



Corporate Trust Services
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101

Notice to Holders of:

**NOTICE OF SOLICITATION BY WEST CONTRA COSTA HEALTHCARE DISTRICT
OF VOTES ON CHAPTER 9 FIRST AMENDED PLAN FOR THE ADJUSTMENT OF
DEBTS DATED JULY 21, 2017**

\$17,335,000

**CERTIFICATES OF PARTICIPATION
(2004 Financing Program)**

**Evidencing a Direct, Undivided Fractional Interest of the
Owner Hereof in Installment Payments to be Made by the
WEST CONTRA COSTA HEALTHCARE DISTRICT
(Contra Costa County, California)**

**As the Purchase Price for Certain Property Pursuant to an
Installment Sale Agreement with the
WCCHD FINANCING CORPORATION
(CUSIP Nos.*: 952341AM7, AN5, AP0, and AQ8)**

\$39,700,000

**CERTIFICATES OF PARTICIPATION
(2011 Financing Program)**

**Evidencing a Direct, Undivided Fractional Interest of the
Owner Hereof in Installment Payments to be Made by the
WEST CONTRA COSTA HEALTHCARE DISTRICT
(Contra Costa County, California)**

**As the Purchase Price for Certain Property Pursuant to an
Installment Sale Agreement with the
WCCHD FINANCING CORPORATION II
(CUSIP Nos.*: 952341AV7, AW5, AX3, AY1, AZ8, BA2, BB0, BC8, and BD6)**

Please forward this notice to beneficial holders.

U.S. Bank National Association is the trustee (the "Trustee") under the Trust Agreements, which govern the above-referenced Certificates. Payments by West Contra Costa Healthcare District (the "District") under the Installment Agreements support payments due on the Certificates.

Reference should be made to the Official Statements, which, along with other information concerning the Certificates, the Trust Agreements, the Installment Agreements, and related matters, can be found on the Municipal Securities Rulemaking Board ("MSRB") website at www.emma.msrb.org. Reference should also be made to the Trustee's prior notices to Holders, including the prior notices dated January 19, 2017 and June 29, 2017, which were posted on the

MSRB website (the “Prior Notices”). Capitalized terms used herein that are not otherwise specifically defined shall have the meanings for such terms set forth in the Trust Agreements, the Installment Agreements and the Prior Notices.

The District’s Use of Limited Excess Parcel Tax Proceeds Under 928(b) Order

In the District’s Bankruptcy Proceeding, the District’s right to use a limited amount of excess Parcel Tax Revenues expired on June 30, 2017. The District informed the Trustee that based upon the District’s receipt of ad valorem taxes from the County in May 2017, the District did not require the use excess Parcel Tax Revenues beginning in June, 2017, and per the District’s projections, will not require additional excess Parcel Tax Revenues until October, 2017. As of today, there is no order regarding further use of excess Parcel Tax Revenues beyond June 30, 2017. The District has not made a formal request of the Trustee or filed a motion to use additional excess Parcel Tax Revenues, but has informed the Trustee that the District will do so.

The Pending Sale of the Hospital

As described in the Amended Disclosure Statement (defined below), various parties have objected to the Pending Sale of the Hospital. Under the terms of the contract between the District and the purchaser, either party may terminate the contract at any time since the Pending Sale did not close on or before June 30, 2017. The District has advised the Trustee that to date neither party has terminated the contract.

The District’s Amended Plan of Adjustment and Amended Disclosure Statement

On August 3, 2017, the District filed in the Bankruptcy Proceeding (i) that certain First Amended Plan For The Adjustment of Debts Dated July 21, 2017 (the “**Amended Plan**”) (Dkt. No. 145), and (ii) that certain First Amended Disclosure Statement For the Plan of Adjustment of Debts Dated July 21, 2017 (the “**Amended Disclosure Statement**”) (Dkt. No. 146). Pursuant to the Amended Plan, the District proposes to adjust the debts owed to all of its creditors, including the holders of the Certificates (the “**Holders**”). The District’s proposed treatment of Holders and the Certificates is set forth in the Amended Plan and Amended Disclosure Statement, and summarized in this Notice below. The District proposed the treatment of Holders and the Certificates set forth in the Amended Plan and Amended Disclosure Statement with no input from, or prior notice to, the Trustee. The Trustee has not agreed to any of the terms of the Amended Plan or Amended Disclosure Statement, makes no representations or warranties as to any aspect or provision of the Amended Plan and Amended Disclosure Statement, and has reserved all of its rights and remedies, including the right to oppose confirmation of the Amended Plan.

