



TAHOE FOREST HOSPITAL DISTRICT

Special Meeting of the Board of Directors

Feb 12, 2015 at 03:00 PM - 05:30 PM

Eskridge Conference Room

,

Meeting Book - 2015 Feb 12 Special Meeting of the Board of Directors

Agenda Packet Contents

AGENDA

2015 Feb 12 Agenda Page 3

ITEMS 1-5 See Agenda

6. ITEMS FOR BOARD DISCUSSION AND/OR ACTION

6.1. Resolution Authorizing The Issuance And Sale Of The District's 2015

- a) Executive Summary Page 5
- b) TFHD Preliminary Official Statement Page 6
- c) Resolution 2015-01 Authorizing The Issuance And Sale Of The District's 2015 General Obligation Refunding Bonds Page 69

7. PRESENTATIONS/STAFF REPORTS

7.1. Board Education

- 7.1.1. Board Quality and Regulation Page 150
- 7.1.2. Quality Assurance/Performance Improvement (QA/PI) plan 2015 Page 166

ITEMS 8-10 See Agenda



SPECIAL MEETING OF THE BOARD OF DIRECTORS OF TAHOE FOREST HOSPITAL DISTRICT

AGENDA

Thursday, February 12, 2015 at 3:00 p.m.

Eskridge Conference Room, Tahoe Forest Hospital
10121 Pine Avenue, Truckee, CA

1. CALL TO ORDER

2. ROLL CALL

3. CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA

4. INPUT – AUDIENCE

This is an opportunity for members of the public to address the Board on items which are not on the agenda. Please state your name for the record. Comments are limited to three minutes. Written comments should be submitted to the Board Clerk 24 hours prior to the meeting to allow for distribution. Under Government Code Section 54954.2 – Brown Act, the Board cannot take action on any item not on the agenda. The Board may choose to acknowledge the comment or, where appropriate, briefly answer a question, refer the matter to staff, or set the item for discussion at a future meeting.

5. INPUT FROM EMPLOYEE ASSOCIATIONS

This is an opportunity for members of the Employee Associations to address the Board on items which are not on the agenda. Comments are limited to three minutes.

6. ITEMS FOR BOARD DISCUSSION AND/OR ACTION

6.1. Resolution Authorizing The Issuance And Sale Of The District's 2015

General Obligation Refunding Bonds [30 Mins]..... ATTACHMENT

The District intends to issue general obligation refunding bonds pursuant to this Resolution to provide for the redemption of all outstanding 2008 Bonds.

7. PRESENTATIONS/STAFF REPORTS

7.1. Board Education [30 minutes]

Quality Plan materials will be reviewed and discussed as part of Board quality education.

7.1.1. Board Quality and Regulation..... ATTACHMENT

7.1.2. Quality Assurance/Performance Improvement (QA/PI) plan 2015..... ATTACHMENT

8. CLOSED SESSION:

8.1. Health & Safety Code Section 32155: Quality Reports

9. OPEN SESSION

8. ITEMS FOR NEXT MEETING

9. NEXT MEETING DATE

Special meeting of the Board of Directors of Tahoe Forest Hospital District
February 12, 2015 AGENDA – Continued

10. MEETING EFFECTIVENESS ASSESSMENT ATTACHMENT
The Board will identify and discuss any occurrences during the meeting that impacted the effectiveness and value of the meeting.

11. ADJOURN

The next regularly scheduled meeting of the Board of Directors of Tahoe Forest Hospital District is January 27, 2015, 11603 Donner Pass Rd., Truckee, CA. A copy of the Board meeting agenda is posted on the District’s web site (www.tfhd.com) at least 72 hours prior to the meeting or 24 hours prior to a Special Board Meeting.

*Denotes material (or a portion thereof) may be distributed later.

Note: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of services, hiring, training and employment practices on the basis of color, national origin, sex, religion, age or disability including AIDS and related conditions.

Equal Opportunity Employer. The meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the District’s public meetings. If particular accommodations for the disabled are needed (i.e., disability-related aids or other services), please contact the Executive Assistant at 582-3481 at least 24 hours in advance of the meeting.



Board Executive Summary

By: Crystal Betts
Chief Financial Officer

DATE: February 10, 2015

ISSUE:

The District intends to issue general obligation refunding bonds pursuant to this Resolution to provide for the redemption of all outstanding 2008 general obligation bonds.

BACKGROUND:

August 5, 2008, the District issued its Tahoe Forest Hospital District General Obligation Bonds, Election of 2007, Series A (2008), in the original principal amount of \$29,400,000, of which \$29,345,000 principal amount remains outstanding.

The total savings to the District and the approximate reduction in the property tax rate per \$100,000 to the public/property owners resulting from the refunding bonds will be reported by Gary Hicks Consulting and Crystal Betts at the February 12, 2015 Special Meeting of the Board of Directors.

ACTION REQUESTED:

Approval of Resolution 2015-01 Authorizing the Issuance and Sale of the District's 2015 General Obligation Refunding Bonds

Alternatives:

Not issuing the general obligation refunding bonds and foregoing the resulting savings to the District.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 16, 2015

NEW ISSUE—BOOK-ENTRY ONLY

RATING: Moody's: _____
(See "RATING" herein)

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters" herein for a more complete discussion.



\$30,620,000*
TAHOE FOREST HOSPITAL DISTRICT
(PLACER AND NEVADA COUNTIES, CALIFORNIA)
2015 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery

Due: August 1 as shown below

The issuance of general obligation bonds in an aggregate amount not to exceed \$98,500,000 by Tahoe Forest Hospital District (the "District") was authorized at an election of the registered voters of the District held on September 25, 2007, by approximately 72% of the persons voting on the measure. Pursuant to such voter authorization, the laws of the State of California (the "State") and resolutions of the District, the District issued its \$29,400,000 Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008) (the "2008 Bonds"), its \$43,000,000 Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series B (2010), and its \$26,100,000 Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series C (2012) (the "2012 Bonds"). The District is issuing this series of general obligation bonds in the amount of \$30,620,000,* known as the Tahoe Forest Hospital District (Placer and Nevada Counties, California), 2015 General Obligation Refunding Bonds (the "Bonds"). See "THE BONDS - Authority for Issuance" herein. Proceeds of the Bonds will be used to advance refund all of the 2008 Bonds and pay for costs of issuing the Bonds. See "REFINANCING PLAN" herein.

The Bonds represent the general obligation of the District. The District is empowered and obligated to cause to be levied *ad valorem* taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Placer and Nevada Counties will collect all *ad valorem* taxes due the District, disburse them directly to the District and the District will transfer them to the Paying Agent (defined below) to be applied to the payment of principal of and interest on the Bonds.

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased by them. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, San Francisco, California, as the paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry System" herein.

The Bonds will be dated the date of their delivery, and will accrue interest from such date, which interest is payable semiannually on each February 1 and August 1, commencing August 1, 2015. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

The Bonds are subject to redemption prior to their respective maturity dates as described herein. See "THE BONDS—Redemption Provisions" herein.

The following firm served as financial advisor to the District on this financing:

G.L. Hicks Financial, LLC

MATURITY SCHEDULE*

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2015	\$ 165,000			2027	\$1,205,000		
2016	265,000			2028	1,340,000		
2017	325,000			2029	1,455,000		
2018	385,000			2030	1,575,000		
2019	445,000			2031	1,705,000		
2020	515,000			2032	1,850,000		
2021	595,000			2033	1,990,000		
2022	675,000			2034	2,145,000		
2023	760,000			2035	2,310,000		
2024	855,000			2036	2,485,000		
2025	965,000			2037	2,670,000		
2026	1,080,000			2038	2,860,000		

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must 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 issued by the District and received by the Underwriters, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Certain legal matters will be passed on for the District by its counsel, Porter Simon, Truckee, California, and by Jennings, Strouss & Salmon, PLC, Phoenix, Arizona, Disclosure Counsel to the District. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about March 10, 2015

Edward Jones **Raymond James**
Piper Jaffray & Co. **Southwest Securities**

The date of this Official Statement is February __, 2015.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdictions in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**TAHOE FOREST HOSPITAL DISTRICT
PLACER AND NEVADA COUNTIES, CALIFORNIA**

BOARD OF DIRECTORS

Karen Sessler, M.D., President Charles Zipkin, M.D., Vice President
Greg Jellinek, M.D., Secretary Dale Chamblin, Treasurer
John Mohun, Member

DISTRICT SENIOR MANAGEMENT

Virginia Razo, Interim Chief Executive Officer & Chief Operating Officer
Crystal Betts, Chief Financial Officer
Judith Newland, Chief Nursing Officer

PROFESSIONAL SERVICES

District Counsel

Porter Simon
Truckee, California

Disclosure Counsel

Jennings, Strouss & Salmon, PLC
Phoenix, Arizona

Independent Auditors

Kcoe and Isom
Chico, California

Bond Counsel

Quint & Thimmig LLP
Larkspur, California

Financial Advisor

G.L. Hicks Financial, LLC
Provo, Utah

Registrar, Transfer and Paying Agent

U.S. Bank National Association
San Francisco, California

Escrow Bank

Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The Preliminary Official Statement has been "deemed final" as of its date by the District pursuant to Rule 15c2-12 of the Securities Exchange Commission. The District has undertaken to provide continuing disclosure on certain matters, including annual financial information and specific enumerated events, as more fully described herein under "CONTINUING DISCLOSURE."

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

Involvement of the Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Offer and Sale of Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds. None of the information on the District's website is incorporated in this Official Statement by reference or otherwise.

Resolution. Reference is made to the Resolution, copies of which are available upon request of the District.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY A FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
INTRODUCTION..... 1	Future Initiatives.....10
The District..... 1	DISTRICT FINANCIAL MATTERS10
The Plan of Finance..... 1	Property Tax Collection Procedures10
Sources of Payment for the Bonds..... 1	Unitary Taxation for Utility Property11
Description of the Bonds..... 1	Assessed Valuations11
Revenue Bonds Outstanding..... 2	Appeals to Assessed Valuation.....12
Tax Matters..... 2	Tax Levies and Delinquencies.....13
Professionals Involved in the Offering..... 2	District Budget.....14
Offering and Delivery of the Bonds 2	Direct and Overlapping Bonded Debt15
Bondholders' Risks..... 3	Largest Taxpayers.....16
Other Information; Continuing	Largest Employers.....16
Disclosure..... 3	Commercial Activity17
THE BONDS..... 3	THE DISTRICT17
Authority for Issuance 3	Health Facilities.....17
Description of the Bonds 3	Board of Directors18
Purpose of the Issue..... 3	Senior Management.....19
Book-Entry System..... 3	Employees20
Sources and Uses of Funds..... 4	Medical Staff.....20
Redemption Provisions..... 4	Service Area and Competition.....20
Defeasance..... 4	Services.....21
Debt Service Schedule..... 4	Accreditations, Designations,
Registration..... 5	Memberships and Affiliations21
Security for the Bonds 5	Bed Complement22
REFINANCING PLAN 6	Certain Financial Information.....22
THE PROJECT 6	Total Unrestricted Funds and Days Cash
Campus Wide Master Planning 7	on Hand23
Radiology Upgrades 7	Management's Analysis of Financial
Cancer Center Facility..... 7	Performance.....23
Skilled Nursing Facility Expansion and	Health Facilities Utilization.....24
Renovation..... 7	Sources of Patient Service Revenue24
Central Plant Upgrades..... 8	Affiliations.....25
Infill projects (Interim Medical Records,	Public and Professional Liability
Phase 1 Dietary, Pharmacy Relocation	Insurance Considerations.....26
and Interim Birthing)..... 8	Employees' Retirement Plan26
South Building Upgrades (Birthing,	Town of Truckee, Placer and Nevada
Dietary, Respiratory Therapy, Nurse	Counties.....27
Manager and Medical Records)..... 8	Capital Expenditures.....27
Emergency Room/Sterile Processing..... 8	LEGAL MATTERS28
IT Data Center 8	No Material Litigation28
CONSTITUTIONAL AND STATUTORY	Legality for Investment in California28
PROVISIONS AFFECTING DISTRICT	Tax Matters.....28
REVENUES AND APPROPRIATIONS..... 8	Approval of Legality29
Article XIII A of the California	RATING.....30
Constitution 8	UNDERWRITING30
Legislation Implementing Article XIII A..... 9	CONTINUING DISCLOSURE30
Unitary Property 9	VERIFICATION OF MATHEMATICAL
Article XIII B of the California	COMPUTATIONS.....33
Constitution 9	FINANCIAL ADVISOR.....33
Article XIII C and Article XIII D of the	ADDITIONAL INFORMATION33
California Constitution10	

APPENDIX A - Form of Final Opinion of Bond Counsel

APPENDIX B - Audited Financial Statements of the District for the Fiscal Years Ended June 30, 2014 and 2013

APPENDIX C - Form of Continuing Disclosure Certificate

APPENDIX D - Book-Entry System

APPENDIX E - Healthcare Risk Factors

\$30,620,000*

**TAHOE FOREST HOSPITAL DISTRICT
(PLACER AND NEVADA COUNTIES, CALIFORNIA)
2015 GENERAL OBLIGATION REFUNDING BONDS**

INTRODUCTION

This Official Statement, including the cover page, the Table of Contents and Appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery by Tahoe Forest Hospital District (the "District") of \$30,620,000* aggregate principal amount of its 2015 General Obligation Refunding Bonds (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The District was created in 1949 as a political subdivision of the State of California (the "State"). The District is organized and operates under The Local Health Care District Law of the State, constituting Division 23 of the California Health and Safety Code (the "District Law"). The District is located in portions of Placer and Nevada Counties (herein referred to collectively as the "Counties") and covers an area of approximately 500 square miles. Under District Law the District may own and operate health care facilities. The District currently owns and operates Tahoe Forest Hospital in Truckee, California, and Incline Village Community Hospital in Incline Village, Nevada. None of the proceeds of the District's general obligation bonds have been used for facilities in the State of Nevada. See "THE DISTRICT" and "DISTRICT FINANCIAL MATTERS" herein.

The Plan of Finance

Net proceeds of the Bonds will be used to advance refund all of the outstanding \$29,345,000 Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008) (the "2008 Bonds") and to pay for costs of issuing the Bonds. See "REFINANCING PLAN" herein. See also "THE PROJECT" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District, and the District has the power, is obligated and covenants to cause to be levied *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation of rate or amount, for the payment when due of the principal of and interest on the Bonds. See "THE BONDS – Security for the Bonds" and "THE DISTRICT" herein. All such *ad valorem* taxes will be collected by the Counties and transferred by the Counties to the District. The District will disburse such tax monies to the Paying Agent (defined below) for the payment of principal of and interest on the Bonds. In addition, pursuant to Section 32127 of the District Law, the District is required to use moneys in its maintenance and operation fund whenever *ad valorem* taxes are insufficient to pay such principal and interest.

Although the Counties are obligated to collect the ad valorem taxes for payment of the Bonds, the Bonds are not a debt of either of the Counties.

Description of the Bonds

The Bonds will be dated the date of their delivery, will be in denominations of \$5,000 each, or integral multiples thereof, and will bear interest at the rate or rates shown on the cover page hereof, with interest payable

* Preliminary, subject to change.

semiannually on each February 1 and August 1, commencing August 1, 2015 (each an “Interest Payment Date”), during the term of the Bonds.

The Bonds will be issued in fully registered form only and will be initially 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 of the Bonds. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein under “THE BONDS – Book-Entry System.”

The Bonds maturing on or after August 1, 202_, may be redeemed prior to maturity at the option of the District beginning on August 1, 202_, and thereafter, at the redemption price of 100% of the par amount of Bonds redeemed, plus accrued interest. See “THE BONDS – Redemption Provisions” herein. The Bonds maturing on August 1, 20__, are subject to mandatory sinking funds redemption as provided herein. See “THE BONDS – Redemption Provisions” below.

Revenue Bonds Outstanding

The District issued \$12,000,000 of the Tahoe Forest Hospital District (Placer and Nevada Counties, California) Variable Rate Demand Revenue Bonds, Series 2002 on October 18, 2002 (the “2002 Revenue Bonds”). Proceeds from the 2002 Revenue Bonds were principally used to partially fund the construction of a large addition and to remodel certain facilities at the Tahoe Forest Hospital. The 2002 Revenue Bonds are secured by a gross revenue fund pledge and by a direct-pay letter of credit from U.S. Bank National Association, which expires on October 18, 2016, and are currently outstanding in the amount of \$9,555,000 with a final maturity of July 1, 2033. The District entered into an interest rate swap agreement to effectively fix the interest rate of the 2002 Revenue Bonds at 3.54%. The District issued \$27,385,000 of the Tahoe Forest Hospital District (Placer and Nevada Counties, California) Hospital Revenue Bonds, Series 2006 on May 2, 2006 (the “2006 Revenue Bonds”). Proceeds from the 2006 Revenue Bonds were principally used to refund revenue bonds issued by the District in 1999 (the “1999 Revenue Bonds”), to partially fund the construction of the Western Addition and to make various improvements at the Tahoe Forest Hospital. The 2006 Revenue Bonds are secured by a gross revenue fund pledge and are currently outstanding in the amount of \$23,240,000 with a final maturity of July 1, 2036. Neither the 2002 Revenue Bonds nor the 2006 Revenue Bonds are paid from *ad valorem* taxes nor are they cross-defaulted to the Bonds.

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “LEGAL MATTERS—Tax Matters” herein.

Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of Quint & Thimmig LLP, Larkspur, California (“Bond Counsel”). Bond Counsel will supply a legal opinion approving the validity of the Bonds. See “LEGAL MATTERS – Approval of Legality” herein. U.S. Bank National Association, San Francisco, California, will act as paying agent, transfer agent and registrar for the Bonds (the “Paying Agent”). Porter Simon, Truckee, California, is acting as the District’s legal counsel (“District Counsel”) and Jennings, Strouss & Salmon, PLC, Phoenix, Arizona, is acting as disclosure counsel (“Disclosure Counsel”) to the District in connection with the Bonds. G.L. Hicks Financial, LLC, Provo, Utah, is acting as financial advisor (“Financial Advisor”) to the District for the Bonds. Both Quint & Thimmig LLP and Jennings, Strouss & Salmon, PLC have represented one or more of the Underwriters in the past and may also do so in the future.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry only form will be available for delivery through the facilities of DTC on or about March 10, 2015.

Bondholders' Risks

The Bonds are general obligations of the District and the District has the power and is obligated to cause to be levied and collected by the Counties annual *ad valorem* taxes for payment when due of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to rate or amount. In the event *ad valorem* taxes are insufficient to pay principal and interest on the Bonds, the District is required to use moneys in its maintenance and operation fund to pay debt service on the Bonds. For more complete information regarding the District's financial condition and taxation of property within the District, see "DISTRICT FINANCIAL MATTERS" herein. See also "THE BONDS – Security for the Bonds," APPENDIX B – "Audited Financial Statements of the District for the Fiscal Years Ended June 30, 2014 and 2013, and APPENDIX E – "Healthcare Risk Factors" herein.

Other Information; Continuing Disclosure

This Official Statement speaks only as of its date, and the information contained herein is subject to change. There follows in this Official Statement discussions of the Bonds, the Resolution (hereinafter defined) and the District. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally.

The District will undertake, pursuant to the Resolution and a continuing disclosure certificate, to provide certain annual financial information and notices of the occurrence of certain events. See "CONTINUING DISCLOSURE" herein.

THE BONDS

Authority for Issuance

The Bonds are general obligation bonds issued pursuant to Article 9 of Chapter 3 (commencing with Section 53550) of the California Government Code and the provisions of a Resolution of the Board of Directors of the District adopted on February 12, 2015 (the "Resolution"). District voters approved the authorization of a total of \$98,500,000 in general obligation bonds by more than two-thirds (72%) of the votes cast by registered voters within the District on September 25, 2007. The Bonds will advance refund the 2008 Bonds issued on August 5, 2008, under this authorization. See the cover page of this Official Statement for a description all three series of such authorized general obligation bonds.

Description of the Bonds

Interest on the Bonds accrues from the date of delivery and is payable on each Interest Payment Date. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

Principal on the Bonds is payable in lawful money of the United States of America upon surrender of the Bonds at the principal corporate trust office of the Paying Agent. Interest on the Bonds will be paid by check from the Paying Agent mailed to the person registered as the owner thereof as of the 15th day of the month preceding each Interest Payment Date to the address listed on the registration books of the District maintained by the Paying Agent for such purpose. See the Maturity Schedule on the cover and "THE BONDS – Debt Service Schedule."

Purpose of the Issue

Proceeds of the Bonds will be used to refund on an advance basis all of the 2008 Bonds and to pay costs of issuing the Bonds. See "THE REFINANCING PLAN" herein. See also "THE PROJECT" herein.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's nominee) or such other name as may be requested by an authorized representative of DTC. The ownership of one fully-registered Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co. See APPENDIX D "Book-Entry System."

Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds related to the Bonds, including the funding of an escrow fund to legally defease the 2008 Bonds and to pay for costs associated with issuance of the Bonds.

Estimated Sources of Funds:

Principal Amount of the Bonds	\$ _____
Net Original Issue Premium	_____
 Total Sources of Funds	 \$ _____

Estimated Uses of Funds:

Deposit to Escrow Fund	\$ _____
Deposit to Costs of Issuance Fund ⁽¹⁾	_____
Underwriter's Discount	_____
 Total Uses of Funds	 \$ _____

⁽¹⁾ Includes legal, financial advisory, printing, consulting, Paying Agent and Escrow Bank fees, and other costs of issuance.

Redemption Provisions

Optional Redemption. Bonds maturing on or after August 1, 202_, are subject to redemption prior to their respective stated maturities, at the option of the District, in whole, on any date or, in part, on any interest payment date on or after August 1, 202_, at redemption prices equal to the par amount of Bonds redeemed, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption prior to maturity in part, by lot or in any customary manner as determined by the Paying Agent, at 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, as shown in the table below under "Debt Service Schedule" in the column designated as "Principal Payment."

General. In the event of any redemption, the Paying Agent will give notice thereof by mailing a copy of the redemption notice by registered mail or other secured mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address shown on the registration books of the District maintained by the Paying Agent, as registrar, not less than thirty (30) nor more than sixty (60) calendar days prior to the redemption date; provided, however, that failure of any owner to receive such notice, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond.

Any such notice for optional redemption of the Bonds shall state that such redemption is conditional upon receipt by the Paying Agent of sufficient monies to redeem the Bonds on the scheduled redemption date.

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Beneficial Owners of all outstanding Bonds all of the principal of and interest on the Bonds at the times and in the manner provided in the Resolution, or as otherwise provided by law, then such owners shall cease to be entitled to the obligation of the District to cause the Counties to levy and collect taxes on behalf of the District, and such obligation and all agreements and covenants of the District and of the Counties to such owners under the Bonds shall thereupon be satisfied and discharged and shall terminate, except that the District shall remain liable for payment of all principal, interest and premium, if any, on the Bonds, but only out of monies or securities on deposit under the Resolution or otherwise held in trust for such payment.

Debt Service Schedule

The following table summarizes the annual debt service requirements for the Bonds and provides the annual aggregate debt service for the 2010 Bonds, the 2012 Bonds and the annual aggregate debt service for the 2010 Bonds, the 2012 Bonds and the Bonds combined:

Year Ending (August 1)	The Bonds		Total Debt Service	Annual Debt Service for the 2010 and 2012 Bonds	Aggregate Debt Service for the 2010 and 2012 Bonds and the Bonds
	Principal Payment	Interest Payment			
2015				\$3,437,093.76	
2016				3,493,493.76	
2017				3,682,293.76	
2018				3,776,068.76	
2019				3,874,643.76	
2020				3,972,543.76	
2021				4,064,568.76	
2022				4,170,718.76	
2023				4,275,118.76	
2024				4,368,793.76	
2025				4,470,381.26	
2026				4,564,156.26	
2027				4,674,931.26	
2028				4,790,800.00	
2029				4,922,025.00	
2030				5,056,775.00	
2031				5,195,307.50	
2032				5,328,137.50	
2033				5,467,475.00	
2034				5,593,150.00	
2035				5,733,900.00	
2036				5,873,300.00	
2037				6,030,300.00	
2038				6,195,350.00	
2039				6,357,300.00	
2040				6,535,450.00	
2041				2,453,200.00	
2042				2,537,600.00	

*Mandatory sinking fund payment.

