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, 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 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Hospital 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 Hospital 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 Hospital 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 10. Default. In the event of a failure of the Hospital or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Master Trustee, at the request of any Participating Underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds to which this Disclosure Agreement then applies, shall, but only to the extent funds in an amount satisfactory to the Master 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 Master 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 Hospital 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 Bond Indenture, the Loan Agreement or the Master Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the Hospital or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Master Trustee and Dissemination Agent. Article V of the Master Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Master Indenture and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Master Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Hospital agrees to indemnify and save the Dissemination Agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's own negligence or willful misconduct. The obligations of the Hospital under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds of either Series. The Hospital covenants that if ever it serves as Dissemination Agent, it shall take all actions required of the Dissemination Agent under this Disclosure Agreement. The Dissemination Agent shall be paid compensation by the Hospital for its services provided hereunder as agreed by the Hospital and the Dissemination Agent and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided hereunder and is only responsible for the obligations set forth herein.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Hospital:

Henry Mayo Newhall Memorial Hospital
2354 McBean Pkwy
Valencia, Ca. 91355
Attention: Administration
Phone: 661-200-1025
Fax: 661-200-1042

To the Dissemination Agent:

Digital Assurance Certification, L.L.C.
315 East Robinson Street, Ste. 300
Orlando, FL 32801
Attention: Client Services
Phone: 888-824-2663
Fax: 407-515-6513

Any Person may, by written notice to the other Persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Hospital, the Dissemination Agent, the Participating Underwriter, the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of California (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: February 3, 2017

HENRY MAYO NEWHALL MEMORIAL HOSPITAL, a California nonprofit public benefit corporation

By:_____
Authorized Representative

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:_____
Authorized Representative

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	California Public Finance Authority
Name of Bond Issue:	California Public Finance Authority Revenue Bonds (Henry Mayo Newhall Hospital), Series 2017
Name of the Corporation:	Henry Mayo Newhall Memorial Hospital
Date of Issuance:	February 3, 2017

NOTICE IS HEREBY GIVEN that Henry Mayo Newhall Memorial Hospital has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated February 3, 2017, between Henry Mayo Newhall Memorial Hospital and Digital Assurance Certification, L.L.C., as dissemination agent thereunder. [The Hospital anticipates that the Annual Report will be filed by _____.]

Dated: _____

[_____],
as Dissemination Agent

_____

cc: Henry Mayo Newhall Memorial Hospital

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Henry Mayo
Newhall Hospital

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