After a July 25, 2017 hearing in the Bankruptcy Proceeding to consider approval of the adequacy of the Amended Disclosure Statement, on August 8, 2017, the Bankruptcy Court entered an order approving the adequacy of the Amended Disclosure Statement (the “**Disclosure Statement Order**”) (Dkt. No. 148). Pursuant to the Disclosure Statement Order, among other things, the Bankruptcy Court:

- (1) Ordered the District to distribute to record Holders copies of the Disclosure Statement Order, the Amended Disclosure Statement, the Amended Plan, a cover letter from the District, a letter from the Committee of Unsecured Creditors, a “Beneficial Owner Ballot” for beneficial Holders to vote on the Amended Plan, and a “Master Owner Ballot” for record Holders to compile the votes of beneficial Holders (the “**Certificate Solicitation Package**”).
- (2) Ordered record Holders to distribute the Certificate Solicitation Package to their beneficial Holders.
- (3) Established procedures for beneficial Holders of the 2004 Certificates and the 2011 Certificates to vote on the Amended Plan. Detailed voting procedures are set forth in paragraph (10) of the Disclosure Statement Order.
- (4) Based on the assertion by Ambac Assurance Corporation (“Ambac”), which insured the 2004 Certificates but not the 2011 Certificates, that Ambac is entitled to vote the 2004 Certificates, established procedures in paragraph (11) of the Disclosure Statement Order for Ambac (in addition to Holders of the 2004 Certificates) to vote the 2004 Certificates. The Disclosure Statement Order provides that Ambac voting the 2004 Certificates in no way diminishes any right of beneficial Holders of the 2004 Certificates to submit votes. Ambac and the District have reserved their rights for the hearing on confirmation of the Amended Plan as to who (Holders of the 2004 Certificates or Ambac) is entitled to vote the 2004 Certificates.
- (5) Established **September 18, 2017, at 5:00 p.m. (Eastern Time)** as the voting deadline on the Amended Plan (the “**Voting Deadline**”). Beneficial Holders are strongly encouraged to complete and return their “Beneficial Owner Ballots” to record Holders no later than **September 8, 2017**, so that record Holders can complete and return the “Master Owner Ballots” to the District prior to the Voting Deadline.
- (6) Established **September 18, 2017** as the deadline (i) for anyone to file and serve on counsel for the District any objections to confirmation of the Amended Plan, and (ii) for any party objecting to confirmation of the Amended Plan to file and serve a list of any witnesses the objecting party intends on calling at the confirmation hearing, as well as a list of any documents the objecting party intends on introducing as evidence or otherwise using at the confirmation hearing, and to deliver copies of such documents to counsel for the District.
- (7) Established **September 28, 2017** as the deadline for the District to file and serve (i) a brief in support of confirmation of the Amended Plan and in response to any objections to confirmation, (ii) a ballot tabulation, (iii) a list of any witnesses the District intends on calling at the confirmation hearing, as well as a list of any documents the District intends on introducing as evidence or otherwise using at the confirmation hearing, and to deliver copies of such documents to any party that objected to confirmation of the Amended Plan.
- (8) Set a hearing before the Bankruptcy Court to consider confirmation of the Amended Plan to commence at **9:30 a.m. (Pacific Time) on October 12, 2017**, and continue for two (2) days unless earlier completed or adjourned. The confirmation hearing will take place at the **United**

States Bankruptcy Court, Northern District, Oakland Division, Courtroom 201, 1300 Clay Street, Suite 300, Oakland, California 94604-2070.