Registration

The Bonds are to be issued as fully registered Bonds payable to the registered owners thereof. Transfer of ownership of a fully registered Bond or Bonds shall be made by exchanging the same for a new registered Bond or Bonds of the same maturity and in the same aggregate principal amount. All of such exchanges shall be made in such manner and upon such reasonable terms as may from time to time be determined and prescribed by the District. While the Bonds are in book-entry form, the Bonds will be registered in the name of Cede & Co. as nominee for DTC or in the name of any successor securities depository. See "THE BONDS – Book-Entry System" herein.

Security for the Bonds

The Bonds are general obligation bonds of the District. The District has the power and is obligated to cause to be levied and collected by the Counties annual *ad valorem* taxes for payment when due of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to rate or amount. Once the Counties have collected such taxes, they transfer those funds directly to the District, and the District disburses such funds to the Paying Agent for payment of the Bonds.

A reduction in the assessed valuation of taxable property located in the District, such as may be caused by deflation of property values, economic recession, or other economic crisis, a relocation out of the District by one or more major property owners or employers, or the complete or partial destruction of such property caused by, among other events, an earthquake, wildfire, flood or other natural disaster, could cause a reduction in the assessed value of the District's tax roll and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on its general obligation bonds. A significant decrease in assessed valuation or a declaration of bankruptcy by the District, could delay the payment of debt service on the Bonds. The District calculates the tax rate on an annual basis. If in any given fiscal year there are not sufficient funds on deposit with the Counties or the Paying Agent to pay debt service on the Bonds for such fiscal year, the District is required to provide funds from its reserves to make up any deficiencies to provide for payment of the Bonds. While the levy of *ad valorem* tax to pay debt service on the Bonds and other general obligation bonds of the District is not limited as to rate or amount, the risks discussed in this paragraph could affect a taxpayer's willingness or ability to pay *ad valorem* taxes.

In the past, particularly beginning in about 2008, California residential real estate experienced an increased rate of mortgage delinquencies and foreclosures, and there was a slowdown in new home construction. In fiscal year 2010-11 there was a reversal of the trend of year-over-year increasing assessed valuation for the District. The assessed valuation for the District has almost recovered to its pre-recession high experienced in fiscal year 2009-10. Notably, the tax delinquencies in payment of *ad valorem* taxes for the District (Placer and Nevada County portions) have decreased from a high of 3.65% and 3.88% in fiscal year 2008-09 to a low of 1.53% and 1.76% in fiscal year 2013-14, the most current fiscal year for which tax delinquency information is available. More recently, the residential real estate market for home sales in California has measurably improved with the median residential home values for 2014 increasing by approximately 7% and 10% over the prior year in Placer County and Nevada County, respectively, as reported in the Zillow Home Value Index. The Counties participate in the "Teeter Plan," pursuant to which the District essentially receives its apportionment of *ad valorem* taxes from each County based on taxes billed without deduction for delinquencies. See "DISTRICT FINANCIAL MATTERS-Assessed Valuations" and "-Tax Levies and Delinquencies" herein. The District cannot predict whether recession or other conditions in the future may cause similar or worse declines in the District's assessed valuation or an increase in tax delinquencies. In addition, the Counties may elect no longer to participate in the Teeter Plan, which ultimately could result in the District receiving either fewer or more (considering delinquency charges) *ad valorem* taxes.

Pursuant to Section 32127 of the District Law, the District is required to use moneys in its maintenance and operation fund whenever *ad valorem* taxes are insufficient to pay such principal and interest on the Bonds. The healthcare operations of the District are subject to their own risks. See "APPENDIX E – Healthcare Risk Factors" attached to this Official Statement.

REFINANCING PLAN

A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the "Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") under an escrow agreement by and between the District and the Escrow Bank. A portion of the moneys deposited in the Escrow Fund will be invested in direct or guaranteed U.S. Treasury Securities ("Federal Securities"). The moneys, the maturing Federal Securities and the interest thereon will be in an amount sufficient to pay the principal of and interest on the Bonds through August 1, 2016, and to redeem the Bonds in full on such date at a redemption price equal to 100% of the principal amount thereof.

Sufficiency of the deposits in the Escrow Fund, the maturing principal of the Federal Securities therein, the investment earnings on such Federal Securities and the uninvested cash will be verified by Grant Thornton LLP (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL ACCURACY." Assuming the accuracy of the Verification Agent's computations, the District's obligations with respect to the 2008 Bonds will be discharged.

The moneys and Federal Securities held and invested by the Escrow Bank in the Escrow Fund are pledged solely to the payment of amounts due and payable with respect to the 2008 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service on the Bonds.

THE PROJECT

District voters authorized the issuance of not to exceed \$98,500,000 in general obligation bonds on September 25, 2007, for the purpose of financing and refinancing the expansion, improvement, acquisition, construction, equipping and renovation of health facilities of the District, and to pay costs incident thereto (the "Project"). The Project (which was confined to California facilities) was more fully defined in the ballot measure placed before registered voters residing within the District as follows:

"To maintain a full service hospital in our community; expand and enhance the Emergency Room to ensure access to lifesaving care; maintain critical medical services including pediatrics, maternity, long-term care for seniors and cancer care; and upgrade facilities that are outdated or do not meet state-mandated earthquake safety standards, shall Tahoe Forest Hospital issue \$98.5 million in bonds to improve healthcare facilities with an independent citizens' oversight committee and all funds being spent on local projects?"

The District has issued three series of general obligations bonds that, in the aggregate, total \$98,500,000. The first authorized issuance was in August of 2008 with the issuance of the 2008 Bonds in the principal amount of \$29,400,000. The purpose of the 2008 Bonds was to fund portions of the master planning, design and/or

construction and equipping of five project components. Proceeds from the 2008 Bonds were used to fund the master planning costs associated with these projects, architectural and engineering costs associated with most of these projects and construction costs, projected through December 31, 2010, relating to two of these projects.

The second issuance in August 2010, the amount of \$43,000,000 was used to fund approximately \$39,300,000 in costs associated with preconstruction, soft costs and construction costs relating to several projects including: radiology upgrades, a portion of the new cancer center facility, skilled nursing facility improvements, central plant upgrades, south building improvements, birthing center improvements, dietary relocation, medical records, respiratory therapy, emergency room and sterile processing improvements. Project-related expenditures funded or to be funded with proceeds of the 2010 Bonds are projected to be incurred through December 2015. Proceeds of the 2010 Bonds were also used to refinance \$3,500,000 in outstanding debt of the District and pay for approximately \$200,000 in cost of issuing the 2010 Bonds.

The third issuance, the 2012 Bonds, in the amount of \$26,100,000 was used to fund approximately \$25,950,000 in costs to complete all of the following components of the Project, as described in greater detail below:

Campus Wide Master Planning

The firm of FreemanWhite (the “Master Planner”) was selected by the District through a competitive process that evaluated several firms to perform master planning services related to the Project. The Master Planner conducted a campus-wide planning assessment that concluded with a final master plan in February 2009. Thereafter additional budgetary and design assessments were undertaken resulting in a facilities development plan in August 2009. In a process of solicitation, interviews, evaluation and award, the District selected its team of project specific design architects, engineers, contractors and other consultants that met competitive bid requirements imposed on the District. The Master planning work continues to address research and entitlement processes that affect all of the Project components listed below.

Radiology Upgrades

This portion of the Project involved the remodeling of the fluoroscope and nuclear medicine camera rooms and the installation of a new fluoroscope and nuclear medicine camera. Approximately 1,000 square feet of Tahoe Forest Hospital space was affected by the renovation of these two rooms. This Project component was completed in September 2010. The final cost for remodeling and new equipment was approximately \$2.3 million.

Cancer Center Facility

Development of the new cancer center facility was initiated by District management in conjunction with its Cancer Advisory Council, a group of community stakeholders appointed by the Board of Directors of the District to assist in the development of the cancer center. The District conducted a public bid process culminating in the award of contracts for construction of the cancer center in August 2010. The cancer center facility is a freestanding two-story building containing approximately 20,000 square feet of space that supports a diagnostic and cancer treatment center, including a linear accelerator, PET/CT imaging and medical oncology infusion area on the first floor. The second floor contains approximately 13,000 square feet of space for future cancer center and hospital related expansion. Construction began in September 2010 and concluded in June 2012. Occupancy occurred in July 2012. The cancer center was not subject to OSHPD plan check, review and approval. The budget for the cancer center was approximately \$28.5 million, with approximately \$14.0 million funded from proceeds of the 2010 Bonds and the balance from the proceeds of the 2012 Bonds.

Skilled Nursing Facility Expansion and Renovation

The skilled nursing facility project included the removal of six patient rooms located in a non-compliant building and the addition of seven new patient rooms as part of a new addition and entry way to the skilled nursing facility. This project added approximately 3,500 square feet of new space to the skilled nursing facility. The District conducted a public bid process and awarded contracts for construction in February 2011. Construction was completed in June 2012 and the new facility was occupied in June 2012. The budget for these improvements was approximately \$5.3 million. Final construction costs were approximately \$5.3 million with approximately \$3.1 million funded from proceeds of the 2010 Bonds and the balance from the proceeds of the 2012 Bonds.

Central Plant Upgrades

This central plant project involved adding capacity and reliability to the emergency electrical power plant, increasing the capacity of the chill water plant and providing electrical, heating, cooling, fire sprinkler and medical gas services to all buildings to be located on the Tahoe Forest Hospital campus. Several construction contracts were awarded for this work and construction commenced in July 2010. Construction was completed in March 2012. The budget for these upgrades was approximately \$15.7 million, with approximately \$9.3 million funded from the proceeds of the 2010 Bonds and the balance from the proceeds of the 2012 bonds.

Infill projects (Interim Medical Records, Phase 1 Dietary, Pharmacy Relocation and Interim Birthing)

All permits for this multi-phase project were issued in 2010, 2011 and 2012. Upon the various permit issuances, public bidding for construction was completed. Construction of the pharmacy relocation began in February 2011, with all phases completed in August 2011. All remaining phases of this infill project were completed in 2013. The budget for the infill projects was approximately \$9.1 million, with approximately \$5.3 million funded from the proceeds of the 2010 Bonds and the balance from the proceeds of the 2012 Bonds.

South Building Upgrades (Birthing, Dietary, Respiratory Therapy, Nurse Manager and Medical Records)

This new two-story building expands dietary services and provides a new 14,000 square foot birthing center. The new birthing center includes four labor and delivery rooms, four post-partum rooms, a C-section room and needed ancillary space. Approximately \$7.0 million of the proceeds of the 2010 Bonds were used to fund the south building upgrades and related projects. The balance of construction costs were funded from the proceeds of the 2012 Bonds.

Emergency Room/Sterile Processing

The District began construction of this project in 2012, with completion of construction in 2013. This project includes approximately 7,000 square feet of new space and approximately 4,000 square feet of renovated space. Approximately \$600,000 of the 2010 Bond proceeds were used to fund the emergency room and sterile processing projects. The balance of construction costs were funded from the proceeds of the 2012 Bonds.

IT Data Center

The District's data center was relocated into a newly constructed building located adjacent to Tahoe Forest Hospital's intensive care unit. In addition, fiber optic cabling was installed to provide connectivity and redundancy for all hospital buildings. The project was completed in September 2010 at a total cost of approximately \$1,500,000.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the Counties for the payment thereof See "THE BONDS – Security for the Bonds" herein. Articles XIII A, XIII B, XIII C and XIII D of the Constitution, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy ad valorem taxes for payment of the Bonds. The ad valorem tax levied by the Counties for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XHIC, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A ("Article XIII A") of the State Constitution, adopted and known as Proposition 13, limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to

exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district (such as the District) or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (b) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the affected county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Article XIII B of the California Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriation limit" imposed by Article XIII B of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, as subsequently amended by Propositions 98 and 111, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

The State and each local government entity has its own appropriation limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another governmental entity of financial responsibility for providing the services.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), which contain a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as hospital districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds percent vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds percent vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does receive a portion of the basic one percent *ad valorem* property tax levied and collected by the Counties pursuant to Article XIII A of the California Constitution.

Future Initiatives

Article XIII A, Article XIII B, and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL MATTERS

Both the Placer County Assessor and the Nevada County Assessor assess all real property in the District for tax purposes except public utility property which is assessed countywide by the State Board of Equalization. The Board of Equalization's Utility Roll is comprised of State assessed properties of regulated public utilities and companies such as telephone and gas companies.

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property and locally assessed property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax placed on unsecured property does not become a lien against such unsecured

property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured properties are entered separately on the assessment roll maintained by the particular county's assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sent to collection on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county's tax collector. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Generally, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. California Revenue and Taxation Code Sections 75.10 *et seq.*, however, provide for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency of record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Unitary Taxation for Utility Property

Revenue and Taxation Code Section 100 requires the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary property being assigned to this tax rate area by the State of California Board of Equalization. The result is a single assessed valuation figure for most utility property (nonoperating, non-unitary property is still broken down by revenue district) owned by each utility within the County without any breakdown for individual taxing jurisdictions.

Assessed Valuations

California law exempts \$7,000 of the assessed valuation of an owner-occupied dwelling from taxation. State law exempts 100% of the value of business inventories from taxation. State law also provides for reimbursements to local agencies based on their share of the revenues derived from the application of the maximum tax rate applied to business inventories, with adjustments to reflect increases in population and the consumer price index.

Revenue estimates to be lost to local taxing agencies due to such exemptions is reimbursed from State sources. Such reimbursements are based upon total taxes due upon such exempt values and are not reduced by any amount for estimated delinquencies.

The District has a 2014-15 assessed valuation of \$16,498,383,639 which accounts for approximately 22% of the assessed valuation of \$76,119,446,339 for the Counties as of the same period. Assessed values of property within the District have increased by approximately 55% over the eleven-year period ended 2014-15, while assessed values for the Counties have increased by approximately 46% over the same period. The summary below shows an eleven-year history of the total secured and unsecured assessed property valuations for the District and total assessed valuations for the Counties.

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Assessed Valuations ⁽¹⁾</u>		<u>District Assessed Valuations</u>	<u>Counties Assessed Valuations</u>
		<u>Utility</u>	<u>Unsecured</u>		
2004-05	\$10,401,314,651	\$9,573,980	\$236,619,173	\$10,647,507,804	\$51,990,348,817
2005-06	11,929,585,153	8,982,887	254,766,090	12,193,334,130	59,295,987,515
2006-07	12,620,177,492	8,853,841	264,205,839	12,893,237,172	68,376,071,417
2007-08	14,083,290,518	9,148,584	284,440,683	14,376,879,785	74,393,361,393
2008-09	15,279,457,024	7,847,990	304,341,434	15,591,646,448	76,281,431,182
2009-10	15,945,911,167	7,802,236	306,155,218	16,259,868,621	75,155,052,961
2010-11	15,203,616,293	7,802,102	292,229,875	15,503,648,270	70,430,302,181
2011-12	14,895,779,814	5,699,921	274,651,605	15,176,131,340	68,521,341,271
2012-13	14,997,581,534	5,938,098	289,603,655	15,293,123,287	68,140,874,099
2013-14	15,416,511,039	4,601,069	308,099,309	15,729,211,417	71,454,739,641
2014-15	16,173,380,266	4,600,921	320,402,452	16,498,383,639	76,119,446,339

Source: California Municipal Statistics, Inc.

⁽¹⁾ Based on 100% of full cash value before redevelopment increment.

The table below provides a breakdown of the 2014-15 assessed valuation of the District by land use (excluding tax-exempt property):

Assessed Valuation and Parcels by Land Use

	<u>2014-15 Assessed Valuation ⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Agricultural/Timber	\$ 21,568,790	0.13%	287	0.62%
Commercial/Office	791,415,883	4.89	1,000	2.17
Vacant Commercial	41,623,788	0.26	89	0.19
Industrial	33,910,070	0.21	56	0.12
Vacant Industrial	1,059,702	0.01	10	0.02
Recreational	432,353,662	2.67	1,601	3.48
Government/Social/Institutional	39,348,355	0.24	635	1.38
Miscellaneous	<u>20,759,559</u>	<u>0.13</u>	<u>675</u>	<u>1.47</u>
Subtotal Non-Residential	\$1,382,039,809	8.55%	4,353	9.45%
Residential:				
Single Family Residence	\$11,619,398,211	71.84%	24,161	52.45%
Condominium	2,044,957,387	12.64	5,792	12.57
Timeshare Units	76,478,252	0.47	4,655	10.10
Mobile Home	996,526	0.01	40	0.09
Mobile Home Park	7,208,199	0.04	14	0.03
2-4 Residential Units	127,736,824	0.79	323	0.70
5+ Residential Units/Apartments	56,716,813	0.35	116	0.25
Miscellaneous Residential	39,804,903	0.25	610	1.32
Vacant Residential	<u>818,043,342</u>	<u>5.06</u>	<u>6,005</u>	<u>13.03</u>
Subtotal Residential	\$14,791,340,457	91.45%	41,716	90.55%
Total	\$16,173,380,266	100.00%	46,069	100.00%

Source: California Municipal Statutes, Inc.

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Appeals to Assessed Valuation

Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the

appropriate county assessment appeals board (a “Proposition 8” appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor’s determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, State law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 as market conditions improve, no assurance is given that such reductions will be eliminated.

Assessment appeals granted typically result in refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

Tax Levies and Delinquencies

Taxes are collected by the Counties’ Tax Collectors for property falling within the District’s taxing boundaries. Taxes and assessments on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are assessed and payable as of the January lien date and become delinquent the following August 31.

The following table shows a six-year history (ending with the fiscal year 2013-14) of the secured tax charge, the tax amount delinquent and percentage of taxes delinquent each year as of June 30, related to the debt service levy for the 2008 Bonds, the 2010 Bonds and the 2012 Bonds for the Placer County portion and Nevada County portion, respectively, of the District.

Secured Tax Charges and Delinquencies (Placer County Portion)

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>Delinquent as of June 30</u>	
		<u>Amount</u>	<u>Percent</u>
2008-09	\$ 977,406.64	\$35,694.91	3.65%
2009-10	997,120.11	27,844.24	2.79
2010-11	1,834,216.42	42,089.33	2.29
2011-12	2,041,156.17	47,253.25	2.32
2012-13	3,000,849.52	46,013.33	1.53
2013-14	3,048,778.84	46,528.78	1.53

Source: California Municipal Statistics, Inc.

In fiscal year 2013-14, Placer County charged \$3,048,778.84 in taxes related to the debt service for the 2008 Bonds, the 2010 Bonds and the 2012 Bonds. Delinquencies amounted to \$46,528.78 or 1.53%.

Secured Tax Charges and Delinquencies (Nevada County Portion)

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>Delinquent as of June 30</u>	
		<u>Amount</u>	<u>Percent</u>
2008-09	\$ 562,902.14	\$21,843.39	3.88%
2009-10	566,108.30	18,402.03	3.25
2010-11	1,007,628.00	25,355.00	2.52
2011-12	1,076,940.42	26,304.48	2.44
2012-13	1,584,116.62	28,416.91	1.79
2013-14	1,582,967.00	27,913.00	1.76

Source: Nevada County Auditor's Office

In fiscal year 2013-14, Nevada County charged \$1,582,967.00 in taxes related to the debt service for the 2008 Bonds, the 2010 Bonds and the 2012 Bonds. Delinquencies amounted to \$27,913.00 or 1.76%.

As described above under "THE BONDS – Security for the Bonds" each County currently participates in the "Teeter Plan," so the District receives *ad valorem* taxes from each County without deduction for delinquencies.

District Budget

The fiscal year of the District begins on the first day of July each year and ends on the thirtieth day of June of the following year. The District prepares and adopts a final budget on or before June 30 for each fiscal year. Operating and capital budgets are adopted each year to reflect estimated revenues, expenditures and capital investments. At the close of each fiscal year, the District engages certified public accountants to audit the District's financial statements.

Direct and Overlapping Bonded Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., on January 29, 2015. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from future revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

2014-15 Assessed Valuation: \$16,498,383,639

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/15</u>
Sierra Joint Community College District School Facilities Improvement District No. 1	99.983%	\$ 30,335,815
Tahoe-Truckee Joint Unified School District	94.962	6,718,562
Tahoe-Truckee Joint Unified School District School Facilities Improvement District No. 1	99.970	20,368,845
Tahoe-Truckee Joint Unified School District School Facilities Improvement District No. 2	88.980	33,264,353
Placer Union High School District	0.057	16,125
Tahoe Forest Hospital District	100.	98,445,000 ⁽¹⁾
Sierra Lakes County Water District	100.	150,000
Truckee Donner Public Utility District Community Facilities District No. 03-1	100.	11,430,000
Truckee Donner Public Utility District Community Facilities District No. 04-1	100.	32,715,000
Northstar Community Services District Community Facilities District No. 1	100.	<u>110,040,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$343,483,700

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Nevada County Certificates of Participation	35.636%	\$ 1,872,672
Placer County General Fund Obligations and Office of Education Certificates of Participation	18.414	7,316,803
Sierra Joint Community College District Certificates of Participation	21.079	1,907,439
Tahoe-Truckee Joint Unified School District Certificates of Participation	94.962	2,154,688
Placer Union High School District Certificates of Participation	0.057	3,161
Town of Truckee General Fund Obligations	99.967	9,171,972
Truckee Donner Recreation and Park Certificates of Participation	99.961	22,141,362
Placer County Mosquito and Vector Control District Certificates of Participation	18.414	<u>719,987</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$45,288,084

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$29,026,458

COMBINED TOTAL DEBT **\$417,798,242** ⁽²⁾

- ⁽¹⁾ Excludes general obligation bonds to be sold.
- ⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$98,445,000)	0.60%
Total Direct and Overlapping Tax and Assessment Debt.....	2.08%
Combined Total Debt.....	2.53%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$834,322,338):

Total Overlapping Tax Increment Debt.....	3.48%
---	-------

Largest Taxpayers

The 20 largest taxpayers in the District as shown on the 2014-15 secured tax roll, and the approximate amounts of their aggregate level for all taxing jurisdictions within the District are shown below. These 20 largest taxpayers had a total assessed value of \$564,922,860 or 3.49% of the District's 2014-15 local secured assessed value.

Largest 2014-15 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Squaw Valley Real Estate and Resort LLC	Ski Resort	\$ 93,619,286	0.58%
2.	Trimont Land Company et. al.	Ski Resort	80,782,852	0.50
3.	KW-Northstar Ventures LLC	Hotel	46,702,948	0.29
4.	Family Trust	Residential	27,495,112	0.17
5.	Homewood Village Resorts LLC	Ski Resort	26,261,682	0.16
6.	Sugar Bowl Corporation	Ski Resort	25,549,912	0.16
7.	DMB Highlands Group LLC	Golf Course	23,411,587	0.14
8.	Hidden Lake Properties Inc.	Hotel	22,294,682	0.14
9.	Squaw Creek Associates	Hotel & Golf	20,745,968	0.13
10.	Joerger Associates LLC	Commercial	20,241,117	0.13
11.	Safeway Inc.	Commercial	20,185,177	0.12
12.	Individuals	Residential	19,412,406	0.12
13.	Northstar Group Commercial Properties LLC	Commercial	18,969,412	0.12
14.	Family Trust	Residential	18,233,306	0.11
15.	New Martis Partners LLC	Residential	17,609,041	0.11
16.	RitzCarlton Development Company	Residential	17,520,898	0.11
17.	AKM Retreat LLC	Residential	17,342,315	0.11
18.	Family Trust	Hotel	17,045,994	0.11
19.	Family Trust	Residential	16,099,165	0.10
20.	Gateway at Donner Pass LP	Commercial	<u>15,400,000</u>	<u>0.10</u>
	Total		<u>\$564,922,860</u>	<u>3.49%</u>

Source: California Municipal Statistics, Inc.

⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$16,173,380.266.

California has been suffering through an extended drought, which among other concerns, has affected snowfall at the ski resorts within the District. Continued worsening of drought conditions could put some resort operators out of business thereby adversely affecting assessed valuations, tax collections and employment in the District. See "Largest Employers" directly below.

Largest Employers

The Town of Truckee and the Counties enjoy a diverse labor pool as a result of their role as a destination for recreation, regional manufacturing, service and retail center. Nevada County's recreation dominated employment distribution affects the Town of Truckee's job market and unemployment rates. Placer County is a growing regional manufacturing center that provides ample land zoned for industrial use that is governed by an industrial development policy that promotes growth in industrial expansion and employment opportunities and is one of the fastest growing business communities in California at this time. The following table summarizes the ten largest private and public employers located in or around the District.

Largest Employers		
<u>Company</u>	<u>Product/Service</u>	<u>Employees*</u>
Squaw Valley & Alpine Resort	Ski Resort	2,369
Tahoe Forest Hospital	Health Care	554
Tahoe Truckee Unified School District	School District	520
Boreal Mountain Resort	Ski Resort	475
Tahoe Donner	Ski Resort	400
Resort at Squaw Creek	Resort Hotel	330
Ritz-Carlton, Lake Tahoe	Resort Hotel	260
Northstar California	Ski Resort	250
Sugar Bowl Resort	Ski Resort	250
Clear Capital	Real Estate Appraiser	237

Source: Placer County Economic Development, California Employment Development Department and the District.

* During peak season.

Commercial Activity

The Town of Truckee is the retail center for the District and it experienced a 12% increase in retail sales from 2010 to 2012, while Placer County experienced a 17% increase in retail sales and Nevada County experienced a 9% increase in retail sales over the same period. The following table summarizes the total number of sales tax permits and total taxable sales in the Town of Truckee, Placer County and Nevada County for the calendar years 2010, 2011 and 2012. Information is not yet available for the full year of 2013.

Town of Truckee, Placer and Nevada Counties Taxable Transactions and Total Outlets 2010-2012			
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Town of Truckee			
Sales Tax Permits	622	626	652
Taxable Sales (in millions)	\$224,482	\$243,849	\$250,574
Placer County			
Sales Tax Permits	11,439	11,120	11,621
Taxable Sales (in millions)	\$6,017,542	\$6,568,195	\$7,065,597
Nevada County			
Sales Tax Permits	3,938	3,890	3,986
Taxable Sales (in millions)	\$1,011,819	\$1,074,759	\$1,105,485

Source: State Board of Equalization.

THE DISTRICT

Certain information concerning the District, its operations and revenues derived from its operations are discussed below. As discussed under “THE BONDS – Security for the Bonds” herein, the Bonds are payable from the proceeds of an *ad valorem* tax required to be levied by the Counties in an amount sufficient for the payment of the Bonds. The District is required by Section 32127 of The Local Health Care District Law to use moneys in its maintenance and operation fund whenever *ad valorem* taxes will be insufficient to pay principal and interest on its general obligation bonds. Accordingly, potential investors are encouraged to review this information about the District, including APPENDIX B – “Audited Financial Statements of the District for the Fiscal Years Ended June 30, 2014 and 2013” and APPENDIX E – “Healthcare Risk Factors.”

The District was created in 1949 as a political subdivision of the State of California. The District is organized and operates under The Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code (the “District Law”). The District is located in portions of Placer and Nevada Counties and covers an area of approximately 500 square miles. The permanent resident population of the District is approximately 40,000 persons with an estimated two-thirds of the year-round residents under the age of 45. Seasonal influxes increase the resident population to over 70,000 persons, due to recreational and other attractions. Under District Law the District may own and operate health care facilities. The District currently owns and operates Tahoe Forest Hospital and Incline Village Community Hospital under the provisions of District Law.

Cities and communities located within the District’s boundaries include, in addition to the Town of Truckee, to the west, Norden, Soda Springs and Emigrant Gap and to the southeast along the Lake Tahoe shoreline, Crystal Bay, Kings Beach, Tahoe Vista, Carnelian Bay, Tahoe City, Tahoe Pines, Homewood and Tahoma. The District is a political agency and receives operating tax revenues from the Counties annually based upon the assessed value of taxable property located within its boundaries. The District is able to use its tax revenues for general operating purposes. These operating tax revenues are not pledged to the Paying Agent for the repayment of the Bonds.

Health Facilities

The District operates Tahoe Forest Hospital in Truckee, California, and Incline Village Community Hospital in Incline Village, Nevada (the “Health Facilities”), representing an aggregate of 76 beds (39 acute and 37 skilled nursing beds, of which 10 acute and 2 skilled nursing beds are in suspense) licensed by the State of California Department of Health Services and the State of Nevada, Department of Human Resources, Division of Health, Bureau of Licensure and Certification. Incline Village Community Hospital is located outside the District’s boundaries and was acquired by the District in 1996. The District also operates outpatient facilities located in Tahoe

City and Truckee, California. These outpatient facilities provide laboratory and physical therapy services, among other services.

Tahoe Forest Hospital is located in the southeastern quadrant of Nevada County off Interstate 80 in the Town of Truckee, California, approximately 15 miles northwest of Lake Tahoe and approximately 35 miles southwest of Reno, Nevada. Tahoe Forest Hospital opened in 1952 as a 12-bed acute care hospital. The first expansion of Tahoe Forest Hospital occurred in 1966 when it expanded to a total of 42 beds. In 1986, services were expanded in the areas of emergency care and ancillary services and its intensive care unit was expanded to 6 beds and a skilled nursing unit was added. Also in 1986, the District initiated a development program to modernize and expand its services to meet the projected needs of its service area residents. This development included the expansion and renovation of surgery suites, laboratory and admissions, the remodeling of general hospital areas, a renovation and expansion of the obstetrics department as well as the replacement of radiology equipment. It also included an upgrade of the intensive care unit, a remodeling of the emergency room and an expansion of the cafeteria and dining facilities. In 1995, the District completed the construction of a three-story medical office complex adjacent to Tahoe Forest Hospital comprising approximately 30,000 square feet of new space. Some of this building has been sold to physicians on a condominium basis with the remaining footage housing the District's retail pharmacy and other related hospital services. In 2005, the District developed a new Center for Health and Sports Performance. In 2006, the District opened its 40,000 square foot Western Addition including medical, surgical and intensive care beds, clinical laboratory, women's imaging, magnetic resonance imaging, cardiac rehabilitation, outpatient surgery and expanded space for dietary, ancillary and admission services. In 2006, Tahoe Forest Hospital started an oncology program with a newly recruited medical oncologist. Over its first two years of operation the Tahoe Forest Cancer Center expanded its scope of services to include chemotherapy and in early 2008 it became part of the University of California at Davis Cancer Care Network. The Tahoe Forest Cancer Center affiliation with the University of California at Davis Cancer Center provided access to clinical trials offerings for the Truckee – Tahoe region beginning in 2008. In 2007, the District also developed a hospital based multi-specialty clinic providing expanded hospital based clinics for ENT, pulmonary medicine, cardiology, gastroenterology, and internal medicine services. In 2008, oncology, urology and orthopedics were added as new service lines. In 2009 and early 2010, the District added sports medicine and audiology services. In 2011 and 2012, the District added pediatrics, general surgery and radiation oncology services.

Tahoe Forest Hospital has a heliport on its site which allows helicopter ambulances to bring emergency patients to and from Tahoe Forest Hospital. Helicopter ambulances are often used because of the mountainous terrain in the District's service area. Tahoe Forest Hospital also operates a Women's and Family Center which provides a combination of clinical and educational services. Obstetrical services provided include labor, delivery, recovery and postpartum units. Home health services offered by Tahoe Forest Hospital include skilled nursing assessment and monitoring, infusion services, post surgical care, wound care, ostomy care, medical social services, nutrition counseling, and occupational, speech and physical therapies. The District also operates a retail pharmacy, a medical radiation and oncology program and a children's care center, all located adjacent to Tahoe Forest Hospital.

Incline Village Community Hospital is located in Incline Village, Nevada, approximately 18 miles east of Tahoe Forest Hospital near the northeast shore of Lake Tahoe. It is located outside of the District's boundaries but within the District's service area. Incline Village Community Hospital is operated primarily as an outpatient medical center with only occasional inpatient admissions. It provides a fully equipped and staffed 24-hour emergency room and an active surgicenter as well as radiology, laboratory, pharmacy, physical therapy and a sleep disorder clinic.

Approximately 80% of the Health Facilities' admissions originate from District residents. A majority of the remaining admissions originate from visitors to Lake Tahoe area ski resorts or from auto accidents along the Interstate 80 corridor between Auburn, California, and Reno, Nevada. Both Tahoe Forest Hospital and Incline Village Community Hospital are designated as Critical Access Hospitals for Medicare reimbursement purposes.

Board of Directors

The District is governed by a Board of Directors (the "Board"), which consists of five members, each elected at large to four-year terms. The Board has ultimate responsibility for quality patient care, District policies, strategic planning, as well as fiduciary responsibility for protecting and enhancing the District's assets. The Board hires a Chief Executive Officer to manage the District's operations and appoints physicians to an organized medical staff. Regular Board meetings are held monthly and are open to the public. The current members of the Board, including their titles,

occupations, dates on which their current terms expire and total years as Board members, are set forth in the following table:

<u>Name and Title</u>	<u>Occupation</u>	<u>Term in Office Expires</u>	<u>Years as a Board Member</u>
Karen Sessler, M.D. President	Physician/Business Owner	12/2016	14
Charles Zipkin, M.D. Vice President	Physician	12/2018	0
Greg Jellinek, M.D. Secretary	Physician	12/2018	0
Dale Chamblin Treasurer	Retired Chief Financial Officer	12/2018	2
John Mohun, Esq. Member	Attorney at Law	12/2016	4

The District incorporates an area of mountainous terrain having an elevation ranging between 5,800 and 9,600 feet above sea level. Within the District's boundaries are well established summer and winter resort areas which include the northwest quadrant of Lake Tahoe and several winter ski resorts. Summer recreation areas around Lake Tahoe include the shoreline communities of Tahoe City, Kings Beach, Tahoe Vista, Crystal Bay, Tahoe Pines, Carnelian Bay, Incline Village and Homewood. Other summer recreation areas are located at and around Donner Lake, Prosser Reservoir, Donner Summit and Boca Reservoir near the Town of Truckee. Winter ski areas include Squaw Valley, Alpine Meadows, Tahoe Donner, Northstar at Tahoe, Boreal Ridge, Soda Springs, Sugar Bowl, Homewood Mountain Resort and Mount Rose, among others.

Senior Management

The principal members of the administrative staff responsible for the daily operations of the Health Facilities are profiled below:

Virginia Razo, Pharm D, DSc, Chief Operating Officer and Interim Chief Executive Officer. Ms. Razo has held various positions with increasing responsibilities at the District since 1996, including Director of Pharmacy Services, Chief of Ancillary Services, Chief Operating Officer and now Interim Chief Executive Officer. She now directs all functions of the Health Facilities and other District activities in accordance with the policies established by the Board. She completed undergraduate work (pre-pharmacy) at Marietta College, Marietta, Ohio, received a Doctor of Pharmacy Degree from the University of the Pacific, Stockton, California and received a DSc in Healthcare Administration from the University of Alabama at Birmingham. Ms. Razo has participated in various professional and civic organizations and currently is affiliated with the American College of Healthcare Executives.

Crystal Betts, CPA (inactive), Chief Financial Officer. Ms. Betts has been with the District since March of 2004, initially as its Controller and since March 2007, as its Chief Financial Officer. She is responsible for all aspects of the financial operations of the District's activities. From 2000 to 2004, Ms. Betts was with Trinity Hospital, a 65-bed acute care facility located in Weaverville, California, as the Controller and then as the Chief Financial Officer. From 1996 to 2000, she was the Audit Senior/Accountant at Matson and Isom Accountancy Corporation located in Chico, California, where she was responsible for conducting audits for governmental, not-for-profit and for-profit entities including eleven healthcare entities. Ms. Betts received a Bachelor of Science degree in Accounting and Management Information Systems from California State University at Chico in Chico, California, and is a Certified Public Account, licensed in the State of California.

Judith Newland, Chief Nursing Officer. Ms. Newland was appointed to serve as Chief Nursing Officer in April 2012. She has spent most of her career with the District, first serving as a staff nurse in the Medical/Surgical Unit and then in the Emergency Department from 1980 to 1985; from 1985 to 2001 she was the Director of Emergency Services; from 2001 to 2011 she was the Director of Quality and Regulations; and just prior to her present position she was the Director of Operations/Chief Nursing Officer. Ms. Newland earned her Bachelor's of Science degree in Nursing from California State University, Fresno, in 1979. Ms. Newland has continued her education by enrolling in Executive MBA courses in Healthcare Administration through the University of Colorado, Denver.

The District expects soon to institute a search for the position of Chief Executive Officer, a position the District hopes to fill by December 31, 2015.

Employees

As of December 31, 2014, the District employed approximately 554 full-time equivalent employees. Included in this group are registered nurses, licensed vocational nurses, technicians, specialists, environment and food service personnel, and various management, supervisory and clerical personnel.

Most of the District's employees are covered by collective bargaining agreements. The District has two employee non-unionized bargaining groups covering licensed and non-licensed employees. These bargaining groups provide representation and advocacy for District employees, particularly in the area of compensation. The informal bargaining relationship has been in existence for many years. The District believes that its employee relations are good.

Medical Staff

As of December 31, 2014, the medical staff at the Health Facilities consisted of 105 physicians, 64 of whom were active or provisional active medical staff members. Approximately 98% of the active medical staff members are board certified. The current medical staff includes approximately 41 physicians who are courtesy staff or consulting staff members. Active medical staff members are the primary admitters to the Health Facilities. The Health Facilities' active medical staff has an average age of approximately 53 years.

The top ten admitting physicians of the District, based upon gross inpatient revenues for the fiscal year ended June 30, 2014, represented approximately 62% of total inpatient revenues of the District for the same period. The District is recruiting a new urologist for addition to the medical staff of the Hospital.

Service Area and Competition

The service area for the Health Facilities extends beyond the District's boundaries to include Sierra and Plumas Counties to the north and west, Incline Village in Washoe County, Nevada to the east, and Nevada and Placer Counties to the east and south. Tahoe Forest Hospital is the only acute care hospital within the District's boundaries, its primary service area. There are no other acute care hospitals, urgent care centers or skilled nursing facilities located within the District. In 2003, a free standing ambulatory surgery center owned and operated by physicians practicing at the Health Facilities began operating in the Town of Truckee. In 2010, the District became a 51% partner in this ambulatory surgery center.

The closest acute care hospitals are located approximately 35 miles northeast of Tahoe Forest Hospital in the city of Reno, Nevada. The next closest acute care hospitals located within the state of California are Sutter Auburn Faith Hospital (65 miles southwest), a 105-bed acute care hospital, located in the City of Auburn, Sierra Nevada Memorial Hospital (50 miles southwest), a 107-bed acute care hospital, located in Nevada City, California, and Eastern Plumas Hospital (50 miles northwest), a 24-bed (9 acute care and 27 long-term care) rural hospital, located in Portola, California.

Located within the Health Facilities' service area, for which the Health Facilities are the nearest acute care hospitals, are fifteen winter ski resorts, including Squaw Valley, Sugar Bowl, Soda Springs, Northstar at Tahoe and Alpine Meadows, among others. For services not provided at the Health Facilities, patients are usually referred to Prime Healthcare Services - Reno or Renown Medical Center, both located in Reno, Nevada or to UC Davis Medical Center located in Sacramento, California. Services not currently provided at the Health Facilities include neonatal ICU and cardiology surgery, among others.

Services

The District presently offers a range of inpatient and outpatient services at the Health Facilities, including basic medical, surgical and obstetrical services, in addition to its general and administrative services. Medical and surgical services currently provided at the Health Facilities include the following:

Medical Services

Alternate Birthing Center	Hospice Care	Oncology (Radiation and Medical)
Audiology	Intensive Care	Pain Center
Cardiac Rehabilitation	Internal Medicine	Pharmacy
Cardiopulmonary Therapy	Laboratory, Clinical	Physical Therapy
Clinic	Laboratory, Pathology	Pulmonary Testing
CT Scanning (including PET CT)	LDRP Maternity	Radiology
Diagnostic	Mammography	Respiratory Therapy
EKG, EEG and Endoscopy	MRI Scanning	Sleep Center
General (FP/GP)	Newborn Nursery	Speech Therapy
Gynecology	Nuclear Medicine	Sports Medicine Services
Hematology	Occupational Health	Telemetry
Home Health	Occupational Therapy	Ultrasound

Surgical Services

Ambulatory	General	Outpatient
Anesthesiology	Gynecology	Urology
Dental	Ophthalmology	Vascular
Cosmetic	Orthopedics	
Gastroenterology	Otolaryngology	

Tahoe Forest Hospital provides 24-hour emergency medical service and trauma care with a licensed physician on duty at all times. The District also provides skilled nursing services at Tahoe Forest Hospital. Home health services offered include skilled nursing assessment and monitoring, infusion services, post surgical care, wound care, ostomy care, nutritional support, medical social services and occupation, speech and physical therapies.

Accreditations, Designations, Memberships and Affiliations

Tahoe Forest Hospital has been fully accredited since it was opened in 1952. Tahoe Forest Hospital’s most recent three-year accreditation from the American Osteopathic Association’s Bureau of Healthcare Facilities Accreditation expires on or about July 2, 2017. Incline Village Community Hospital’s and associated multispecialty clinic’s most recent three-year accreditation from the American Osteopathic Association’s Bureau of Healthcare Facilities Accreditation expires on or about September 8, 2017. Laboratory services at Tahoe Forest Hospital and satellite operations located in Tahoe City, California, and Incline Village, Nevada, are accredited by the College of American Pathologists. Incline Village Community Hospital received Critical Access Hospital designation in 2000 and Tahoe Forest Hospital received its Critical Access Hospital designation in 2007. Critical Access Hospitals are also certified by the Department of Health and Human Services and are eligible for more favorable cost-based reimbursement from Medicare for Medicare program beneficiaries treated at these hospitals.

The Health Facilities are eligible providers under Medicare, Medi-Cal, Blue Cross and other commercial insurance programs and the District holds memberships in the California Hospital Association, the Association of California Healthcare Districts and other professional health care organizations.

The District plans for and evaluates potential affiliations as part of its overall strategic planning. The District has an affiliation with Premier to provide group purchasing services and educational opportunities and with UC Davis Health System to provide Services related to cancer care, cancer research and rural health care.

Bed Complement

The Health Facilities have a licensed capacity of 76 beds (39 acute and 37 skilled nursing), with 12 of those beds currently in suspense. The current bed count classified by service type is as follows:

<u>Service</u>	<u>Tahoe Forest</u>	<u>Incline Village</u>	<u>Total</u>
Medical/Surgical ⁽¹⁾	25	4	29
Intensive Care	6	--	6
Prenatal/Obstetrics	4	--	4
Skilled Nursing	<u>37</u>	--	<u>37</u>
Total	<u>72</u>	<u>4</u>	<u>76</u>

Source: State of California, Department of Public Health License and State of Nevada, Department of Health and Human Services.

⁽¹⁾ Ten medical/surgical beds at Tahoe Forest Hospital were placed in suspense on July 1, 2007, for use as patient observation extended recovery beds. Ten medical/surgical beds were also designated as swing beds, as of the same date. Designated swing beds can be used for the treatment of medical/surgical patients or skilled nursing patients, as needed. Two skilled nursing beds were placed in suspense on April 18, 2011.

Certain Financial Information

The following summary of statements of revenues, expenses and changes in net assets of the District for each of the five fiscal years ended June 30, 2014, were prepared from audited financial statements of the District, of which the 2013 and 2014 fiscal years appear in APPENDIX B to this Official Statement. These summaries should be read in conjunction with the financial statements and notes thereto (which are an integral part of the financial statements) included in APPENDIX B to this Official Statement.

The summaries of statements of revenues, expenses and changes in net assets for the six-month periods ended December 31, 2013 and 2014, are unaudited and have been obtained from unaudited financial statements of the District. These financial statements have been prepared in accordance with generally accepted accounting principles on a basis consistent with the accounting policies reflected in the audited financial statements of the District presented below. They do not, however, include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited financial statements reflect all significant adjustments (which are of a normal, recurring nature) necessary for a fair presentation of the results for the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any other interim period or for the year as a whole.

	<u>Fiscal Year Ended June 30</u>				<u>2014</u> (Audited)	<u>Six Months Ended Dec. 31</u>	
	<u>2010</u> (Audited)	<u>2011</u> (Audited)	<u>2012</u> (Audited)	<u>2013</u> (Audited)		<u>2013</u> (Unaudited)	<u>2014</u> (Unaudited)
(000's Omitted)							
Net Patient Revenue	\$ 92,422	\$ 94,324	\$ 99,795	\$ 101,567	\$107,664	\$55,290	\$57,467
Other Revenue	<u>6,335</u>	<u>6,596</u>	<u>6,711</u>	<u>6,142</u>	<u>6,711</u>	<u>8,722</u>	<u>8,965</u>
Total Operating Revenues	<u>98,757</u>	<u>100,920</u>	<u>106,506</u>	<u>107,709</u>	<u>114,375</u>	<u>64,012</u>	<u>66,432</u>
Salaries, Benefits & Professional Fees	63,097	65,941	71,572	76,573	79,931	31,337	31,344
Depreciation & Amortization	5,303	5,372	4,966	7,239	8,642	4,462	4,690
Other Operating Expenses	<u>25,278</u>	<u>26,894</u>	<u>26,614</u>	<u>29,658</u>	<u>31,694</u>	<u>27,403</u>	<u>30,709</u>
Total Operating Expenses	<u>93,678</u>	<u>98,207</u>	<u>103,152</u>	<u>113,470</u>	<u>120,267</u>	<u>63,202</u>	<u>66,743</u>
Operating Income	5,079	2,713	3,354	(5,761)	(5,892)	810	(311)
Nonoperating Income	<u>4,426</u>	<u>3,695</u>	<u>4,787</u>	<u>2,052</u>	<u>5,911</u>	<u>241</u>	<u>330</u>
Excess of Revenues Over Expenses	<u>\$ 9,505</u>	<u>\$ 6,408</u>	<u>\$ 8,141</u>	<u>\$(3,709)</u>	<u>\$ 19</u>	<u>\$1,051</u>	<u>\$ 19</u>

Sources: Audited and unaudited financial statements of the District, as indicated above.

Total Unrestricted Funds and Days Cash on Hand

The following table provides total unrestricted funds and day's cash on hand for the District as of June 30, 2010 through June 30, 2014, and as of December 31, 2014. Marketable securities are carried at market.

(000's omitted)			As of June 30		As of Dec. 31	
	2010 (Audited)	2011 (Audited)	2012 (Audited)	2013 (Audited)	2014 (Audited)	2014 (Unaudited)
Cash and Cash Equivalents	\$16,324	\$16,019	\$16,839	\$10,345	\$10,316	\$ 5,901
Board Designated Funds	<u>39,024</u>	<u>38,919</u>	<u>40,408</u>	<u>34,203</u>	<u>41,414</u>	<u>40,680</u>
Total Unrestricted Funds	\$55,348	\$54,938	\$57,247	\$44,548	\$51,730	\$46,581
Daily Expenses	\$ <u>242</u>	\$ <u>254</u>	\$ <u>281</u>	\$ <u>303</u>	\$ <u>321</u>	<u>329</u>
Days Cash on Hand ⁽¹⁾	<u>229</u>	<u>216</u>	<u>204</u>	<u>147</u>	<u>161</u>	<u>142</u>

Source: Audited and unaudited financial statements of the District, as indicated above.

⁽¹⁾ Determined by adding cash and cash equivalents plus board designated funds for capital replacement; and dividing that sum by total operating expenses minus depreciation and amortization expenses plus interest expense divided by 365 or 184 for the interim period as of December 31, 2014 (daily expenses).

Management's Analysis of Financial Performance

The District's audited excess of revenues over expenses for the fiscal year ended June 30, 2014, was \$19,000, which is approximately \$1,952,000 below fiscal year ended June 30, 2013, results. Over the past five years the District's excess of revenues over expenses has averaged approximately \$5,267,000, per annum. The District's fiscal year 2015 operating plan and budget provides for a minus 2.7% return on equity and a 1.0% return on gross revenue. However, projected fiscal year 2015 return on equity is targeting 0.0% and return on gross revenue is targeting 2.1%. The District Board approved the reduced return on equity based on the additional depreciation costs anticipated with the completion of the Western Addition to Tahoe Forest Hospital and several general obligation bond (Measure C) projects.

Over the past several years, the District has consistently maintained a market share of approximately 70% for its service area. This strong market dominance along with a combined Medicare/Medicaid payor mix of 48% as of the fiscal year ended June 30, 2014, have provided positive margins for the District over those years. The District's service area has enjoyed a growth rate of more than twice that of the state of California over the past twenty-five years and has generally experienced lower unemployment rates than the state of California as a whole. The economic base of the District's service area continues to remain strong, with available jobs growing in market segments other than simply the recreation and resort industries.

Over the past ten years, the District has made substantial investments in its Health Facilities through the construction of a \$5,700,000 medical office complex adjacent to Tahoe Forest Hospital and the purchase of an acute care health facility located in nearby Incline Village, Nevada, for \$3,500,000. The District completed a \$5,800,000 expansion to its Tahoe Forest Hospital facility with the addition of two new operating suites and an upgrade of its central plant, among other improvements. In 2006/2007, the District opened the new 40,000 square foot, \$36,000,000, Western Addition including medical, surgical, intensive care beds and expanded space for ancillary and admissions services. The District maintains a liquidity position with its day's cash on hand of 142 days as of December 31, 2014, and a good leverage position as indicated by its present debt to capital ratio of 27% for revenue based debt.

Both Tahoe Forest Hospital and Incline Village Community Hospital are designated as Critical Access Hospitals, and they are the only acute care hospitals located within the District's primary service area. The District operates the closest hospitals to twelve of the most active winter ski resorts in California.

The District desires to remain an independently governed community health services provider that delivers highly competent and personalized emergency, primary, and prevention services with a focus on operational excellence and innovation. The District's Mission is to be "The Best Mountain Community Health System in the Nation."

See also "Management's Discussion and Analysis" in the financial statements for the District set forth in APPENDIX B hereto.

Health Facilities Utilization

The table below provides selected statistical indicators of inpatient and outpatient activity for the Health Facilities during the past five fiscal years ended June 30, 2014, and for the six-month period ended December 31, 2013 and 2014:

	Fiscal Year Ended June 30					Six Months Ended Dec. 31	
	2010	2011	2012	2013	2014	2013	2014
Acute Care:							
Licensed Beds	29	29	29	29	29	29	29
Patient Days	5,496	5,449	5,004	4,905	5,118	2,519	2,332
Admissions	1,794	1,811	1,716	1,705	1,658	878	852
Occupancy	52%	51%	47%	46%	48%	47%	44%
Acute Length of Stay (Days)	2.9	3.0	3.0	3.0	3.1	2.7	2.7
Emergency Room Visits	17,372	17,348	16,235	16,324	16,264	8,167	8,134
Total Surgery Cases	1,916	1,751	1,947	1,906	1,938	995	955
Skilled Nursing:							
Licensed Beds	37	37	37	37	37	37	37
Patient Days ⁽¹⁾	12,366	11,446	11,828	11,723	12,133	6,203	6,365
Occupancy ⁽¹⁾	92%	85%	88%	87%	90%	91%	93%
Combined:							
Licensed Beds	66	66	66	66	66	66	66
Patient Days	17,862	16,895	16,832	16,628	17,251	8,722	8,697
Occupancy	74%	70%	70%	69%	72%	72%	72%

Source: District records.

⁽¹⁾ The District has utilized licensed medical/surgical beds when the need has arisen for the treatment of patients who require skilled nursing care.

Sources of Patient Service Revenue

The District participates in the Medicare and Medi-Cal/Medicaid programs. The percentage of gross patient revenues derived from Medicare, Medi-Cal/Medicaid, managed care contracts and commercial insurance for each of the past five fiscal years ended June 30, 2014, and for the six-month period ended December 31, 2013 and 2014, is set forth below.

	Percent of Gross Patient Service Revenue Fiscal Year Ended June 30					Six Months Ended Dec. 31	
	2010	2011	2012	2013	2014	2013	2014
Medicare	30%	32%	34%	33%	34%	34%	37%
Medi-Cal/Medicaid ⁽¹⁾	9	10	11	15	14	12	18
Commercial, HMO, PPO & Private	<u>61</u>	<u>58</u>	<u>55</u>	<u>52</u>	<u>52</u>	<u>54</u>	<u>45</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: District records.

⁽¹⁾ Less than 1% of the District's revenues are derived from the Nevada Medicaid program.

Medicare is a federal program, administered by the Centers for Medicare and Medicaid Services available to individuals age 65 or over and certain disabled persons. Medicaid is a federal and state program, known as Medi-Cal in California, under which the Health Facilities furnish services to program eligible persons.

The Health Facilities' inpatient acute and outpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology pursuant to their designation as a "Critical Access Hospital." Effective July 1, 2007, Tahoe Forest Hospital received Critical Access Hospital Designation. Costs incurred are reimbursed at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012, and final settlements have been received through that date.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed based upon a rate per day. Outpatient services rendered are paid at prospectively determined rates per procedure. Medi-Cal cost reports have been audited by the Medi-Cal fiscal intermediary through June 30, 2012, and final settlements have been received through that date.

Adults who do not meet Medi-Cal eligibility criteria but who are medically indigent, as defined by California law, are eligible for medical services under the state-funded "MIA" program. Placer County administers the MIA program by contracting with providers on a per diem basis for patients requiring inpatient services. Nevada County contracts with the State of California to administer its MIA program, with the District receiving reimbursement on a cost-based methodology for patients treated at the Health Facilities. The MIA contract accounts for less than 1% of gross patient revenues of the District.

The District has contracts with approximately 42 prepaid plans and preferred provider discount contractors which comprise approximately 45% of its revenues for the fiscal year ended June 30, 2014. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established rates and prospectively determined daily rates.

Affiliations

Tahoe Forest Health System Foundation. The Tahoe Forest Health System Foundation (the "Foundation") was organized in 1987 and is a California nonprofit 501(c)(3) public benefit corporation organized for the purpose of soliciting and distributing contributions and property to facilitate the building of a healthier community and the ongoing enhancement of the District's health care system. The Foundation contributed a total of approximately \$6 million in community wide contributions towards the construction and equipping of the Western Addition. Donations to the Foundation are passed directly to the District, either to restricted purchases or programs per the donor's directions or retained in the Foundation's general funds. Of those funds, 15% are withheld each year and will be distributed to the District in amounts and in periods determined by the Foundation's board of trustees, who may also restrict the use of the general funds for plant replacement or expansion or other specific purposes. The Foundation has a membership of over 5,000 donors and a governing board of five trustees. The Foundation has raised just over \$11.3 million for Tahoe Forest Hospital since 2000 and distributed approximately \$1,135,000 to the District over the past two fiscal years. The Foundation is not liable for repayment of the Bonds.

Incline Village Community Hospital Foundation. The Incline Village Community Hospital Foundation (the "Incline Village Foundation") was organized in 2004 and is an independent Nevada nonprofit 501(c)(3) corporation organized for the purpose of soliciting and distributing contributions and property for the benefit of the Incline Village Community Hospital. The Incline Village Foundation concluded a capital campaign that contributed a total of approximately \$1.5 million in community wide contributions towards the construction and equipping of the emergency room expansion and remodel of Incline Village Community Hospital. A second capital campaign generated approximately \$500,000 in contributions to renovate and equip Incline Village Community Hospital's imaging department. The Incline Village Foundation's general funds, which represent its unrestricted resources, will be distributed to the District in amounts and in periods determined by the Incline Village Foundation's board of trustees, who may also restrict the use of the general funds for plant replacement or expansion or other specific purposes. The Incline Village Foundation has a membership of over 1,500 donors and a governing board of approximately thirteen trustees. The Incline Village Foundation has raised just over \$3.6 million for Incline Village Community Hospital improvements since 2004 and distributed approximately \$1,120,000 to the District over the past two fiscal years. The Foundation is not liable for repayment of the Bonds.

Tahoe Forest Hospital Auxiliary. The Tahoe Forest Hospital Auxiliary (the "Auxiliary") was formed in 1978 and has been an active participant in the delivery of healthcare services at Tahoe Forest Hospital since that time. The Auxiliary provides volunteer support to the Health Facilities in several areas, including fundraising, office staff assistance, operating of the gift shop, the thrift shop, staffing of health fairs, the Health Facilities' lobby, assisting patients, among other services. Auxiliary volunteers provide in excess of 10,000 hours annually in support of the Health Facilities and their patients. The Auxiliary is not liable for repayment of the Bonds.

Tahoe Institute for Rural Health Research. The Tahoe Institute for Rural Health Research (the "Research Institute") was formed in 2009 by the District as a California nonprofit public benefit corporation and has applied to the Internal Revenue Service for a determination of charitable, exempt status under Sections 501(a) and 501(c)(3) of the Code. The District is the sole member of the Research Institute. It is anticipated that the Research Institute will be a vehicle through which scientific research and collaboration with medical practitioners will produce innovative solutions for rural health care issues. The Research Institute is not liable for repayment of the Bonds.

UC Davis Health System. The District has entered into a participation and license agreement with the UC Davis Health System pursuant to its UC Davis Cancer Care Network to provide cancer care expertise and support to the District and to patients treated at the District's cancer center facilities. Advanced cancer therapies and clinical

trial opportunities are made available to oncology patients treated at the Cancer Center. The affiliated status affords the District expertise, technology and training opportunities not otherwise available to its oncology programs. The District is also a site for the UC Davis Rural Prime Program that, among other benefits, provides access to ongoing training and support for over twenty of the District's medical staff members who serve on the volunteer medical staff of UC Davis Medical Center located in Sacramento, California. The Tahoe Institute for Rural Health Network has also entered into a separate affiliation agreement with UC Davis Health System for the sharing of resources relating to research opportunities. The UC Davis Health System is not liable for payment of the Bonds.

Other Affiliations. The District contracts with various other medical providers to provide clinical and professional services in the areas of radiology, pathology, anesthesia, emergency medicine, and mobile lithotripsy. The District plans for and evaluates potential affiliations as part of its overall strategic planning. Tahoe Forest Hospital has a number of training affiliations with various colleges and educational institutions to advance its employees' training in medicine, nursing and other ancillary medical professional fields. Some of these affiliations include: University of Nevada, Reno, Stanford, California State University at Chico, Feather River College, Sierra College, Northern California Training Institute, University of Vermont, Touro University, Midwestern University, University of Nevada at Las Vegas, and University of St. Francis. No other affiliation agreements are in place and no serious discussions are occurring with other potential affiliation partners.

Public and Professional Liability Insurance Considerations

The District currently carries comprehensive liability insurance through a pooled self-insurance program insuring the Health Facilities and all District employees, while acting within the scope of their duties, against malpractice liability with limits of \$10,000,000 per claim and \$20,000,000 annual aggregate. The District's current comprehensive liability insurance contract is in continuous effect until June 30, 2015. The District contracts such insurance through a joint powers authority ("BETA Healthcare Group") under California law authorizing governmental agencies, such as local health care districts, to join together for insurance purposes. Currently, 102 participants representing health care districts, nonprofit healthcare providers, city and county hospitals participate in BETA Healthcare Group. Coverage is on a claims-made basis.

BETA Healthcare Group is funded by monthly contributions paid by the health care providers participating in BETA Healthcare Group. The contributions are used to fund a reserve for expected losses to be paid by BETA Healthcare Group on a pooled, self-insured basis. The amount of the monthly contribution to be paid by a participant is based on independent actuarial computations taking into account factors such as, among others, total number of beds, outpatient and inpatient visits, surgeries, deductible and loss experience of the participant. The reserve for claims and claims expenses has been determined using the developed loss and loss expense method. For the fiscal year ended June 30, 2014, the District paid \$468,896 in net contributions to BETA Healthcare Group.

At June 30, 2014, BETA Healthcare Group had a reserve for claims and claims expenses relating to the District of \$46,628. For the fiscal year ended June 30, 2014, BETA Healthcare Group paid claims and claims expenses on behalf of the District totaling \$71,847.

The District is unaware of any claim paid on its behalf which was not covered by insurance. There are no material malpractice or professional liability claims or lawsuits now pending against the District which exceed insurance coverage. The District does not currently have any pending malpractice or professional liability claims or lawsuits for compensatory damages not covered by insurance. In California, district health facilities like the Health Facilities are not subject to punitive damage awards. Property damage is covered by Driver Alliant Insurance Services.

The District does not maintain separate flood insurance coverage or earthquake insurance covering its Health Facilities against damages caused by flooding or seismic activity. The District is self-insured for employee medical, dental and vision insurance and for workers' compensation losses.

Employees' Retirement Plan

The District does not participate in the California Public Employees' Retirement System (CalPERS) or any other defined benefit plan.

The District has a defined contribution pension plan covering any employee who completes 1,000 hours of service in a calendar year. The District is required to make annual contributions equal to 3% of each employee's

annual compensation plus 3% of each employee's annual compensation in excess of the social security tax wage base. Employee contributions are voluntary and limited to 10% of an employee's annual compensation.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The District matches participation deferrals up to 3% to 7% of earnings for full-time and regular part-time participants. Employee contributions are limited to 100% of total employee compensation or \$17,500, whichever is less. Since January 1, 2006, the employer matching contributions under this deferred compensation plan are deposited into employee accounts in the money purchase pension plan.

Total employer contributions under the above benefit programs were \$2,723,868 and \$2,175,058 in 2013 and 2014, respectively.

Town of Truckee, Placer and Nevada Counties

During the past twenty-four years the populations of Nevada County and Placer County have increased 24% and 112%, respectively, while the population of the State of California has increased 29% over the same period. Population figures as reported for the 1990, 2000 and 2010 census reports and estimated for 2014 for Nevada County, Placer County and the State of California (the Town of Truckee does not have population data for 1990) due to it being unincorporated at that time, are as follows:

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2014</u>	<u>1990-2014 % Change</u>
Town of Truckee	N/A	13,864	16,180	15,981	N/A
Nevada County	78,510	92,033	98,764	97,225	24%
Placer County	172,796	248,399	348,432	366,115	112%
California	29,760,021	33,871,648	37,253,956	38,340,074	29%

Source: California State Department of Finance. The 1990, 2000 and 2010 are census figures reported as of April 1 in each of those years and 2010 figures are estimates by the Department of Finance reported as of January 1, 2014.
N/A: Not available

The District boundaries and Tahoe Forest Hospital service area, which extends beyond the District boundaries, incorporates a good portion of both Nevada and Placer Counties. Although the seasonality of many of the major employers in this area contributes to the area's unemployment data, the Town of Truckee, Placer County and Nevada County unemployment percentages are below the State of California's average. This is in large part attributed to the diversity of employment in these areas. The December 2014 labor market can be divided into the following sectors:

	<u>Town of Truckee</u>	<u>Nevada County</u>	<u>Placer County</u>	<u>State of California</u>
Civilian Labor Force	9,490	49,070	178,200	18,726,400
Employed	9,050	46,360	169,300	17,474,600
Unemployed	440	2,710	9,400	1,251,800
Percentage Unemployment	4.6%	5.5%	5.2%	6.7%

Source: State Employment Development Department, December 2014.

Capital Expenditures

Aside from construction and equipping costs related to the Project to be funded from the general obligation bonds, total capital expenditures of approximately \$17,606,000 are expected to occur over the next three years beginning in the fiscal year ended June 30, 2015. As for the other planned capital expenditures over the next three years, they represent regular annual expenditures made in connection with the normal routine maintenance and equipment replacement for the District's Health Facilities, information technology expenditures and equipment related to the Project that cannot be funded with general obligation bond proceeds. These capital expenditures are planned to be funded from capital lease obligations, cash reserves and community based contributions. The District does not contemplate the issuance of additional revenue bonds or general obligation bonds to fund new money projects over the next three years.

LEGAL MATTERS

No Material Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization nor existence of the District is being contested.

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

Tax Matters

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within their respective knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the IRS, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX A—"Form of Final Opinion of Bond Counsel."

Approval of Legality

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, Larkspur, California, as Bond Counsel.

RATING

Moody's Investors Service ("Moody's") has assigned a rating of "_____" to the Bonds. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Bonds.

Such rating reflects only the views of Moody's, and any explanation of the significance of such rating may only be obtained from Moody's. Generally, rating agencies base their ratings on information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. The District furnished to Moody's certain information and materials that have not been included in this Official Statement.

There is no assurance that the rating mentioned above will remain in effect for any given period of time or that the ratings might not be lowered or withdrawn entirely by Moody's, if in its judgment circumstances so warrant. The Underwriters (defined below) have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of the ratings 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.

UNDERWRITING

The Bonds are being purchased by the underwriters listed on the cover of this Official Statement (the "Underwriters") at a purchase price of \$_____ (representing the par amount of the Bonds of \$_____, plus a net original issue premium of \$_____ and less an Underwriters' discount of \$_____).

The bond purchase contract for the Bonds provides that the Underwriters will purchase all of the Bonds, if any are purchased, and contain the agreement of the District to indemnify the Underwriters against certain liabilities to the extent permitted by law. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the bond purchase contract.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices or yields different from the prices or yields stated on the cover to this Official Statement. The offering prices or yields may be changed from time to time without notice by the Underwriters.

Piper Jaffray & Co. ("Piper") and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper, including the Bonds. Under the Agreement, Piper will share with Pershing LLC a portion of the fee or commission paid to Piper.

Piper has entered into a distribution agreement (the "CS&Co Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the CS&Co Distribution Agreement, CS&Co will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co sells.

Piper has also entered into a distribution agreement (the "UnionBank Distribution Agreement") with UnionBank Investment Securities LLC ("UnionBank") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the UnionBank Distribution Agreement, UnionBank will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that UnionBank sells.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of bondholders and Beneficial Owners of the Bonds to disseminate certain financial information and operating data relating to the District, and to provide notices of the occurrence of certain enumerated events. See APPENDIX C – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. The District has had continuing disclosure obligations with respect to its 1999 Revenue Bonds and its 2006 Revenue Bonds (see "INTRODUCTION – Revenue Bonds Outstanding," herein) and with respect to the 2008 Bonds, the 2010 Bonds and the 2012 Bonds. The 1999 Revenue Bonds were no longer outstanding after September 10, 2010.

The District has determined that its continuing disclosure submissions since 2010 with respect to the 2006 Revenue Bonds, the 2008 Bonds, the 2010 Bonds, and the 2012 Bonds pertaining to annual and quarterly (as applicable) disclosure of financial information and operating data have not fully complied with its continuing disclosure obligations.

Moreover, rating changes affecting the 2008 Bonds during the last five years were posted late or not made. For example, the rating on most maturities of the 2008 Bonds began as a Moody's rating of Aaa based on the bond insurance on such maturities of the 2008 Bonds provided by Assured Guaranty Corp. The rating on such insured maturities changed each time Moody's rating of Assured Guaranty Corp. changed. Assured Guaranty Corp.'s rating fell from the Aaa rating at the time the 2008 Bonds were issued to Aa2 in November 2008, to Aa3 in November 2009 to A3 in January 2013. The underlying Moody's rating of A2 on the 2008 Bonds not insured by Assured Guaranty Corp. was upgraded to Aa3 in June 2010.

The District has in the past and more recently supplemented its disclosure submissions with respect to those bonds still outstanding at the time by posting additional information with Electronic Municipal Market Access ("EMMA"). Additionally, the District has adopted a policy appointing the Chief Financial Officer to have the principal responsibility for all continuing disclosure for the District's bond issues. The District and the dissemination agent, D.K. Goulding Financial Services, LLC, have agreed to have earlier contact with one another in the continuing disclosure process to ensure proper information exchange between the District and the dissemination agent and, therefore, to help produce timely and complete continuing disclosure in the future.

Set forth below in table form is information outlining separately the required Annual Report, quarterly financial information (as applicable) and operating data disclosures pertaining to the 2006 Revenue Bonds, the 2008 Bonds, the 2010 Bonds and the 2012 Bonds (for example, the annual audit, tax information and other operating data as required by the applicable official statement). The table shows the date each filing was required and the actual date of posting on EMMA. In no case involving a late filing was a notice of failure to timely file the required continuing disclosure posted to EMMA by the dissemination agent or the District. On February 6, 2014, a notice filing was made with respect to each outstanding bond issue containing the information on the following table as well as information about rating changes.

<u>2006 Revenue Bonds</u>	<u>Due Date</u>	<u>Date Posted</u>
2009 Annual Report	12/31/09	11/05/09
2009 Operating Data ⁽¹⁾	12/31/09	11/05/09
2010 Annual Report	12/31/10	12/28/10
2010 Operating Data ⁽¹⁾	12/31/10	11/08/11
2011 Annual Report	12/31/11	11/08/11
2011 Operating Data ⁽¹⁾	12/31/11	11/08/11
2012 Annual Report	12/31/12	11/15/12
2012 Operating Data ⁽¹⁾	12/31/12	11/15/12
2013 Annual Report	12/31/13	02/20/14
2013 Operating Data ⁽¹⁾	12/31/13	01/27/15
2014 Annual Report	12/31/14	12/29/14
2014 Operating Data ⁽¹⁾	12/31/14	12/29/14
Quarterly Financials (12/31/09)	01/31/10	12/18/10
Quarterly Financials (03/31/10)	04/30/10	11/25/13
Quarterly Financials (06/30/10)	07/31/10	01/27/13
Quarterly Financials (09/30/10)	10/31/10	04/26/11
Quarterly Financials (12/31/10)	01/31/11	04/26/11
Quarterly Financials (03/31/11)	04/30/11	05/18/11
Quarterly Financials (06/30/11)	07/31/11	08/02/11
Quarterly Financials (09/30/11)	10/31/11	11/04/11
Quarterly Financials (12/31/11)	01/31/12	08/28/13
Quarterly Financials (03/31/12)	04/30/12	04/30/12
Quarterly Financials (06/30/12)	07/31/12	08/17/12
Quarterly Financials (09/30/12)	10/31/12	08/28/13
Quarterly Financials (12/31/12)	01/31/13	08/28/13
Quarterly Financials (03/31/13)	04/30/13	06/24/13
Quarterly Financials (06/30/13)	07/31/13	08/28/13
Quarterly Financials (09/30/13)	10/31/13	11/25/13
Quarterly Financials (12/31/13)	01/31/14	02/20/14
Quarterly Financials (03/31/14)	04/30/14	01/27/15
Quarterly Financials (06/30/14)	07/31/14	07/29/14
Quarterly Financials (09/30/14)	10/31/14	10/24/14
Quarterly Financials (12/31/14)	01/31/15	01/22/15
<u>2008 Bonds</u>	<u>Due Date</u>	<u>Date Posted</u>
2009 Annual Report	03/31/10	11/05/09
2009 Operating Data ⁽²⁾	03/31/10	05/23/12
2010 Annual Report	03/31/11	12/28/10
2010 Operating Data ⁽²⁾	03/31/11	05/23/12
2011 Annual Report	03/31/12	11/08/11
2011 Operating Data ⁽²⁾	03/31/12	05/23/12
2012 Annual Report	03/31/13	11/15/12
2012 Operating Data ⁽²⁾	03/31/13	04/01/14
2013 Annual Report	03/31/14	04/01/14
2013 Operating Data ⁽²⁾	03/31/14	04/01/14
2014 Annual Report	03/31/15	12/09/14
2014 Operating Data ⁽²⁾	03/31/15	02/03/2015

<u>2010 Bonds</u> ⁽⁴⁾	<u>Due Date</u>	<u>Date Posted</u>
2010 Annual Report	04/01/11	12/28/10
2010 Operating Data ⁽²⁾	04/01/11	05/23/12
2011 Annual Report	04/01/12	11/08/11
2011 Operating Data ⁽²⁾	04/01/12	05/23/12
2012 Annual Report	04/01/13	11/15/12
2012 Operating Data ⁽²⁾	04/01/13	04/03/14
2013 Annual Report	04/01/14	02/20/14
2013 Operating Data ⁽²⁾	04/01/14	04/03/14
2014 Annual Report	04/01/15	02/03/15
2014 Operating Data ⁽²⁾	04/01/15	02/03/15

<u>2012 Bonds</u>	<u>Due Date</u>	<u>Date Posted</u>
2012 Annual Report	04/01/13	03/29/13
2012 Operating Data ⁽²⁾	04/01/13	04/03/14
2013 Annual Report	04/01/14	04/01/14
2013 Operating Data ⁽²⁾	04/01/14	04/03/14
2014 Annual Report	04/01/15	02/03/15
2014 Operating Data ⁽²⁾	04/01/15	02/03/15

⁽¹⁾ Consists of utilization data, medical staff data, payor mix, debt service coverage ratio and days cash on hand.