The District has informed the Trustee that on August 9, 2017, the District distributed the Certificate Solicitation Packages to record Holders, for redistribution by record Holders to beneficial Holders. Beneficial Holders that have not received the Certificate Solicitation Package should contact their record Holders. Record Holders that have not received the Certificate Solicitation Package should contact counsel for the District, Gary W. Marsh, Esq. and David E. Gordon Esq., of DENTONS US LLP, 303 Peachtree Street, Suite 5300, Atlanta, Georgia 30308.

Holders should carefully review the Certificate Solicitation Package in its entirety. Here is a summary of the proposed Amended Plan treatment of Holders and the Certificates and the effects thereof (this is only a summary; to the extent of any inconsistency between the Amended Plan and the following summary, the Amended Plan controls):

- All existing Events of Default under the Trust Agreements and the Installment Agreements would be waived.
- On the Effective date of the Amended Plan, which is projected to be January 1, 2018, in contravention of the provisions of the Trust Agreements and Installment Agreements, and based upon the proposed modification thereof, the Trustee would turn over all funds it is holding to the District, which would leave the Trustee with zero funds. Thereafter, the Trustee could never hold more funds than is necessary to make the next scheduled semi-annual payment to Holders on the Certificates. The Trustee would have no reserve for payments to Holders on the Certificates or for the Trustee's fees and expenses.
- While the Trustee would continue to receive all Parcel Tax Revenues from the County, in contravention of the provisions of the Trust Agreements and Installment Agreements, and based upon the proposed modification thereof, the Trustee could retain only an amount sufficient to cover the next semi-annual payment to Holders on the Certificates. The Trustee would immediately have to remit to the District any and all additional amounts received by the Trustee (i.e., all amounts in excess of the amount necessary to make the next semi-annual payment to Holders). If the Trustee were not holding sufficient funds to make a semi-annual payment to Holders on the Certificates when due, the District would remit to the Trustee only sufficient funds to make the semi-annual payment.
- In contravention of the provisions of the Trust Agreements and Installment Agreements, and based upon the proposed modification thereof, no accelerated retirement of the Certificates through application of excess Parcel Tax Revenues to prepayment of principal could be made on the Certificates.
- The only Event of Default that could occur under the Trust Agreements and the Installment Agreements would be the failure to make the regularly scheduled debt service payments on the Certificates.
- Exhibit B to the Amended Disclosure Statement sets forth the District's detailed financial projections through 2027 (the "**Projections**"). Among other things:
 - The District believes that based on the Parcel Tax Revenues that the Trustee historically has received on an annual basis from the County, the Amended Plan and the Projections are feasible, resulting in Holders being paid in full on the

Certificates without contractual accelerated retirement of the Certificates through application of excess Parcel Tax Revenues to prepayment of principal. Based on the Parcel Tax Revenues that the Trustee historically has received from the County on an annual basis, annual Parcel Tax Revenues exceed annual payments on the Certificates by approximately \$1.3 million.

- Contrary to the provisions of the Trust Agreements and the Installment Agreements, which provide that because the Hospital no longer is operating the Trustee is to retain all Parcel Tax Revenues for application to repayment of the Certificates, the District proposes to accumulate at the end of each year between 2018 and 2027 and maintain in its possession, net of proposed payments to pre-petition creditors and post-confirmation District expenses, no less than \$7,550,298 per year, and a total of \$19,223,738 in excess Parcel Tax Revenues by 2027, while leaving the Trustee with no funds whatsoever in reserve at all times after January 1, 2018.
- The District proposes to use the foregoing funds to provide healthcare services to the residents of the District and the County, **yet neither the District, the County, nor the Contra Costa Local Agency Formation Commission has formulated or proposed any plan whatsoever to resume providing healthcare services to the residents of the District and the County.**
- The Projections assume that the Pending Sale of the Hospital will close in October, 2017, and the District concedes that if the Pending Sale does not close, the Amended Plan “doesn’t work so well”. While the District projects that its cash balance on January 1, 2018 will be \$10,266,323 if the Pending Sale closes before January 1, 2018, the District also projects that if the Pending Sale does not close before January 1, 2018, the District will have a cash deficit of \$713,360 on January 1, 2018. In fact, if the Pending Sale does not close in October, 2017 or earlier, the District will run out of cash in October, 2017.
- The Projections assume that the County will continue to collect and remit to the Trustee Parcel Tax Revenues of \$5,650,000 per year. Under the “Teeter Plan”, the County remits to the Trustee Parcel Tax Revenues based on taxes billed, not collected. If the County elects not to continue to participate in the Teeter Plan (which the County is entitled to do), the actual collection of Parcel Tax Revenues will be dependent on the payment of taxes by taxpayers.