⁽²⁾ Consists of assessed values in the District, property tax levies, collections and delinquencies.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will examine the arithmetical accuracy of certain computations included in the schedules relating to the refunding of the 2008 Bonds. See "REFINANCING PLAN." The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

FINANCIAL ADVISOR

G.L. Hicks Financial, LLC has served as financial advisor to the District for purposes of assisting with the development and implementation of a bond structure in connection with the Bonds. G.L. Hicks Financial, LLC is an independent advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. G.L. Hicks Financial, LLC is a registered municipal advisor with the Municipal Securities Rulemaking Board and the Securities and Exchange Commission.

ADDITIONAL INFORMATION

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Resolution 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 such 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 Resolution may be obtained during the offering period upon request to the financial advisor at (801) 225-0731 and thereafter upon request to the principal corporate trust office of the Paying Agent.

The District has authorized and consented to the execution and distribution of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

TAHOE FOREST HOSPITAL DISTRICT

By: _____

Title: Chief Executive Officer

APPENDIX A

Form of Final Opinion of Bond Counsel

APPENDIX B

**Audited Financial Statements of the District for the
Fiscal Years Ended June 30, 2014 and 2013**

APPENDIX C

Form of Continuing Disclosure Certificate

APPENDIX D

Book Entry-System

The following information concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the District and the Underwriters take no responsibility for the accuracy of such statements.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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 will be issued for each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides assets 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 bonds. 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 for 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant 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 the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the

security documents. 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, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent 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 and interest payments with respect to 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 Paying Agent or Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect 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 Direct Participant or Indirect Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, definitive bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event definitive bonds will be printed and delivered.

THE DISTRICT, THE UNDERWRITERS, THE PAYING AGENT AND THEIR AGENTS AND COUNSEL WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (I) THE BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT; (III) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST WITH RESPECT TO THE BONDS; (IV) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE TRUST AGREEMENT TO BE GIVEN TO BENEFICIAL OWNERS; (V) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS.

APPENDIX E

HEALTHCARE RISK FACTORS

General

The District 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 Centers for Medicare and Medicaid Services (“CMS”) of the U.S. Department of Health and Human Services (“HHS”), State of California (the “State”) Attorney General, and other federal, State and local government agencies. The future financial condition of the District could be adversely affected by, among other things, changes in the method, timing and amount of payments to the District by governmental and nongovernmental payors, the financial viability of these payors, increased competition from other healthcare entities, the costs associated with responding to governmental audits, inquiries and investigations, demand for healthcare, other forms of care or treatment, changes in the methods by which employers purchase healthcare for employees, capability of management, changes in the structure of how healthcare 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 healthcare professionals, malpractice claims and other litigation. These factors and others may adversely affect the District’s revenues.

In addition, future economic and other conditions, including inflation, demand for hospital services, the ability of the District to provide the services required or requested by patients, physicians’ confidence in the Health Facilities and management, economic developments in the service area served by the Health Facilities, employee relations and unionization, competition, rates, increased costs, availability of professional liability insurance, hazard losses, third-party reimbursement and changes in governmental regulations may adversely affect revenues. There can be no assurance given that revenues realized by the District, or utilization of the Health Facilities will not decrease.

With respect to the financial condition of the District, see the audited financial statements of the District attached to the Official Statement as APPENDIX B.

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of the District as a hospital and healthcare provider are briefly summarized in general terms below, and are explained in greater detail in subsequent sections. The occurrence of one or more of these risks could have a material adverse effect on the financial condition and results of operations of the District.

Federal Healthcare Reform and Deficit Reduction. The federal healthcare reform legislation has changed and will change how healthcare services are covered, delivered and reimbursed. These changes will result in lower hospital reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for healthcare providers to assess, and potentially alter, their business strategy and practices, among other consequences. While most providers will receive reduced payments for care, millions of previously uninsured Americans will have coverage. Efforts to reduce the federal deficit and balance the State budget will likely curb Medicare and Medi-Cal spending further to the detriment of providers.

General Economic Conditions; Bad Debt, Indigent Care and Investment Performance. Healthcare providers are economically influenced by the environment in which they operate. To the extent that (1) unemployment rates are high, (2) employers reduce their budgets for employee healthcare coverage or (3) private and public insurers seek to reduce payments to healthcare providers or curb utilization of healthcare services, healthcare providers may experience decreases in insured patient volume and reductions in payments for services. In addition, to the extent that State, county or city governments are unable to provide a safety net of medical services, pressure is applied to local healthcare providers to increase free care. Furthermore, economic downturns and lower funding of federal Medicare and Medi-Cal programs may increase the number of patients who are unable to pay for their medical and healthcare services. These conditions may give rise to increases in healthcare providers’ uncollectible accounts, or “bad debt,” and, consequently, to reductions in operating income. Declines in investment portfolio values may reduce or eliminate non-operating revenues. Investment losses (even if unrealized) may trigger

debt covenants to be violated and may jeopardize healthcare providers' economic security. Losses in pension and benefit funds may result in increased funding requirements. Potential failure of lenders, insurers or vendors may negatively impact the results of operations and the overall financial condition of healthcare providers. Philanthropic support may also decrease or be delayed.

Capital Needs vs. Capital Capacity. Hospital and other healthcare operations are capital intensive. Regulation, technology and physician/patient expectations require constant and often significant capital investment. In California, seismic requirements mandated by the State may require that many hospital facilities be substantially modified, replaced or closed. Estimated construction costs generally 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.

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 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 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.

Hospitals and other healthcare providers face increased pressure to operate transparently and make available information about cost and quality of services. Consumers and payors accessing cost and quality information accumulated on various data-bases may shift business among providers or make different healthcare choices based on such information.

Rate Pressure from Insurers and Major Purchasers. Certain healthcare 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 healthcare 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 healthcare 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 healthcare 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.

Reliance on Medicare. Inpatient hospitals rely to a high degree on payment from the federal Medicare program. Recent changes in the underlying laws 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 healthcare 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.

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

Government "Fraud" Enforcement. "Fraud" in government funded healthcare programs is a significant concern of federal and state regulatory agencies overseeing healthcare programs, and is one of the federal government's prime law enforcement priorities. The federal government and, to a lesser degree, state governments impose a wide variety of extraordinarily complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of "fraud" in the Medicare and Medicaid programs, as well as other state and federally-funded healthcare programs. This body of regulation impacts a broad spectrum of hospital and other healthcare provider commercial activity, including billing,

accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, discounts and other functions and transactions.

Violations and alleged violations may be deliberate, but also frequently occur in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of law. Violations may occur and be prosecuted in circumstances that do not have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past. Violations carry significant sanctions. The government periodically conducts widespread investigations covering categories of services, or certain accounting or billing practices.

Violations and Sanctions. The government and/or private “whistleblowers” often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal, monetary and other penalties, including suspending essential hospital and other healthcare 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 healthcare 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 healthcare providers. Such negotiated settlement terms may have a materially adverse impact on hospital and other healthcare 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 healthcare industry. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the hospital and healthcare sector. Many hospital and other healthcare provider systems have been and are liable to be adversely impacted.

State Medicaid Programs. The California Medicaid program, known as Medi-Cal is an important payor source to many hospitals and may become a proportionately larger source of revenue as federal healthcare reform is implemented, expanding Medicaid coverage to significant numbers of uninsured Americans. This program often pays hospitals and physicians 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 may result in lower funding levels and/or payment delays. These could have a material adverse impact on California hospitals.

Professional Staffing. From time to time, a shortage of certain physician specialties, nurses and medical technicians exists which may have a primary impact on hospitals. The shortages are particularly acute in the fields of primary care and certain medical and surgical specialties. Such shortages may adversely affect hospitals, which rely on skilled healthcare practitioners to deliver care. Hospital operations, patient and physician satisfaction, financial condition, results of operations and future growth could be negatively affected by these shortages, resulting in a material adverse impact to hospitals.

Labor Costs and Disruption. The delivery of healthcare services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impact on hospital and healthcare provider operations and financial condition. Hospital and healthcare 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 costs of operation. Workforce disruption may negatively impact revenues, expenses and employment recruitment efforts.

Pension and Benefit Funds. As large employers, hospitals may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers’ compensation benefits. Plans are often underfunded or may become underfunded and funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes.

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, may increase in the future. Healthcare providers may be affected by negative financial and liability impacts on physicians. Costs of insurance, including self-insurance, may increase dramatically.

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. Many of these class action suits focused on hospital billing and collection 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 to hospitals and health systems in the future.

Facility Damage. Hospitals and healthcare providers are highly dependent on the condition and functionality of their physical facilities. Damage from earthquake, floods, fire, 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.

Federal Budget Cuts

On August 2, 2011, Congress enacted the Budget Control Act of 2011 (the “BCA”), which mandated significant reductions and spending caps on the federal budget for fiscal years 2012-2021. The BCA also created a Joint Select Committee on Deficit Reduction (the “Super Committee”) to develop a plan to further reduce the federal deficit by \$1.5 trillion on or before November 23, 2011. Because the Super Committee was unable to reach agreement on a plan, the BCA mandated that a 2% reduction in Medicare spending, among other reductions, was scheduled to take effect on January 2, 2013.

The American Taxpayer Relief Act of 2012 (“ATRA”) postponed this scheduled reduction (commonly referred to as “sequestration”) until March 1, 2013, when the automatic spending cuts were triggered. A wide range of spending is exempted from sequestration, including Social Security, Medicaid, Veteran's Benefits and pensions, federal retirement funds, civil and military pay, child nutrition and other programs. However, Medicare is not exempted from sequestration. Medicare payments are reduced in part as a result of these across the board spending reductions, limited to 2% of total program costs. In December of 2013, Congress partially replaced the mandatory budget cuts for two years. While that legislation lifted certain sequestration cuts for defense and non-defense spending for FYs 2014 and 2015, it did not reduce the sequestration reductions impacting mandatory programs including Medicare.

Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts that are approved may have upon the District. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. If Medicare spending continues to be reduced, it may have a material adverse effect upon the financial condition of the District.

Taxpayer Relief Act of 2012

The ATRA also extended the number of supplemental Medicare payments, including supplemental payments for some low-volume hospitals, ambulance charges and physical therapy costs. The \$30 billion cost of these provisions is expected to be partially offset by a reduction in payments to hospitals over the 10-year period following the passage of ATRA, including an estimated \$10.5 billion reduction in projected Medicare hospital payments for inpatient and overnight care and a reduction in the Medicare disproportionate share payments to hospitals by an additional \$4.2 billion during that period. These cuts are in addition to those made to Medicare hospital payments as part of the Patient Protection and Affordable Care Act (the “ACA”).

Job Creation Act

The Middle Class Tax Relief Act and Job Creation Act of 2012 (the “Job Creation Act”), as amended by the Taxpayer Relief Act, delayed through the end of 2013 the implementation of certain scheduled cuts to physician payments mandated by the sustainable growth rate (“SGR”) formula that ties physician reimbursement under Medicare to the gross domestic product. The Bipartisan Budget Act of 2013 extended the delay through March 31, 2014, and increased Medicare payments to physicians during the same period. The Job Creation Act provides that the cost of delaying scheduled cuts to physician payments be achieved by providing for cuts in other areas of health care, including reductions in Medicaid payments to hospitals with a disproportionate share of uninsured patients through 2023, as well as reductions in Medicare reimbursement to providers for beneficiaries' unpaid coinsurance and deductible amount after reasonable collection efforts. Prior to the enactment of the Job Creation Act, Medicare

reimbursed hospital providers 70% of beneficiary bad debt; the Job Creation Act reduces that reimbursement to 65%. In March 2014 Congress acted to temporarily delay the cuts to physician reimbursement for another year. That delay expires April 1, 2015, unless Congress again extends the delay of the reduction.

California State Budget

California has faced in the past severe financial challenges, including erosion of general fund tax revenues, falling real estate values, slow economic growth and high unemployment. Shortfalls between revenues and spending have in the past and may in the future result in cutbacks to State and local government healthcare programs. Failure by the California legislature to approve budgets prior to the start of a new fiscal year can also result in a temporary hold on or delay of Medi-Cal reimbursement. However, the addition of legislative incentives to pass the State budget on time makes this less likely than in the past.

The financial challenges which California and the Medi-Cal program have faced in the past have negatively affected healthcare organizations in a number of ways. Despite better current budget predictions, these past challenges still affect providers and may worsen in the future. California may enact legislation to reduce Medi-Cal payments, attempt to impose copayments on Medi-Cal recipients which could result in a reduction in provider reimbursement, or reduce covered benefits or restrict eligibility. The ACA allows for significant expansions to the Medicaid program and additional federal funding. Such funding is conditioned, however, on the State's maintaining specified beneficiary eligibility criteria, which may require additional State funding or prompt the State to reduce provider reimbursement. The BCA may also shift further funding responsibility from the federal government to state governments, creating new financial challenges.

Local Ballot Measures

California local governments and districts face severe financial challenges that are expected to continue or worsen over the coming years. Shortfalls between revenues and spending have in the past and may in the future result in cutbacks in payments and reimbursements to local healthcare facilities. Healthcare districts are subject to ballot initiatives passed by voters living in the district. In response to perceived excesses in executive compensation, pension, and other benefits paid to district executives and service providers, taxpayers in certain healthcare districts in the State placed certain healthcare district initiatives on the ballot. These ballot measures, if passed, would severely restrict the amount of compensation payable to district executives and healthcare providers. It is impossible to predict what actions may be taken in future years by voters in the District to address budgetary shortfalls, increased tax burdens, and perceived compensation excesses. Any restriction on the District's ability to offer competitive compensation and other perquisites to attract and retain management and providers may have a material adverse impact on the operations and financial results of the District.

Healthcare Regulation and Reform

Healthcare Regulation. The healthcare industry in general is subject to regulation by a number of governmental and private agencies, including those which administer the Medicare and Medicaid programs discussed under the headings "Patient Service Revenues—Medicare" and "—Medicaid" herein. The healthcare industry is also affected by federal, state and local policies developed to regulate the manner in which healthcare is provided, administered and paid for nationally and locally. As a result, the healthcare industry is sensitive to frequent and substantial legislative and regulatory changes. Congress and the states have consistently attempted to curb the growth of spending on healthcare programs. In addition, Congress and other governmental agencies have focused on the provision of care to indigent and uninsured patients, prevention of "dumping" such patients on public hospitals in order to avoid the provision of non-reimbursed care, the unlawful payment of remuneration in exchange for referral of patients, the unauthorized use or disclosure of patients' protected health information, billing for services not in accordance with governmental requirements and other issues. It is unlikely that the District could attract sufficient numbers of private pay patients to become self-sufficient without reimbursement from governmental programs. Cost shifting to private sources of payment is not an option to offset declining federal and State reimbursement because private insurance companies have adopted cost containment measures similar to those used by government agencies. These cost containment mechanisms include "managed care" and capitated payment.

Despite these efforts, due to, among other things, the growing percentage of older persons in the population, improved technology and administrative costs in a highly regulated industry, health care expenditures as a percentage of the gross national product continue to rise. Consequently, it can be expected that aggressive cost

containment measures and anti-fraud and abuse investigation and enforcement could have a material adverse effect on the District. Continued efforts in the form of statutory and regulatory activity to reduce the rate of increase in reimbursement for health care costs, particularly costs paid under the Medicare and Medicaid programs, can be expected.

The Medicare and Medicaid programs have been and continue to be affected by numerous legislative initiatives. In general, the purpose of much of the statutory and regulatory activity has been to reduce the rate of increase in healthcare costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to healthcare providers under both the Medicare and Medicaid programs have been enacted, and have caused reductions in reimbursement.

Numerous other proposals have been advanced by various parties to require or promote alternate methods of healthcare delivery, to establish healthcare cost containment measures, to provide alternatives for payment of healthcare costs under Medicare, Medicaid and private reimbursement programs, and to institute other changes in healthcare payment and reimbursement.

The District is subject to governmental regulation under the federal Medicare program and the joint federal and State Medi-Cal program. Healthcare providers, including the District, have been and will continue to be affected by changes that have occurred during the last several years in the administration of the Medicare and Medi-Cal programs.

Federal Health Care Reform and Other Governmental Initiatives

In March, 2010, the Patient Protection and Affordable Care Act was enacted and approved by the President.

Some of the provisions of the ACA took effect immediately, while others will take effect or will be phased in over time, ranging from a few months following approval to ten years. Because of the complexity of the ACA generally, additional legislation is likely to be considered and enacted over time. The ACA will also require the promulgation of substantial regulations with significant effects on the healthcare industry and third-party payors. In response, third-party payors and suppliers and vendors of goods and services to healthcare providers are expected to impose new and additional contractual terms and conditions. Thus, the healthcare industry will be subjected to significant new statutory and regulatory requirements and contractual terms and conditions and, consequently to structural and operational changes and challenges, for a substantial period of time.

Management of the District are analyzing the ACA and will continue to do so in order to assess the effects of the legislation and evolving regulations on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

A significant component of the ACA is reformation of the sources and methods by which consumers will pay for healthcare for themselves and their families and by which employers will procure health insurance for their employees and dependents and, as a consequence, expansion of the base of consumers of healthcare services. One of the primary purposes of the ACA is to provide or make available, or subsidize the premium costs of, healthcare insurance for some of the millions of uninsured (or underinsured) consumers who fall below certain income levels. The ACA proposes to accomplish that objective through various provisions, summarized as follows: (i) the creation of active markets (referred to as exchanges) in which individuals and small employers can purchase healthcare insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for insurance premium costs to individuals and families based upon their income relative to federal poverty levels, (iii) mandating that individual consumers obtain and certain employers provide a minimum level of healthcare insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iv) expansion of private commercial insurance coverage generally through such reforms as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expansion of existing public programs, including Medicaid, for individuals and families. The Congressional Budget Office ("CBO") estimated that in federal fiscal year 2015, 19 million consumers who have not been insured will become insured, followed by an additional 6 million consumers in federal fiscal year 2016. To the extent all or any of those provisions produce the expected result, an increase in utilization of healthcare services by those who are currently avoiding or rationing their healthcare can be expected and bad debt expenses may be reduced. Associated with increased utilization will

be increased variable and fixed costs of providing health care services, which may or may not be offset by increased revenues.

Some of the specific provisions of the ACA that may affect hospital operations, financial performance or financial conditions of the District, are described below. This listing is not, is not intended to be, nor should be considered by the reader as, exhaustive. The ACA is complex and comprehensive, and includes many new programs and initiatives and changes to existing programs, policies, practices and laws. At this time, management of the District cannot predict the aggregate effect of the ACA upon the District over time.

- Commencing upon enactment and through September 30, 2019, the annual Medicare market basket updates for hospitals will be reduced. Beginning October 1, 2011, the market basket updates became subject to productivity adjustments. The reductions in market based updates and the productivity adjustments will have a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. Additionally, the reductions in market basket updates have been effective prior to the periods during which insurance coverage and the insured consumer base will expand. The combination of reductions to the market basket updates and the imposition of the productivity adjustments may, in some cases and in some years, result in reductions in Medicare payment per discharge on a year-to-year basis.
- Commencing October 1, 2010 and continuing through September 30, 2019, payments under the "Medicare Advantage" programs (Medicare managed care) will be reduced, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. All or any of these outcomes will have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues.
- Commencing October 1, 2012, a value-based purchasing program was established under the Medicare program designed to provide incentive payments to hospitals based on performance on quality and efficiency measures. These incentive payments are funded through a pool of money collected and withheld from all hospital providers; funds are restored to hospitals according to how they performed on specified quality measures.
- Commencing October 1, 2013, Medicare disproportionate share hospital ("DSH") payments were reduced initially by 75%. DSH payments will be increased thereafter to account for the national rate of consumers who do not have healthcare insurance and are provided uncompensated care. Commencing October 1, 2013, a state's Medicaid DSH allotment from federal funds will be reduced.
- Expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels. In 2010, CMS had estimated that 18 million consumers, who had been uninsured prior to the ACA, would become newly eligible for Medicaid through 2019 as a result of this expansion. However, the U.S. Supreme Court decision in 2011 resulted in many states choosing not to participate in the Medicaid expansion, which reduced the anticipated number of new enrollees. Providers operating in markets with large Medicaid and uninsured populations are anticipated to benefit from increased revenues resulting from increased utilization and reductions in bad debt or uncompensated care. At the same time, the increase in utilization can also be expected to increase in costs of providing that care, which may or may not be balanced by increased revenues. California opted for Medicaid expansion.
- Commencing October 1, 2012, Medicare payments that would otherwise be made to hospitals that have a high rate of potentially preventable readmissions of Medicare patients for certain clinical conditions have been reduced by specified percentages to account for those excess and "preventable" hospital readmissions.

- Commencing October 1, 2014, Medicare payments to certain hospitals for hospital-acquired conditions have been reduced by 1%. Effective July 1, 2011, federal payments to states for Medicaid services related to healthcare-acquired conditions are prohibited.
- Effective October 1, 2011, healthcare insurers are required to include quality improvement covenants in their contracts with hospital providers, and are required to report their progress on such actions to the Secretary of HHS.
- Commencing January 1, 2015, healthcare insurers participating in the health insurance exchanges have been allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance quality of care. The effect of these provisions upon the process of negotiating contracts with insurers or the costs of implementing such programs cannot be predicted.
- With varying effective dates, the ACA enhances the ability to detect and reduce waste, fraud, and abuse in public programs through provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The ACA requires the development of a database to capture and share healthcare provider data across federal healthcare programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.
- Effective for tax years commencing immediately after enactment, additional requirements for tax-exemption have been imposed 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 lowest amount charged to insured patients; and control the billing and collection processes. Additionally, tax-exempt hospitals must conduct a community needs assessment and adopt an implementation strategy to meet those identified needs. Failure to satisfy these conditions may result in the imposition of fines and the loss of tax-exempt status.
- The ACA calls for an Independent Payment Advisory Board (the "Board") to be established to develop proposals to improve the quality of care and limitations on cost increases. Beginning January 15, 2019, if the Medicare growth rate exceeds the prescribed target, the Board is required to develop proposals to reduce the growth rate and require HHS to implement those proposals, unless Congress enacts legislation related to the proposals.

The ACA included the Community Living Assistance Services and Supports (CLASS) Act to create a national, voluntary, long-term care insurance program to supplement Medicaid and private long-term care insurance; however, the CLASS Act was repealed in the January 2013 budget deal. In its place, Congress created a new national commission to develop a plan for better financing and delivery of long-term care services.

The ACA provisions relating to skilled nursing facilities ("SNFs") include requirements that facilities (i) make certain disclosures regarding ownership; (ii) implement compliance and ethics programs; and (iii) make certain disclosures regarding expenditures for wages and benefits for direct care staff.

The ACA creates a Center for Medicare and Medicaid Innovation to test innovative payment and service delivery models and to implement various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce healthcare expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new healthcare delivery models, such as accountable care organizations or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

The ACA establishes a Medicare Shared Savings Program that seeks to promote accountability and coordination of care through the creation of Accountable Care Organizations ("ACOs"). The program will allow

hospitals, physicians and others to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program. HHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs. It remains unclear to what extent providers will pursue federal ACO status or whether the required investment would be warranted by shared savings achieved through efficiencies in care delivery. Nevertheless, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring less infrastructural and organizational change. The potential impacts of these initiatives are unknown, but introduce greater risk and complexity to healthcare finance and operations.

The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

On June 28, 2012, the United States Supreme Court upheld the constitutionality of the ACA generally, but struck down certain provisions which would have permitted federal Medicaid funding to be entirely eliminated for states that do not comply with the expanded Medicaid coverage required under the ACA. Since the Supreme Court's decision was handed down, certain political leaders have announced their intention to proceed with legislation to repeal or substantially amend provisions of the ACA. That position has been reinforced by Republicans who now control both houses of Congress. The President has vowed to veto any such legislation. In addition, the Supreme Court will hear a challenge to the subsidies provided under the ACA in states that do not run their own insurance exchanges. The ultimate outcomes of legislative attempts or judicial considerations to repeal or amend portions of the ACA are unknown at this time.

California Healthcare Reform.

The State has passed several laws to implement the ACA. The State has established a state health insurance exchange, initially called the "California Health Benefit Exchange" now named "Covered California," as required by the ACA. Enrollment under Covered California began October 1, 2013, with coverage effective January 1, 2014. Effective January 1, 2014, Medi-Cal coverage was expanded to include adults (under 65, who are not pregnant or otherwise eligible for Medi-Cal) with incomes up to 138% of the federal poverty level. In addition, the majority of California counties are participating in the "Bridge to Reform" program, which implemented the ACA's Medicaid expansion ahead of schedule. Legislation also passed prohibiting insurers from denying health coverage to individuals of any age with pre-existing conditions.

Patient Service Revenues

A substantial portion of the net patient service revenues of the District is derived from third-party payors which pay for the services provided to patients covered by third parties for services. These third-party payors include the federal Medicare program, state Medicaid programs and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to the District in amounts that may not reflect the direct and indirect costs of the District providing services to patients.

The financial performance of the District has been and could be in the future adversely affected by the financial position or the insolvency or bankruptcy of or other delay in receipt of payments from third-party payors that provide coverage for services to District patients.

Healthcare providers have been and continue to be affected significantly by changes made in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of this statutory and regulatory activity has been to reduce the rate of increase in healthcare costs, particularly costs paid under the Medicare and Medicaid programs.

Medicare and Medicaid Programs

Approximately 37% and 18% of the net patient service revenue of the District for the fiscal year ended June 30, 2014, were derived from the Medicare program and Medi-Cal program, respectively. Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of

the federal Social Security Act. Medicare is an exclusively federal program, and Medicaid, called Medi-Cal in California, is a combined federal and State program.

Medicare

Medicare is a federal governmental health insurance system pursuant to the Social Security Act under which physicians, hospitals and other healthcare providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. Medicare provides certain healthcare benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, skilled nursing care and some home health care, and Medicare Part B covers physician services and some supplies. Medicare is administered by CMS. In order to achieve and maintain Medicare certification, a healthcare provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located and/or an acceptable accreditation organization.

The ACA has made several changes to the Medicare program, ranging from changes to amounts payable to providers through imposition, directly or indirectly, of quality assurance measures. Certain of those changes, such as market basket reductions, market productivity adjustments, hospital acquired conditions penalties, readmission rate penalties and reduced DSH payments, are summarized above under the caption "Federal Health Care Reform and Other Governmental Initiatives."

Because Tahoe Forest Hospital is designated as a "Critical Access Hospital," it receives more favorable reimbursement under Medicare than hospitals not so designated. Inpatient and outpatient services are reimbursed to the District pursuant to a cost reimbursement methodology.

The ACA amended certain provisions of the Federal False Claims Act and added provisions respecting the timing of the obligation to reimburse overpayments. The effect of these changes on existing programs and systems of the District cannot be predicted.

Effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review "Probe & Educate" review process or the "Two-Midnight" rule. The "Two-Midnight" policy specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be "reasonable and necessary" for purposes of inpatient reimbursement. CMS adopted the policy due to growing concern with the overuse of the "observation" status at hospitals. On March 31, 2014 Congress delayed the implementation of the Two-Midnight rule until March 31, 2015. There remains ambiguity about the implementation of the rule and the impact on the District is yet unknown, although Medicare auditors can be expected to select this concern for review and the District's finances could be adversely affected if claims are not reimbursed as a result.

The Medicare program provides coverage for skilled nursing care (1) up to 100 days per year, (2) immediately following at least three days of hospitalization and (3) for care related to the condition treated by the prior hospitalization. The Balanced Budget Act of 1997 implemented a Prospective Payment System ("PPS") for all skilled nursing facilities with annual cost reporting periods beginning on or after July 1, 1998. The PPS pays an all-inclusive per diem rate for routine, ancillary and capital costs, and is adjusted geographically for wages and case mix index to reflect a patient's resource requirements. Higher acuity patients receive more reimbursement under the payment formula. The per diem prospective payment amount covers all Medicare Part A skilled nursing services and any items in therapy services furnished during the patient's Medicare covered stay (with a few minor exceptions). "Ancillary" services furnished to skilled nursing residents are also covered under Medicare Part B and may be reimbursed after Medicare Part A coverage is exhausted. The Balanced Budget Act of 1997 also provided for the implementation of consolidated billing for skilled nursing facilities, whereby skilled nursing facilities are required to bill the Medicare program for virtually all Medicare services and supplies provided to Medicare residents.

In Fiscal Year 2014 SNF prospective payment rates reflected a 2.3% increase based on market basket index, reduced by a 0.5% multi-factor productivity adjustment. As a result, SNF prospective payment rates increased by 1.8% in Fiscal Year 2014.

For Fiscal Year 2015, CMS has increased rates by 2.0% attributable to a 2.5% market basket update less a 0.5% adjustment imposed by the ACA.

Medicaid

Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and administered by the various states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the payment rates for services; and administers its own programs.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

Payment for Medicaid patients is subject to appropriation by the respective state legislatures of sufficient funds to pay the incurred patient obligations. Delays in appropriations and state budget deficits which may occur from time to time create a risk that payment for services to Medicaid patients will be withheld or delayed.

The federal and state governments of many states have considered, and are continuing to consider, changes to Medicaid funding, particularly in light of the budget crises facing many such states. The United States Congress approved an increase in Medicaid funding to states in 2009; however, the enhanced funding expired June 30, 2011. The federal government continues to explore options for a long-term solution to the funding difficulties with Medicaid and certain additional proposals being examined may ultimately result in reduced federal Medicaid funding to the states. This could adversely impact the amount of revenue received by the District.

Certain states have created programs that impose a fee or assessment on healthcare providers, the proceeds of which are intended to qualify for federal matching funds for such state's Medicaid program and are to be used to provide additional reimbursement from the federal government for Medicaid inpatient and outpatient services. California has enacted such a program.

The ACA makes changes to Medicaid funding and substantially increases the potential number of Medicaid beneficiaries, as well as federal financial support for that increased enrollment, and expanded the recovery audit contractor ("RAC") Medicare program to include Medicaid, using state-based RAC contracts. Management of the District cannot predict the effect of these changes to the Medi-Cal program on the operations, results from operations or financial condition of the District.

California Medi-Cal

Medi-Cal is the Medicaid program in California. The State selectively contracts with general acute care hospitals to provide inpatient services to Medi-Cal patients. The State is obligated to make contractual payments only to the extent the legislature appropriates adequate funding. Except in areas of the State that have been excluded from contracting, a general acute care hospital generally will not qualify for payment for non-emergency acute inpatient services rendered to a Medi-Cal beneficiary unless it is a contracting hospital. Typically, either party may terminate such contract on 120 days' notice and the State may terminate without notice under certain circumstances. The District currently participates in the Medi-Cal program. Inpatient services to Medi-Cal beneficiaries are reimbursed to the District under a cost reimbursement methodology. Outpatient services are paid at prospectively determined rates. No assurances can be made that the District's reimbursement under the Medi-Cal program for services will reimburse the District for the cost of delivering those services. In addition, as Medi-Cal is partially funded by the State, any deterioration in the financial condition of the State could result in lower funding levels and/or payment delays.

The District's skilled nursing facility is considered a "distinct part" skilled nursing facility and, consequently, is reimbursed more favorably than free-standing SNF facilities. However, the District continues to face a claw back of 10% of its SNF charges for the two-year period beginning in approximately June 2011 under an initiative instituted by the Medi-Cal program.

Many states, including California, have faced severe financial challenges, including erosion of general fund tax revenues, falling real estate values, slower economic growth and higher unemployment, which may continue or worsen over the coming years. Shortfalls between State revenues and spending demands, along with balanced budget requirements, have in the past and may in the future result in cutbacks to government healthcare programs. Failure by the California legislature to approve budgets prior to the beginning of a new fiscal year can also result in a temporary hold on or delay of Medi-Cal reimbursement.

California enacted a Fiscal Year 2014-15 State budget which took effect July 1, 2014, and resulted in a significant allocation to the State's Rainy Day Fund. The fiscal outlook for California is improving, with California's unemployment rate dropping in recent quarters, corporate profits trending favorably, housing prices increasing and the percentage of foreclosures dropping. One reason for California's improved fiscal outlook is the result of temporary tax revenues generated by Proposition 30, passed by California voters in November 2012. Proposition 30 provides new State General Fund revenue by increasing personal income taxes and State sales tax. These taxes are temporary and are considered to be a "bridge" in helping the State maintain a balanced budget while the economy recovers. The Governor's proposed Fiscal Year 2015-16 State budget remains guardedly optimistic for the State.

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 of the Governor, the Legislature or voters (via ballot initiative) will take in the future. It is reasonable to expect, however, that the Governor and the Legislature will continue to pursue cost containment measures to keep the State's budget in balance, in part by aggressively managing the State's healthcare spending, which may have an adverse effect on the financial condition of the District. Past actions such as those below may be indicative:

- Aggressive healthcare cost-containment efforts by the Governor and the Legislature to help eliminate prior years' budget deficits, including the State's substantial cuts to healthcare provider reimbursement, including Medi-Cal payments to hospitals. For example, California enacted legislation to reduce its Medicaid expenditures through eligibility restrictions, (causing a greater number of indigent, uninsured or underinsured patients) and reductions in Medicaid payment rates. In October 2011, CMS approved the State's request for 10% reductions in Medi-Cal payments for certain outpatient services and for long-term care. A Ninth Circuit Court of Appeals panel in December 2012, and later the full court in May 2013, upheld the reductions. In January 2014, the Supreme Court declined to review.
- The significant expansions to Medicaid programs (Medi-Cal in California) under the ACA. This expansion will require additional program funding. Federal funding is available for some of this expansion, but it is conditioned on states maintaining specified beneficiary eligibility criteria and California has sought to limit program eligibility in recent years to reduce program costs.
- While federal funding is available to facilitate Medicaid program expansion, this funding is expected to be temporary. The Medicaid program expansion and the expected longer-term loss of federal financial support to offset longer-term expansion-related costs may require the State to reduce provider reimbursement rates further.

The District cannot predict what actions will be taken in the current and future years by the California State Legislature and the Governor to address California's financial problems. Such actions will likely depend on national and California economic conditions and other factors are uncertain at this time.

Children's Health Insurance Program

The Children's Health Insurance Program ("CHIP") is a federally funded insurance program for families which are financially ineligible for Medicaid, but cannot afford commercial health insurance. The CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. CHIP insurance is provided through private health plans contracting with the state.

Each state must periodically submit its CHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for the program.

Private Health Plans and Managed Care

Managed care plans generally use discounts and other economic incentives to reduce or limit the cost and utilization of healthcare services. Payments to the District from managed care plans typically are lower than those received from traditional indemnity/commercial insurers. Defined broadly, for the fiscal year ended June 30, 2014, managed care payments constituted approximately 45% of the net patient service revenues of the District. There is no assurance that the District will maintain managed care contracts or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the market share of the District and the District's net patient service revenues. Conversely, participation may maintain or increase the patient base but could result in lower net income or operating losses to the District if it is unable to adequately contain its costs.

Management of the District anticipate that the ACA will substantially alter the commercial healthcare insurance industry. The ACA imposes, over time, increased regulation of the industry, the use and availability of state-based exchanges in which health insurance can be purchased by certain groups and segments of the population, the extension of subsidies and tax credits for premium payments by some consumers and employers and the imposition upon commercial insurers of certain terms and conditions that must be included in contracts with providers. In addition, the ACA imposes many new obligations on states related to healthcare insurance. It is unclear how the increased federal oversight of State healthcare may affect future State oversight or affect the District. The effects of these changes upon the financial condition of any third-party payor that offer healthcare insurance, rates paid by third-party payors to providers and thus the revenues of the District, and upon the operations, results of operations and financial condition of the District cannot be predicted.

Many preferred provider organizations, or PPOs, and health maintenance organizations, or HMOs, currently pay providers on a negotiated fee-for-service basis or on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. 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/or changes in the utilization of certain services offered by the provider may be dramatic and unexpected, thus further jeopardizing the provider's ability to contain costs.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. In a capitation payment system, the hospital assumes a financial risk for the cost and scope of care given to the HMO's enrollees. In some cases, the capitated payment covers total hospital patient care provided. However, if payment under an HMO or PPO contract is insufficient to meet the hospital's costs of care or if utilization by enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

As a consequence of the above factors, the effect of managed care on the District's financial condition is difficult to predict and may be different in the future than the financial statements for the current periods reflect.

Physician Contracting and Relations

The District may wish to contract with physician organizations ("PO") (e.g., independent physician practices or associations, physician-hospital organizations, etc.) to arrange for the provision of physician and ancillary services. Because POs are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the POs.

The success of the District will be partially dependent upon its ability to contract with POs, and upon the abilities of the POs, including their employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the District will be able to contract with and retain the requisite number of POs, or that such POs will deliver high quality healthcare services. Without contracting with a sufficient number and type of POs, the District could fail to be competitive, could fail to keep or attract payor contracts, or could be prohibited from operating until it has arranged for physician services necessary to provide adequate access for patients. Such occurrences could have a material adverse affect on the business or operations of the District.

Regulatory Environment

Licensing, Surveys, Investigations and Audits

Healthcare facilities, including those of the District, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare Conditions of Participation, requirements for participation in Medicaid/Medi-Cal, state licensing agencies, private payors and the accreditation standards. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative actions by the District.

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 those programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments under certain circumstances. New billing rules and reporting requirements for which there is not clear guidance from CMS or the State could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medi-Cal program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal healthcare programs.

The Medicare Integrity Program ("MIP") was established, as authorized by HIPAA (defined below), to deter fraud and abuse in the Medicare program. MIP allows CMS to enter into contracts with outside entities and insure the "integrity" of the Medicare program. Such 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.

Medicare audits may result in reduced reimbursement or in repayment obligations related to past alleged overpayments and may also delay Medicare payments to providers pending resolution of the appeals process. The ACA explicitly gives the Secretary of HHS 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 (defined below) to include retention of overpayments as a violation. It also added provisions relating to the timing of the obligations to identify, report and reimburse overpayments. The effect of these changes on existing programs and systems of the District cannot be predicted.

Management of the District currently anticipate no difficulty renewing or continuing currently held licenses, certifications or accreditations, nor does such management anticipate a reduction in third-party payments from events that would materially adversely affect the operations or financial condition of the District. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the ability of the District to operate all or a portion of its Health Facilities, and consequently, could have a material and adverse effect on the District.

Negative Ranking 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 healthcare services provided by hospitals and physicians. 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 and members of their medical staffs and to influence the behavior of consumers and providers such as the District. 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 healthcare provider negatively may adversely affect its reputation and financial condition.

Civil and Criminal Fraud and Abuse Laws and Enforcement

Federal and state healthcare fraud and abuse laws regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to beneficiaries. Under these laws, individuals and organizations can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable government requirements.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud and abuse, including exclusion of the provider from participation in the Medicare/Medicaid/Medi-Cal programs, fines, civil monetary penalties, and suspension of payments and, in the case of individuals, imprisonment. Fraud and abuse may be prosecuted by one or more government entities and/or private individuals, and more than one of the available penalties may be imposed for each violation.

Laws governing fraud and abuse apply to all individuals and healthcare enterprises with which a hospital does business, including other hospitals, home health agencies, long-term care entities, infusion providers, pharmaceutical providers, insurers, health maintenance organizations, preferred provider organizations, third-party administrators, physicians, physician groups, and physician practice management companies. Fraud and abuse prosecutions can have a catastrophic effect on a provider.

Based upon the prohibited activity in which the provider has engaged, governmental agencies and officials may bring actions against providers under civil or criminal False Claims Acts, statutes prohibiting referrals for compensation (including the federal "Anti-Kickback Law") or fee-splitting, or the "Stark law," which prohibits certain referrals by a physician to certain organizations in which the physician has a financial relationship, unless an exception applies. Many states also have self-referral prohibitions. The civil and criminal monetary assessments and penalties arising out of such investigations and prosecutions may be substantial. Additionally, the provider may be denied participation in the Medicare and/or Medicaid/Medi-Cal programs. If and to the extent the District engaged in a prohibited activity and judicial or administrative proceedings concluded adversely to the District, the outcome could materially affect the District.

The District has internal policies and procedures and has developed and implemented a compliance program that management of the District believe will effectively reduce exposure for violations of these laws. However, because the government's enforcement efforts presently are widespread within the industry and may vary from region to region, there can be no assurance that the compliance program will significantly reduce or eliminate the exposure of the District to civil or criminal sanctions or adverse administrative determinations.

False Claims Act

The False Claims Act ("FCA") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government and may include claims that are simply erroneous. FCA investigations and cases have become common in the healthcare field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. Violation or alleged violation of the FCA most often results in settlements that require multi-million dollar payments and compliance 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," share in the damages recovered by the government or recovered independently if the government does not participate. The FCA has become one of the government's primary weapons against healthcare fraud. FCA violations or alleged violations could lead to settlements, fines, exclusions or reputation damage that could have a material adverse impact on a healthcare provider. The ACA amended certain provisions of the FCA and added provisions respecting the timing of the obligation to reimburse overpayments.

Review of Outlier Payments

CMS is reviewing healthcare providers that are receiving large proportions of their Medicare revenues from outlier payments. Healthcare providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the Office of Inspector General.

Patient Records and Patient Confidentiality

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") 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 settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability. HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The criminal penalties range from \$50,000 to \$250,000 and/or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

The American Recovery and Reimbursement Act of 2009 includes broad, sweeping changes to the HIPAA provisions regarding confidentiality of patient medical records. In general, the Act increases the enforcement of violations of patient medical record confidentiality.

The HITECH Act

Provisions in the 2008 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 HITECH Act also established programs under Medicare and Medicaid to provide incentive payments for the "meaningful use" of certified electronic health record ("EHR") technology. The Medicare and Medicaid EHR incentive programs provide incentive payments to eligible professionals and eligible hospitals for demonstrating meaningful use of certified EHR technology. Healthcare 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 significantly reduced.

Security Breaches and Unauthorized Releases of Personal Information

Federal and state 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, 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 healthcare provider's reputation and materially adversely affect business operations.

Patient Transfers

A federal "anti-dumping" statute imposes certain requirements that must be met before transferring a patient to another facility. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of the District to meet its responsibilities under the law could adversely affect the financial condition of the District.

California Nursing Legislation

California law requires the California Department of Health Services to adopt regulations specifying nurse-to-patient ratios for general acute care hospitals. These regulations, which became effective on January 1, 2004, require hospitals to comply with specified nurse-to-patient ratios at all times. They range from one nurse per patient in trauma units to one nurse to 6 patients in a medical/surgery unit. The required staffing, in aggregate, is more costly than prior staffing patterns.

Environmental Laws and Regulations

The District's healthcare operations generate medical waste that must be disposed of in compliance with federal, State and local environmental laws, rules and regulations. The District's operations, as well as the District's purchases and sales of real property, also are subject to compliance with various other environmental laws, rules and regulations.

Certain Business Transactions

Physician Relations

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 membership or privileges curtailed, denied or revoked, often file legal actions against hospitals. Such action 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 the medical staff may result in hospital liability to third parties. The District is subject to such risk.

Physician Contracting

The District may contract with POs to arrange for the provision of physician and ancillary services. Because physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with the POs.

The success of the District will be partially dependent upon its ability to attract physicians to join the POs at facilities operated by the District and to participate in their networks, and upon the ability of the physicians to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the District will be able to attract and retain the requisite number of physicians, or that physicians will deliver high quality healthcare services. Without paneling a sufficient number and type of providers, the District could fail to be competitive, could fail to keep or attract payor contracts, or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the District.

Physician Recruitment

HHS and the Internal Revenue Service have issued various pronouncements that could limit physician recruiting and retention arrangements. Management of the District believe that the District is in material compliance with the legal standards applicable to recruitment and retention arrangements and does not anticipate any adverse impact on the ability of the District to recruit and retain physicians.

Affiliations, Mergers, Acquisitions and Divestitures

The District 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 District reviews the use, compatibility and business viability of many of its operations. Discussions with respect to affiliation, merger, acquisition, disposition or change of use of facilities are held from time to time

with other parties. As a result, it is possible that the current organization and assets of the District may change from time to time.

Because of the integration occurring throughout the healthcare field, management of the District will consider affiliation and other arrangements if there is a perceived strategic or operational benefit for the District. Any such initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the District may have less expertise than in hospital and skilled nursing operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the District.

Antitrust

Enforcement of antitrust laws against healthcare providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. While the application of federal and state antitrust laws to healthcare is still evolving, enforcement activities by federal and state agencies appear to be increasing. Violators of antitrust laws could be subject to criminal and civil liability by both federal and state agencies, as well as by private litigants.

Other Risks

Indigent Care

Tax-exempt hospitals often treat large numbers of "indigent" patients who, for various reasons, are unable to pay for their medical care. These hospitals may be susceptible to economic and political changes which could increase the number of indigent persons or the responsibility for caring for this population. General economic conditions which affect the number of employed individuals who have health insurance coverage will similarly affect the ability of patients to pay for their care. The ACA imposes requirements on tax-exempt hospitals to develop, implement and monitor charity care policies and procedures. In addition, as described above, one of the objectives of the ACA has been to extend the availability and affordability of healthcare insurance to those segments of the population who have not been able to afford healthcare insurances or who have not had access to healthcare services. As a consequence, a reduction in the volume of patients who have historically been afforded care under indigent care programs is probable.

Staffing Shortages

In recent years, the healthcare industry has suffered from a scarcity of nursing and other qualified health-care technicians and personnel. This scarcity may intensify if utilization of healthcare services increases as a consequence of the expansion of the number of insured consumers occurs as anticipated as a consequence by the District. This trend could force the District to pay higher salaries to nursing and other qualified healthcare technicians and personnel as competition for such employees intensifies and, in an extreme situation, could lead to difficulty in keeping the facilities licensed to provide nursing care and thus eligible for reimbursement under Medicare and Medi-Cal.

Earthquakes

Earthquakes affecting California hospitals have prompted the State to put into place hospital seismic safety standards. Such standards require, generally by 2030, at the latest, that California hospitals meet stringent seismic safety criteria which may necessitate major renovation in certain facilities or even their replacement. The facilities of the District are presently in compliance with such seismic safety standards.

Professional Liability Claims and Liability Insurance

In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums. Professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against healthcare providers. Litigation may also arise from the corporate and business activities of the District,

employee-related matters, medical staff and provider network matters and denials of medical staff and provider network membership and privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the District if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain State laws; however, district hospitals in California are exempted from punitive damages. Although the District currently maintains actuarially determined self-insurance reserves and carries excess malpractice and general liability insurance which management of the District consider adequate, the District is unable to predict the availability, cost or adequacy of such insurance in the future.