The Trustee strongly encourages Holders of the 2004 Certificates and the 2011 Certificates to vote and submit ballots on the Amended Plan. However, the Trustee is not taking a position on whether Holders should vote to accept or reject the Amended Plan. Holders should make their own decisions after carefully reviewing the Certificate Solicitation Package and this Notice, and, if Holders desire, after conferring with their own legal counsel and financial advisors.

Notwithstanding the foregoing, the Trustee intends on timely filing objections to confirmation of the Amended Plan based on, among other things, (i) lack of feasibility under Bankruptcy Code Section 943(b)(7), (ii) failure of the proposed treatment of Holders and the Certificates to comply with applicable law under Bankruptcy Code Sections 928 and 943(b)(4), as well as California Government Code Section 5451.5, and (iii) the District’s

inability to satisfy Bankruptcy Code Section 1129(b)(2)(a)(i). The Trustee also reserves the right to assert additional objections. Any Holder wishing to object or otherwise respond on its own to confirmation of the Amended Plan should consult its own legal counsel.

Finally, the Trustee intends on attempting to negotiate with the District to obtain better treatment for Holders and the Certificates than is proposed in the Amended Plan. Nonetheless, Holders should cast their votes on the Amended Plan as currently drafted. Any Holder wishing to provide input to the Trustee with respect to the Amended Plan should contact, by email, Diana Jacobs, Vice President, US Bank National Association, diana.jacobs@usbank.com. Any Holder contacting Ms. Jacobs should include such Holder's contact information.

Other Information

Prior to any distribution of funds to Holders of Certificates, funds held or received by the Trustee under the Trust Agreements are to be used first for payment of the fees and costs incurred or to be incurred by the Trustee. This includes, but is not limited to, compensation for time the Trustee spends, and the fees and costs of counsel and other agents it employs, to pursue remedies or other actions to protect the security or other interests of the Holders of Certificates.

Holders with questions about this notice should direct them in writing to Ms. Diana Jacobs, Vice President, U.S. Bank National Association, 1420 Fifth Avenue, 7th Floor, Seattle, WA 98101. Holders with questions may also contact Bondholder Services at (800) 934-6802, option 4; or at their web site located at: www.usbank.com/corp_trust/bondholder_contact.html.

Under the Trust Agreements, Holders of at least a majority of the aggregate principal amount of outstanding Certificates have the right to direct certain of the Trustee's actions under and subject to the conditions contained in the Trust Agreements, which include providing the Trustee with an indemnity satisfactory to the Trustee.

The Trustee may invest funds held under the Trust Agreements for which investment or advisory services are provided by the Trustee and/or an affiliate of the Trustee. As such, the Trustee and its affiliates receive compensation for the investment advisory, custodial, distribution and other services provided. A schedule that explains the services and costs, including the rate, formula and method of calculating such compensation is available by contacting U.S. Bank.

The Trustee may conclude that a specific response to particular inquiries from individual Holders is not consistent with equal and full dissemination of information to all Holders. Holders should not rely on the Trustee as their sole source of information. The Trustee makes no recommendations and gives no investment advice.

U. S. Bank National Association,
as Trustee

August 17, 2017

* Trustee is not responsible for selection or use of CUSIP. It is included solely for holder convenience.
(AC #78633600/WCCHCDFC04FP)