Other Risk Factors Generally Affecting Healthcare Facilities

In the future, the following factors, among others, may adversely affect the operations of healthcare providers, in general and the District in particular, to an extent that cannot be determined at this time:

1. A portion of the revenues of the District is derived from investments in securities. Any significant disruption of the securities markets or weakness in the investment climate may potentially materially adversely affect the District's revenues.
2. Hospitals are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with all large employers, the District bears a wide variety of risks in connection with its employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. The District is subject to all of the risks listed above, and such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the District.
3. Competition from other hospitals and other competitive facilities now or hereafter located in the service area of the Health Facilities of the District may adversely affect revenues of the District. Development of health maintenance and other alternative health delivery programs could result in decreased usage of the District's Health Facilities.
4. Cost and availability of any insurance, including self-insurance, such as malpractice, fire, automobile, and general comprehensive liability, that hospitals and other healthcare facilities of similar size and type as those operated by the District generally carry may adversely affect revenues. The costs of such insurance have increased significantly in the past few years, and such increases are likely to continue in the near future,
5. The occurrences of natural disasters, in addition to earthquakes, may damage some or all of the District's Health Facilities, interrupt utility service to some or all of such facilities or otherwise impair the operation of some or all of such facilities.
6. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient healthcare delivery may reduce utilization and revenues of the District. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the District to offer the equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance these acquisitions or operations.
7. Reduced demand for the services of the District that might result from decreases in population in its service areas could materially and adversely affect the District.

8. Increased unemployment or other adverse economic conditions in the service areas of the District which would increase the proportion of patients who are unable to pay fully for the cost of their care, could materially and adversely affect the District.
9. Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the District could materially and adversely affect the District.
10. Regulatory actions which might limit the ability of the District to undertake capital improvements at its facilities or to develop new institutional health services could materially and adversely affect the District.
11. The occurrence of a large scale terrorist attack that increases the proportion of patients who are unable to pay fully for the cost of their care and that disrupts the operation of certain healthcare facilities by resulting in an abnormally high demand for healthcare services could materially and adversely affect the District.

**BOARD OF DIRECTORS
TAHOE FOREST HOSPITAL DISTRICT
COUNTIES OF PLACER AND NEVADA, STATE OF CALIFORNIA**

RESOLUTION NO. 2015-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE TAHOE FOREST
HOSPITAL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF THE
DISTRICT'S 2015 GENERAL OBLIGATION REFUNDING BONDS**

Adopted February 12, 2015

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS; AUTHORITY;

Section 1.01. Definitions 2
Section 1.02. Authority for this Resolution 5

ARTICLE II

THE BONDS

Section 2.01. Authorization 6
Section 2.02. Terms of Bonds 6
Section 2.03. Redemption 7
Section 2.04. Form of Bonds 8
Section 2.05. Execution of Bonds 8
Section 2.06. Transfer of Bonds 8
Section 2.07. Exchange of Bonds 9
Section 2.08. Bond Register 9
Section 2.09. Temporary Bonds 9
Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen 9
Section 2.11. Book Entry System 10

ARTICLE III

ISSUE OF BONDS; APPLICATION OF BOND PROCEEDS; SECURITY FOR THE BONDS

Section 3.01. Issuance, Award and Delivery of Bonds 11
Section 3.02. Establishment of Costs of Issuance Fund 11
Section 3.03. Application of Proceeds of Sale of Bonds 11
Section 3.04. Security for the Bonds 11

ARTICLE IV

SALE OF BONDS; APPROVAL OF PAYING AGENT AGREEMENT; APPROVAL OF ESCROW AGREEMENT; APPROVAL OF OFFICIAL STATEMENT; RETENTION OF CONSULTANTS; OFFICIAL ACTIONS

Section 4.01. Sale of the Bonds 13
Section 4.02. Approval of Paying Agent Agreement 13
Section 4.03. Approval of Escrow Agreement 13
Section 4.04. Official Statement 14
Section 4.05. Retention of Consultants 14
Section 4.06. Official Action 15

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.01. Punctual Payment 16
Section 5.02. Extension of Time for Payment 16
Section 5.03. Protection of Security and Rights of Bondowners 16
Section 5.04. Further Assurances 16
Section 5.05. Tax Covenants 16
Section 5.06. Acquisition, Disposition and Valuation of Investments 17
Section 5.07. Continuing Disclosure 17

ARTICLE VI

THE PAYING AGENT

Section 6.01. Appointment of Paying Agent 18

Section 6.02. Paying Agent May Hold Bonds.....	18
Section 6.03. Liability of Agents	18
Section 6.04. Notice to Agents	19
Section 6.05. Compensation, Indemnification	19

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 7.01. Events of Default	20
Section 7.02. Other Remedies of Bondowners.....	20
Section 7.03. Non-Waiver	20
Section 7.04. Remedies Not Exclusive	21

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.01. Supplemental Resolutions Effective Without Consent of the Owners	22
Section 8.02. Supplemental Resolutions Effective With Consent to the Owners	22

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Resolution Limited to Parties	23
Section 9.02. Defeasance	23
Section 9.03. Execution of Documents and Proof of Ownership by Bondowners	24
Section 9.04. Waiver of Personal Liability.....	25
Section 9.05. Destruction of Canceled Bonds	25
Section 9.06. Partial Invalidity	25
Section 9.07. Effective Date of Resolution.....	25

EXHIBIT A:	FORM OF BOND
EXHIBIT B-1:	FORM OF BOND PURCHASE AGREEMENT (Public Offering)
EXHIBIT B-2:	FORM OF BOND PURCHASE AGREEMENT (Private Placement)
EXHIBIT C:	FORM OF PAYING AGENT AGREEMENT
EXHIBIT D:	FORM OF ESCROW AGREEMENT
EXHIBIT E:	FORM OF CONTINUING DISCLOSURE CERTIFICATE

**BOARD OF DIRECTORS
TAHOE FOREST HOSPITAL DISTRICT
COUNTIES OF PLACER AND NEVADA, STATE OF CALIFORNIA**

RESOLUTION NO. 2015-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE TAHOE FOREST
HOSPITAL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF THE
DISTRICT'S 2015 GENERAL OBLIGATION REFUNDING BONDS**

RESOLVED, by the Board of Directors (the "Board") of the Tahoe Forest Hospital District (the "District"), as follows:

WHEREAS, on August 5, 2008, the District issued its "Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008)" (the "2008 Bonds"), in the original principal amount of \$29,400,000, issued for authorized hospital purposes, of which \$29,345,000 principal amount remains outstanding;

WHEREAS, pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), the District is empowered to issue general obligation refunding bonds;

WHEREAS, the District intends to issue general obligation refunding bonds pursuant to this Resolution and in conformity with the Act to provide for the redemption of all outstanding 2008 Bonds;

WHEREAS, the Board desires to authorize the issuance of such general obligation refunding bonds (the "Bonds"); and

WHEREAS, the Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable pledge of the *ad valorem* tax or taxes levied for their repayment;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TAHOE FOREST HOSPITAL DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

ARTICLE I

DEFINITIONS; AUTHORITY

Section 1.01. Definitions. The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings ascribed to them below, unless the context clearly requires some other meaning.

“Act” means provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code, as is in effect on the date of adoption hereof and as amended hereafter.

“Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution, and the words *“herein,” “hereof,” “hereunder”* and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

“Authorized Investments” means any investments permitted by law to be made with moneys belonging to, or in the custody of, the District, but only to the extent that the same are acquired at Fair Market Value.

“Board” means the Board of Directors of the District.

“Bond Counsel” means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

“Bond Purchase Agreement” means the Bond Purchase Agreement by and between the District and the Underwriters, for the purchase and sale of the Bonds.

“Bond Register” means the registration books for the Bonds maintained by the Paying Agent.

“Bonds” means the Tahoe Forest Hospital District (Placer and Nevada Counties, California) 2015 General Obligation Refunding Bonds, at any time Outstanding pursuant to this Resolution.

“Closing Date” means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Underwriters.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed by the District and 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.

“Costs of Issuance” means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Bonds including, but not limited

to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

“Counties” means Placer and Nevada Counties, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“District Representative” means the President of the Board, the Vice President of the Board, the Secretary of the Board, the Assistant Secretary of the Board, the Chief Executive Officer of the District, the Chief Financial Officer of the District, or any other person authorized by this Resolution or other resolution of the Board to act on behalf of the District with respect to this Resolution and the Bonds.

“Escrow Agreement” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the District and the Escrow Bank, providing for the defeasance and redemption of the 2008 Bonds.

“Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the Escrow Agreement.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term *“Fair Market Value”* means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means United States Treasury Bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

“Interest Payment Date” means, with respect to interest, February 1 and August 1 of each year commencing on August 1, 2015, and with respect to principal, August 1, of each year commencing on August 1, 2015.

“Net Proceeds,” when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any.

“Outstanding” means, when used as of any particular time with reference to Bonds, all Bonds except:

(a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.02 hereof; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the District pursuant to this Resolution.

"Owner" or *"Bondowner"* mean any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Paying Agent" means U.S. Bank National Association, the Paying Agent appointed by the District and acting as paying agent, registrar and authenticating agent for the Bonds, or such other paying agent as shall be appointed by the District prior to the delivery of the Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01 hereof.

"Paying Agent Agreement" means the Paying Agent/Bond Registrar/Costs of Issuance Agreement, dated the Closing Date, by and between the District and the Paying Agent.

"Principal Office" means the principal corporate trust office of the Paying Agent in San Francisco, California.

"Record Date" means the 15th day of the month preceding each Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Resolution" means this Resolution, including all amendments hereto and supplements hereof which are duly adopted by the Board from time to time in accordance herewith.

"Supplemental Resolution" means any resolution supplemental to or amendatory of this Resolution, adopted by the District in accordance with Article VIII hereof.

"Term Bonds" means those Bonds for which mandatory redemption dates have been established pursuant to the Bond Purchase Agreement.

"2008 Bonds" means the Tahoe Forest Hospital District General Obligation Bonds, Election of 2007, Series A (2008), in the original principal amount of \$29,400,000, issued for authorized hospital purposes, of which \$29,345,000 principal amount remains outstanding.

"Underwriters" means Edward D. Jones & Co., L.P., Raymond James & Associates, Inc., Piper Jaffray & Co. and Southwest Securities, Inc.

"Written Request of the District" means an instrument in writing signed by the District Representative or by any other officer of the District duly authorized by the District and listed on a Written Request of the District for that purpose.

Section 1.02. Authority for this Resolution. This Resolution is entered into pursuant to the provisions of the Act.

ARTICLE II

THE BONDS

Section 2.01. Authorization. Bonds are hereby authorized to be issued by the District under and subject to the terms of the Act and this Resolution. The amount of Bonds shall be determined on the date of sale thereof as the amount of Bonds needed for the defeasance of the 2008 Bonds and for the payment of Costs of Issuance in accordance with the Bond Purchase Agreement. This Resolution constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and the interest on all Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be designated the "Tahoe Forest Hospital District (Placer and Nevada Counties, California) 2015 General Obligation Refunding Bonds."

Section 2.02. Terms of Bonds.

(a) *Form; Numbering*. The Bonds shall be issued as fully registered Bonds, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Bonds maturing in the year of maturity of the Bond for which the denomination is specified. Bonds shall be lettered and numbered as the Paying Agent shall prescribe.

(b) *Date of Bonds*. The Bonds shall be dated as of the Closing Date.

(c) *CUSIP Identification Numbers*. "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the District to use such CUSIP numbers in any notice to Owners of the Bonds shall not constitute an Event of Default (hereinafter defined) or any violation of the District's contract with such Owners and shall not impair the effectiveness of any such notice.

(d) *Maturities; Interest*. The Bonds shall mature (or, alternatively, be subject to mandatory sinking fund redemption as hereinafter provided) and become payable on August 1 in the years and in the amounts set forth in, and subject to the alteration thereof permitted by, the Bond Purchase Agreement, but shall mature no later than August 1, 2038. The Bonds shall bear interest at such rate or rates as shall be determined upon the sale thereof, payable semi-annually on each Interest Payment Date.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to July 15, 2015, in which event it shall bear interest from the date described in paragraph (b) of this Section 2.02; *provided, however*, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(e) *Payment.* Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Paying Agent mailed via first-class mail to the Owner thereof at such Owner's address as it appears on the Bond Register on each Record Date or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. Principal of the Bonds is payable in lawful money of the United States of America at the Principal Office.

Section 2.03. Redemption.

(a) *Optional Redemption.* The Bonds are subject to optional redemption on the dates and at the redemption prices set forth in the Bond Purchase Agreement. The District shall be required to give the Paying Agent written notice of its intention to redeem Bonds.

(b) *Mandatory Sinking Fund Redemption.* The Bonds shall be subject to mandatory sinking fund redemption on August 1 in each year, in the years and in the amounts specified in the Bond Purchase Agreement. If some but not all of the Bonds shall be redeemed pursuant to the preceding subsection (a) of this Section 2.03, the aggregate principal amount of the Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a *pro rata* basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent.

(c) *Notice of Redemption.* The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption shall state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

(d) *Selection of Bonds for Redemption.* Whenever provision is made for the redemption of Bonds of more than one maturity, the Bonds to be redeemed shall be selected by the District

evidenced by a Written Request of the District filed with the Paying Agent or, absent such selection by the District, on a *pro rata* basis among the maturities subject to redemption; and in each case, the Paying Agent shall select the Bonds to be redeemed within any maturity by lot in any manner which the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

(e) *Partial Redemption of Bonds.* In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. Bonds need not be presented for mandatory sinking fund redemptions.

(f) *Effect of Redemption.* From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section 2.03 shall be canceled and shall be destroyed by the Paying Agent.

Section 2.04. Form of Bonds. The Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, as are set forth in Exhibit A attached hereto.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the District by the manual or facsimile signatures of a District Representative and attested by the Secretary or Assistant Secretary of the Board who are in office on the date of adoption of this Resolution or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Underwriters, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Underwriters. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Section 2.08. Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office and the Paying Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Resolution as definitive Bonds executed and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated the District, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District and, if such evidence be satisfactory to the District and indemnity satisfactory to it shall be given, the District, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the District and the Paying Agent in the premises. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at

any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued pursuant to this Resolution.

Section 2.11. Book Entry System. Except as provided below, the owner of all of the Bonds shall be The Depository Trust Company, New York, New York ("DTC"), and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. The Bonds shall be initially executed and delivered in the form of a single fully registered Bond for each maturity date of the Bonds in the full aggregate principal amount of the Bonds maturing on such date. The Paying Agent and the District may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the District shall be affected by any notice to the contrary. The Paying Agent and the District shall not have any responsibility or obligation to any participant of DTC (a "Participant"), any person claiming a beneficial ownership interest in the Bonds under or through DTC or a Participant, or any other person which is not shown on the register of the District as being an owner, with respect to the accuracy of any records maintained by DTC or any Participant or the payment by DTC or any Participant by DTC or any Participant of any amount in respect of the principal or interest with respect to the Bonds. The Paying Agent shall cause to be paid all principal and interest with respect to the Bonds received from the District only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal and interest with respect to the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Bond. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the District determines that it is in the best interest of the beneficial owners that they be able to obtain Bonds and delivers a written certificate to DTC to that effect, DTC shall notify the Participants of the availability through DTC of Bonds. In such event, the District shall issue, transfer and exchange Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the District shall be obligated to deliver Bonds as described in this Resolution. Whenever DTC requests the District to do so, the District will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Bonds evidencing the Bonds to any DTC Participant having Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Bonds.

ARTICLE III

ISSUE OF BONDS; APPLICATION OF BOND PROCEEDS; SECURITY FOR THE BONDS

Section 3.01. Issuance, Award and Delivery of Bonds. At any time after the execution of this Resolution the District may issue and deliver Bonds in any principal amount, subject to the authorization provisions set forth in Section 2.01 and the savings requirements set forth in Section 4.01.

The District Representatives shall be, and are hereby, directed to cause the Bonds to be printed, signed and delivered to the Underwriters on receipt of the purchase price therefor and upon performance of the conditions contained in the Bond Purchase Agreement.

The Paying Agent is hereby authorized to deliver the Bonds to the Underwriters, upon receipt of a Written Request of the District.

Section 3.02. Establishment of Costs of Issuance Fund. There is hereby created the "Tahoe Forest Hospital District (Placer and Nevada Counties, California) 2015 General Obligation Refunding Bonds, Costs of Issuance Fund" (the "Costs of Issuance Fund"), which shall be held and maintained by the Paying Agent as a separate fund, distinct from all other funds thereof. Amounts on deposit in the Costs of Issuance Fund shall be disbursed for the purpose of paying all Costs of Issuance. Payment of the Costs of Issuance shall be made only upon the receipt by the Paying Agent, as costs of issuance custodian under the Paying Agent Agreement, of a written request of the District. Moneys on deposit in the Costs of Issuance Fund shall be invested in money market mutual funds which are rated by Moody's Investors Service or Standard & Poor's Credit Ratings Services in one of its two highest rating categories, including funds for which the Paying Agent, its affiliates or subsidiaries provide investment, advisory or other management or administrative services. Interest and earnings derived from the investment of amounts on deposit in the Costs of Issuance Fund shall be retained therein until the Costs of Issuance Fund is closed. On the date three months after the Closing Date, or upon prior written direction from the District, all amounts remaining on deposit in the Costs of Issuance Fund shall be withdrawn therefrom by the Paying Agent and transferred to District and the Costs of Issuance Fund shall be closed.

Section 3.03. Application of Proceeds of Sale of Bonds. On the Closing Date, the proceeds from the sale of the Bonds shall be paid by the Underwriters as follows:

(a) The Paying Agent shall deposit in the Costs of Issuance Fund the proceeds of the Bonds required to pay the Costs of Issuance (as shall be designated by the District on or prior to the Closing Date); and

(b) The Paying Agent shall transfer to the Escrow Bank the proceeds of the Bonds required to provide for the defeasance of the 2008 Bonds, for deposit in the escrow fund held by the Escrow Bank under and pursuant to the Escrow Agreement (as shall be designated by the District on or prior to the Closing Date).

Section 3.04. Security for the Bonds. There shall be levied by Placer and Nevada Counties on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due, which moneys when collected will be placed in the Interest and Sinking Fund of the District, which fund is irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due. The Bonds shall be secured by a sole and exclusive statutory lien on and

irrevocable pledge of the *ad valorem* tax or taxes levied for their repayment. The moneys in the Interest and Sinking Fund heretofore established and maintained by the Counties for the District, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, shall be transferred by the Counties to the District for subsequent transfer to the Paying Agent, as paying agent for the Bonds, as necessary to pay the principal of and interest on the Bonds.

ARTICLE IV

SALE OF BONDS; APPROVAL OF PAYING AGENT AGREEMENT; APPROVAL OF OFFICIAL STATEMENT; APPROVAL OF THE ESCROW AGREEMENT; APPROVAL OF OFFICIAL STATEMENT; RETENTION OF CONSULTANTS; OFFICIAL ACTIONS

Section 4.01. Sale of the Bonds.

(a) *Minimum Savings Required.* A District Representative shall determine, on behalf of the District whether the 2008 Bonds shall be refunded; *provided, however,* the present value savings to be realized by the District with respect to the 2008 Bonds as a result of the issuance of the Bonds shall not be less than 4% of the outstanding principal balance of the 2008 Bonds.

(b) *Public Offering.* The Board hereby authorizes the negotiated sale of the Bonds to the Underwriters. A Bond Purchase Agreement, in the form attached hereto as Exhibit B-1, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, is hereby approved by the Board. Each District Representative is hereby authorized and directed to execute the Bond Purchase Agreement for and in the name and on behalf of the District; *provided, however,* that the Underwriters' discount, excluding reimbursable expenses of the Underwriter, shall not exceed 1.6% of the aggregate of the principal amount of Bonds issued. The Board hereby authorizes the delivery and performance of the Bond Purchase Agreement. If a District Representative determines to sell a portion of the Bonds on a private placement basis, the Bond Purchase Agreement approved by this paragraph shall relate only to the portion of the Bonds sold pursuant to a public offering.

(c) *Private Placement.* If a District Representative shall determine, in consultation with the District's financial advisor and Underwriters, that a private placement of all or a portion of the Bonds, will produce greater present value savings of the 2008 Bonds to be refunded, the Board hereby authorizes the private placement of all or a portion of the Bonds to the institutional purchaser or purchasers identified by the District's financial advisor and Underwriters. A Bond Purchase Agreement, in the form attached hereto as Exhibit B-2, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, is hereby approved by the Board. Each District Representative is hereby authorized and directed to execute the Bond Purchase Agreement for and in the name and on behalf of the District. The Board hereby authorizes the delivery and performance of the Bond Purchase Agreement. If a District Representative determines to sell a portion of the Bonds on a public offering basis, the Bond Purchase Agreement approved by this paragraph shall relate only to the portion of the Bonds sold pursuant to a private placement.

Section 4.02. Approval of Paying Agent Agreement. The Paying Agent Agreement, in the form attached hereto as Exhibit C, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, is hereby approved by the Board. The District Representatives are hereby authorized and directed to execute the Paying Agent Agreement for and in the name and on behalf of the District. The Board hereby authorizes the delivery and performance of the Paying Agent Agreement.

Section 4.03. Approval of Escrow Agreement. The Escrow Agreement, in the form attached hereto as Exhibit D, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, is hereby approved by the Board. The District Representatives are hereby authorized and directed to execute the Escrow Agreement for and in the name and on behalf of the District. The Board hereby authorizes the delivery and performance of the Escrow Agreement.

Section 4.04. Approval of Official Statement. The Board hereby approves a preliminary official statement describing the financing (the "Preliminary Official Statement") in the form on file with the Secretary of the Board, together with any changes therein or additions thereto deemed advisable by a District Representative. The Board authorizes and directs the District Representatives, on behalf of the District, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Preliminary Official Statement prior to its distribution to prospective purchasers of the Bonds.

The Underwriters, on behalf of the District, are authorized and directed to cause the Preliminary Official Statement to be distributed to such persons as may be interested in purchasing the Bonds therein offered for sale.

The District Representatives are authorized and directed to cause the Preliminary Official Statement to be brought into the form of a final official statement (the "Final Official Statement") and to execute the Final Official Statement, dated as of the date of the sale of the Bonds, and a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Bonds, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Bonds, and does not, as of the date of delivery of the Bonds, contain any untrue statement of a material fact with respect to the District or omit to state material facts with respect to the District required to be stated where necessary to make any statement made therein not misleading in light of the circumstances under which it was made. The District Representatives shall take such further actions prior to the signing of the Final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the Final Official Statement, which shall include such changes and additions thereto deemed advisable by the District Representatives, and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Final Official Statement by the District.

The Final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Bonds.

Section 4.05. Retention of Consultants.

(a) G.L. Hicks Financial, LLC is hereby designated as financial advisor to the District in connection with the issuance and sale of the Bonds. A District Representative is hereby authorized and directed in the name and on behalf of the District to execute an agreement for financial advisory services with such firm, with compensation to be paid thereunder from the proceeds of the Bonds.

(b) Quint & Thimmig LLP is hereby designated as bond counsel to the District in connection with the issuance and sale of the Bonds. A District Representative is hereby authorized and directed in the name and on behalf of the District to execute an agreement for legal services with such firm, with compensation to be paid thereunder from the proceeds of the Bonds.

(c) Jennings, Strouss & Salmon, P.L.C. is hereby designated as disclosure counsel to the District in connection with the issuance and sale of the Bonds. A District Representative is hereby authorized and directed in the name and on behalf of the District to execute an agreement for legal services with such firm, with compensation to be paid thereunder from the proceeds of the Bonds.

Section 4.06. Official Action. All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Bonds are hereby approved, and the District Representative, and any and all other officers of the District are hereby authorized and directed for and in the name and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution.

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.01. Punctual Payment. The District will punctually pay, or cause to be paid, the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of this Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Bonds. Nothing herein contained shall prevent the District from making advances of its own moneys, howsoever derived, to any of the uses or purposes permitted by law.

Section 5.02. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Resolution, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Section 5.03. Protection of Security and Rights of Bondowners. The District will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District. The District will do whatever is in its knowledge and power to assure that the Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable pledge of the *ad valorem* tax or taxes levied for their repayment.

Section 5.04. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Resolution.

Section 5.05. Tax Covenants.

(a) *Private Activity Bond Limitation*. The District shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition*. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement*. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) *No Arbitrage*. The District shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the

Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption.* The District shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Section 5.06. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 5.06, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Resolution, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Resolution or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

Section 5.07. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, substantially in the form attached hereto as Exhibit E. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate of specific performance by court order.

ARTICLE VI
THE PAYING AGENT

Section 6.01. Appointment of Paying Agent. U.S. Bank National Association is hereby appointed Paying Agent for the Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and, even during the continuance of an Event of Default, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the District a certificate to that effect.

The District may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the District and the Bondowners of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

Section 6.02. Paying Agent May Hold Bonds. The Paying Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

Section 6.03. Liability of Agents. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Paying Agent, the Paying Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Resolution.

The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts.

No provision of this Resolution shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 6.04. Notice to Agents. The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be of counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.05. Compensation, Indemnification.

(a) The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. Any District Representative is hereby authorized to execute an agreement or agreements with the Paying Agent in connection with such fees and expenses. The District further agrees to indemnify and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

(b) The District shall indemnify and hold harmless, to the extent permitted by law, the Counties and their officers and employees ("Indemnified Parties"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject related to the proceedings for sale, award, issuance and delivery of the Bonds in accordance therewith and herewith. The District shall also reimburse any such Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 7.01. Events of Default. The following events (“Events of Default”) shall be events of default hereunder:

(a) if default shall be made in the due and punctual payment of the principal of on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in this Resolution or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

(d) if the District shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or 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 District or of the whole or any substantial part of its property.

Section 7.02. Remedies of Bondowners. Any Bondowner shall have the right, for the equal benefit and protection of all Bondowners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners’ rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the Directors of an express trust.

Section 7.03. Non-Waiver. Nothing in this Article VII or in any other provision of this Resolution, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence

therein, and every power and remedy conferred upon the Bondowners by this Article VI may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Bondowners, the District and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 7.04. Remedies Not Exclusive. No remedy herein conferred upon the Owners of Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bondowners.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.01. Supplemental Resolutions Effective Without Consent of the Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners of the Bonds, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the District in this Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(d) to cure any ambiguity, supply and omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(e) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Section 8.02. Supplemental Resolutions Effective With Consent to the Owners. Any modification or amendment of this Resolution and of the rights and obligations of the District and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of at least two-thirds in aggregate principal amount of the Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of maturity of the principal of any Outstanding Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change any of the provisions in Section 7.01 hereof relating to Events of Default, or shall reduce the amount of moneys pledged for the repayment of the Bonds without the consent of all the Owners of such Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Benefits of Resolution Limited to Parties. Nothing in this Resolution, expressed or implied, is intended to give to any person other than the District, the Paying Agent and the Owners of the Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners of the Bonds.

Section 9.02. Defeasance.

(a) *Discharge of Resolution.* Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c)) to pay or redeem Bonds Outstanding;
or

(iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the District shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and this Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, this Resolution and other assets made under this Resolution and all covenants, agreements and other obligations of the District under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(b) *Discharge of Liability on Bonds.* Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.02(c)) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) *Deposit of Money or Securities with Paying Agent.* Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent 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 Paying Agent in the funds and accounts established pursuant to this Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of this Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

(d) *Payment of Bonds After Discharge of Resolution.* Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed for one year after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Section 9.03. Execution of Documents and Proof of Ownership by Bondowners. Any request, declaration or other instrument which this Resolution may require or permit to be executed by Bondowners may be in one or more instruments of similar tenor, and shall be executed by Bondowners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondowner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Paying Agent in good faith and in accordance therewith.

Section 9.04. Waiver of Personal Liability. No Board member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.05. Destruction of Canceled Bonds. Whenever in this Resolution provision is made for the surrender to the District of any Bonds which have been paid or canceled pursuant to the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

Section 9.06. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Resolution shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The District hereby declares that it would have adopted this Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the District is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the District hereunder shall be assumed by and vest in the District in trust for the benefit of the Bondowners.

Section 9.07. Effective Date of Resolution. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED at the meeting of the Tahoe Forest Hospital District Board of Directors held on the 12th day of February, 2015, by the following vote:

AYES: _____/_____/_____

_____/_____

NOES: _____/_____

ABSENT: _____/_____

ABSTAIN: _____/_____

Karen Sessler, M.D.
President, Board of Directors
Tahoe Forest Hospital District

ATTEST:

Greg Jellinek, M.D.
Secretary, Board of Directors
Tahoe Forest Hospital District

rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the District, to (a) provide for the defeasance and redemption of the outstanding Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008), and (b) pay for costs of issuance of the Bonds.

This Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Resolution) are general obligations of the District and the District has the power and is obligated to cause Placer and Nevada Counties to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District. The Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable pledge of the *ad valorem* tax or taxes levied for their repayment

The Bonds maturing on or before August 1, ____, are non-callable. The Bonds maturing on August 1, ____, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, as a whole, or in part on any date on or after August 1, ____ (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount redeemed, plus accrued interest to date of redemption, without premium.

The Bonds maturing on August 1, ____, are subject to mandatory sinking fund redemption prior to their stated maturity date, at the principal amount thereof without premium on each August 1, on and after August 1, ____, to and including August 1, ____, in the principal amounts as set forth in the following table:

Date of Sinking Fund Redemption (August 1)	Sinking Fund Installment Amount	Date of Sinking Fund Redemption (August 1)	Sinking Fund Installment Amount
---	------------------------------------	---	------------------------------------

†Maturity

The Bonds maturing on August 1, ____, are subject to mandatory sinking fund redemption prior to their stated maturity date, at the principal amount thereof without premium on each August 1, on and after August 1, ____, to and including August 1, ____, in the principal amounts as set forth in the following table:

Date of Sinking Fund Redemption (August 1)	Sinking Fund Installment Amount	Date of Sinking Fund Redemption (August 1)	Sinking Fund Installment Amount
---	------------------------------------	---	------------------------------------

†Maturity

The Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$100,000 and any integral multiple of \$5,000 thereafter. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Paying Agent in San Francisco, California, but only in the manner and subject to the limitations provided in the Resolution, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Resolution may be amended without the consent of the Owners of the Bonds to the extent set forth in the Resolution.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution or become valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed manually by the Paying Agent.

Unless this certificate is presented by an authorized representative of The Depository Trust Company; a New York corporation ("DTC"), to the District or the Paying Agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Tahoe Forest Hospital District has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of the President of its Board of Directors and the Secretary of the Board of Directors, all as of the Issue Date stated above.

TAHOE FOREST HOSPITAL DISTRICT

By _____
President of the Board of Directors

ATTEST:

Secretary of the Board of Directors

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution.

Authentication Date:

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: Signature(s) must be guaranteed by a qualified guarantor institution.

Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within bond in every particular without alteration or enlargement or any change whatsoever."

EXHIBIT B-1

FORM OF BOND PURCHASE AGREEMENT (Public Offering)

Tahoe Forest Hospital District
10121 Pine Avenue
Truckee, California 96160

Ladies and Gentlemen:

Edward D. Jones & Co., L.P. (the "Representative"), on behalf of itself and Raymond James & Associates, Inc., Piper Jaffray & Co. and Southwest Securities, Inc. (collectively, the "Underwriters"), offers to enter into this Bond Purchase Agreement (the "Bond Purchase Agreement") with the Tahoe Forest Hospital District (the "District") which, upon your acceptance hereof, will be binding upon the District and the Underwriters. This offer is made subject to the written acceptance of this Bond Purchase Agreement by the District and delivery of such acceptance to us at or prior to 11:59 P.M., California time, on the date hereof.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of \$_____ in aggregate principal amount of the District's 2015 General Obligation Refunding Bonds (the "Bonds"). The purchase price for the Bonds shall be \$_____ (being equal to the aggregate principal amount of the Bonds (\$_____)), plus a net original issue premium (\$_____), less \$_____ retained by the Underwriters to pay the Underwriters' discount.

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriters, (ii) in connection with such transaction, the Underwriters are acting solely as a principal and not as an advisor (including, without limitation, a Municipal Advisor (as such term is defined in section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)), agent or a fiduciary of the District, (iii) the Underwriters have not assumed a fiduciary responsibility in favor of the District with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriters, or any affiliate of the Underwriters, have advised or are currently advising the District on other matters) or any other obligation to the District except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriters have financial and other interests that differ from those of the District and (v) the District has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

2. The Bonds. Except as hereinafter described, the Bonds shall be as described in, and shall be issued and secured pursuant to the provisions of the resolution of the District adopted on February 12, 2015 (the "Resolution"), the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act") and other applicable provisions of law. The Bonds shall be issued, authenticated and delivered under and in accordance with the provisions of this Bond Purchase Agreement and the Resolution.

The Bonds are general obligation bonds of the District, and Placer and Nevada Counties (the "Counties") is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on and principal of the Bonds, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates).

The Bonds will be dated as of their date of delivery. The Bonds will mature on the dates and in the principal amounts set forth in Exhibit A attached hereto. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2015, at the rates set forth in

Exhibit A attached hereto. The Bonds will be subject to redemption prior to maturity on the dates and at the prices set forth in Exhibit A attached hereto.

The Bonds will be issued by the District to (a) provide for the defeasance and redemption of the outstanding Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008) (the "2008 Bonds"), and (b) pay for costs of issuance of the Bonds.

To assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the District will undertake, pursuant to the Resolution and a continuing disclosure certificate (the "Continuing Disclosure Certificate"), to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement (each as hereinafter defined).

3. Use of Documents. The District hereby authorizes the Underwriters to use, in connection with the offer and sale of the Bonds, this Bond Purchase Agreement, the Official Statement and the Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriters in connection with the transactions contemplated by this Bond Purchase Agreement.

4. Public Offering of the Bonds. The Underwriters agree to make a bona fide public offering of all the Bonds at the initial public offering price or yield to be set forth on the cover page of the Official Statement and Appendix A hereto. Subsequent to such initial public offering, the Underwriters reserve the right to change such initial public offering price or yield as it deems necessary in connection with the marketing of the Bonds.

5. Review of Official Statement. The Underwriters hereby represent that they have received and reviewed the preliminary official statement with respect to the Bonds, dated February 17, 2015 (the "Preliminary Official Statement"). The District represents that it deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), yield(s) to maturity, selling compensation, aggregate principal amount, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to the Rule.

The Underwriters agree that prior to the time a final Official Statement relating to the Bonds (hereinafter defined) is available, the Underwriters will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

6. Closing. At 8:00 A.M., California time, on March 10, 2015, or at such other time or on such other date as shall have been mutually agreed upon by the District and the Representative (the "Closing"), the District will deliver to the Representative (except as otherwise provided in the Resolution), through the facilities of The Depository Trust Company ("DTC") in New York, New York, or at such other place as the District and the Representative may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and in Larkspur, California, the other documents hereinafter mentioned; and the Representative will accept such delivery and pay the purchase price thereof in immediately available funds by check, draft or wire transfer to or upon the order of U.S. Bank National Association, as paying agent (the "Paying Agent"), on behalf of the District.

7. Representations, Warranties and Agreements of the District. The District hereby represents, warrants and agrees with the Underwriters that:

(a) *Due Organization.* The District is a health care district duly organized and validly existing under the laws of the State of California, with the power to request the issuance of the Bonds pursuant to the Act.

(b) *Due Authorization.* (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Bond Purchase Agreement, to adopt the Resolution, to perform its

obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Bond Purchase Agreement and the Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the Resolution, the Continuing Disclosure Certificate, the Escrow Agreement, dated March 10, 2015, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), relating to the defeasance of the 2008 Bonds (the "Escrow Agreement"), and this Bond Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Bond Purchase Agreement and the Escrow Agreement constitute the valid and legally binding obligations of the District; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Bond Purchase Agreement and the Escrow Agreement. The District will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of the Resolution, the Continuing Disclosure Certificate, the Escrow Agreement or this Bond Purchase Agreement without the prior written consent of the Underwriters prior to the Closing Date.

(c) *Consents.* No consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriters may reasonably request, or which have not been taken or obtained; *provided, however,* that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) *Internal Revenue Code.* The District has covenanted to comply with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(e) *No Conflicts.* To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Bond Purchase Agreement, the Resolution, the Escrow Agreement and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) *Litigation.* As of the time of acceptance hereof, based on the advice of counsel to the District, No action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of taxes of the District pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or, the levy of any taxes contemplated by the Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, this Bond Purchase Agreement, the Continuing Disclosure Certificate, the Escrow Agreement or the Resolution or contesting the powers of the District or its authority with respect to the Bonds, the Resolution, the Continuing Disclosure Certificate or this Bond Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Bond Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Certificate or the Resolution, (b) declare this Bond Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(g) *No Other Debt.* Between the date hereof and the Closing, without the prior written consent of the Underwriters, the District will not have issued, nor will Placer and Nevada Counties, on behalf of the District issue, any bonds, notes or certificates of participation except for such borrowings as may be described in or contemplated by the Official Statement.

(h) *Arbitrage Certificate*. The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

(i) *Certificates*. Any certificates signed by any officer of the District and delivered to the Underwriters shall be deemed a representation by the District to the Underwriters, but not by the person signing the same, as to the statements made therein.

(j) *Official Statement*. The District has reviewed the Preliminary Official Statement and, to the best of its knowledge, as of its date and as of the date hereof, the information set forth therein contains no untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading in any material respect. The District will provide to the Underwriters a certificate dated as of the Closing stating that it has reviewed the Official Statement and to the best of its knowledge, as of the Closing, the information set forth therein contains no untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(k) *Financial Statements*. The financial statements of the District contained in the Preliminary Official Statement and the Official Statement present fairly the financial position of the District as of the dates indicated and the results of its operations for the periods specified.

8. Covenants of the District. The District covenants and agrees with the Underwriters that:

(a) *Securities Laws*. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriters if and as the Underwriters may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, *provided, however*, that the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof;

(b) *Application of Proceeds*. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the Resolution;

(c) *Official Statement*. The District hereby agrees to deliver or cause to be delivered to the Underwriters, not later than the seventh (7th) business day following the date this Bond Purchase Agreement is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriters and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such quantities as may be requested by the Underwriters in order to permit the Underwriters to comply with paragraph (b)(4) of the Rule and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriters to use and distribute the Official Statement in connection with the offering and sale of the Bonds;

(d) *Subsequent Events*. The District hereby agrees to notify the Underwriters of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District, respectively, until the date which is ninety (90) days following the Closing or until such time (if earlier) as the Underwriters shall no longer hold any of the Bonds for sale;

(e) *References*. References herein to the Preliminary Official Statement and the final Official Statement include the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto; and

(f) *Amendments to Official Statement*. For a period of ninety (90) days after the Closing or until such time (if earlier) as the Underwriters shall no longer hold any of the Bonds for sale, the District will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriters shall object in writing or which shall be disapproved by the Underwriters; and if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of the Representative, to amend or supplement the Official Statement in order to make the

Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, the District shall forthwith prepare and furnish (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Representative) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

9. Conditions to Closing. The Underwriters have entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriters' obligations under this Bond Purchase Agreement are and shall be subject at the option of the Representative, to the following further conditions at the Closing:

(a) *Representations True*. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriters at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement;

(b) *Obligations Performed*. At the time of the Closing, (i) the Official Statement, this Bond Purchase Agreement, the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriters; (ii) all actions under the Act which, in the opinion of Quint & Thimmig LLP ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of their obligations required under or specified in the Resolution, this Bond Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

(c) *Adverse Rulings*. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Bond Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, pending or threatened which has any of the effects described in Section 7(f) or 8(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(d) *Marketability*. Between the date hereof and the Closing, the market price or marketability or the ability of the Underwriters to enforce contracts for the sale of the Bonds, at the initial offering prices set forth in the Official Statement, of the Bonds shall not have been materially adversely affected in the judgment of the Underwriters (evidenced by a written notice to the District terminating the obligation of the Underwriters to accept delivery of and pay for the Bonds) by reason of any of the following:

(1) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) legislation enacted by the legislature of the State of California (the "State"), or a decision rendered by a court of the State, or a ruling, order, or regulation (final or temporary) made by State authority, which would have the effect of changing, directly or indirectly, the State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof, or

(3) the declaration of war or engagement in major military hostilities by the United States, any outbreak or escalation of hostilities or the occurrence of any other national emergency or calamity relating to the effective operation of the government or the financial community in the United States;

(4) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(5) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriters;

(6) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(7) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency; or

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriters, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(e) *Delivery of Documents.* At or prior to the date of the Closing, Bond Counsel shall deliver sufficient copies of the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Representative:

(1) **Bond Opinion.** An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District;

(2) **Reliance Letter.** A reliance letter from Bond Counsel to the effect that the Underwriters can rely upon the approving opinion described in (e)(1) above;

(3) **Supplemental Opinion.** A supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Underwriters to the effect that:

(i) this Bond Purchase Agreement has been duly executed and delivered by the District and, assuming due authorization, execution and delivery by and validity against the Underwriters, is a valid and binding agreement of the District, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases;

(ii) the statements contained in the Official Statement under the captions "THE BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" and "TAX

MATTERS," insofar as such statements purport to summarize certain provisions of the Bonds and the Resolution and its opinion concerning certain federal tax matters relating to the Bonds are accurate in all material respects; and

(iii) the Bonds are not subject to the registration requirements of the Securities Act and the Resolution are exempt from qualification under the Trust Indenture Act;

(4) **Disclosure Counsel Opinion.** An opinion letter, dated the Closing Date and addressed to the District and the Underwriters, of Jennings, Strouss & Salmon, PLC, Phoenix, Arizona, Disclosure Counsel ("Disclosure Counsel"), to the effect that based upon its participation in the preparation of the Official Statement as Disclosure Counsel, except to the extent set forth in their supplemental opinion without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official Statement, except to the extent set forth in their supplemental opinion such counsel advises that during the course of such representation of the District as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Official Statement as of its date and as of the Closing (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion (except opinions of Bond Counsel), Appendix A to the Official Statement, or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(5) **Certificates.** Certificates signed by appropriate officials of the District to the effect that (i) such officials are authorized to execute this Bond Purchase Agreement, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the Resolution and this Bond Purchase Agreement, which are necessary to be complied with prior to or concurrently with the Closing and such documents are in full force and effect, (iv) the District has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) no further consent is required for inclusion of the District's audited financial statements in the Official Statement, and (vi) the Bonds being delivered on the date of the Closing to the Underwriters under this Bond Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution;

(6) **Arbitrage.** A non-arbitrage certificate of the District in a form satisfactory to Bond Counsel;

(7) **Rating.** Evidence satisfactory to the Underwriters that the Bonds shall have been rated "A2" by Moody's Investors Service and that such rating has not been revoked or downgraded;

(8) **Resolution.** A certificate, together with fully executed copies of the Resolution, of the Secretary of the Board of Directors of the District to the effect that:

(i) such copies are true and correct copies of the Resolution; and

(ii) that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(9) **Official Statement.** Certificates of the appropriate officials of the District evidencing their determinations respecting the Official Statement in accordance with the Rule and not more than 25 copies of the Official Statement;

(10) **Continuing Disclosure Certificate.** A continuing disclosure certificate of the District as summarized in the Official Statement and in a form satisfactory to the Representative which complies with S.E.C. Rule 15c2-12(b)(5);

(11) **Escrow Agreement.** The Escrow Agreement;

(12) **Defeasance Opinions.** Opinions of Bond Counsel as to the legal defeasance of the 2008 Bonds;

(12) **Underwriters' Certifications.** At or before Closing, and contemporaneously with the acceptance of delivery of the Bonds and the payment of the purchase price thereof, the Underwriters will provide (or cause to be provided) to the District:

(i) the receipt of the Underwriters, in form satisfactory to the District and signed by an authorized officer of the Representative, confirming delivery of the Bonds to the Underwriters, receipt of all documents required by the Representative, and the satisfaction of all conditions and terms of this Purchase Agreement by the District and confirming to the District that as of the Closing Date all of the representations of the Underwriters contained in this Purchase Agreement are true, complete and correct in all material respects; and

(ii) the certification of the Underwriters, in form satisfactory to Bond Counsel, regarding the prices at which the Bonds have been reoffered to the public, as described in Section 1; and

(12) **Other Documents.** Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative may reasonably request to evidence compliance (i) by the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained, and (iii) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

(f) *Termination.* Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the District to the Underwriters prior to the close of business, California Time, on March 10, 2015, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriters under Section 11 hereof.

If the District shall be unable to satisfy the conditions to the Underwriters' obligations contained in this Bond Purchase Agreement or if the Underwriters' obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be canceled by the Underwriters at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Representative in writing at its sole discretion.

10. Conditions to Obligations of the District. The performance by the District of its obligations is conditioned upon (i) the performance by the Underwriters of their obligations hereunder; and (ii) receipt by the District and the Underwriters of opinions and certificates being delivered at the Closing by persons and entities other than the District.

11. Costs and Expenses. As set forth in Section 1, all costs of issuance will be paid from amounts deposited with the Paying Agent. All out-of-pocket expenses of the Underwriters, including the California Debt and Investment Advisory Commission fee, travel (except in connection with securing a rating on the Bonds), the fees of any Underwriters' counsel and other expenses, shall be paid by the Underwriters.

12. Notices. Any notice or other communication to be given under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to Ms. Crystal Betts, Chief Financial Officer, Tahoe Forest Hospital District, 10121 Pine Avenue, Truckee, CA 96160, or if to the Underwriters, to Mr. Chris Collier, Managing Director, Edward D. Jones & Co. L.P., 12555 Manchester Road, 10th Floor, St. Louis, MO 63131.

13. Parties in Interest; Survival of Representations and Warranties. This Bond Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriters. This Bond Purchase Agreement is made solely for the benefit of the District and the Underwriters (including the successors or assigns of the Underwriters). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the District in this Bond Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriters, (b) delivery of and payment by the Underwriters for the Bonds hereunder, and (c) any termination of this Bond Purchase Agreement.

14. Execution in Counterparts. This Bond Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

15. Applicable Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

EDWARD D. JONES & CO., L.P.,
RAYMOND JAMES & ASSOCIATES, INC.,
PIPER JAFFRAY & CO., and
SOUTHWEST SECURITIES, INC.,
as Underwriters

By EDWARD D. JONES & CO., L.P., as
Representative

By _____
Name _____
Title _____

The foregoing is hereby agreed to and accepted
as of the date first above written:

TAHOE FOREST HOSPITAL DISTRICT

By _____
Name _____
Title _____

APPENDIX A

INTEREST RATES, REOFFERING PRICES, MATURITIES, DEBT SERVICE, AND OPTIONAL AND SINKING FUND REDEMPTION PROVISIONS

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				

Redemption Provisions

Optional Redemption. The Bonds maturing on or before August 1, ____, are non-callable. The Bonds maturing on August 1, ____, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any day on or after August 1, ____ (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), and may be redeemed prior to the maturity thereof by payment of all principal, plus accrued interest to date of redemption, without premium, payable from any source lawfully available therefor.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, ____, are subject to mandatory sinking fund redemption prior to their stated maturity date, at the principal amount thereof without premium on each August 1, on August 1, ____, to and including August 1, ____, in the principal amounts as set forth in the following table:

Date of Sinking Fund Redemption <u>(August 1)</u>	<u>Sinking Fund Installment Amount</u>
--	--

†Maturity

EXHIBIT B-2

FORM OF BOND PURCHASE AGREEMENT (Private Placement)

Tahoe Forest Hospital District
10121 Pine Avenue
Truckee, California 96160

Ladies and Gentlemen:

The undersigned, _____ (the "Purchaser"), offers to enter into this bond purchase and rate lock agreement (this "Bond Purchase Agreement") with the Tahoe Forest Hospital District (the "District"), which, upon your acceptance hereof, will be binding upon the District and the Purchaser. This offer is made subject to the written acceptance of this Bond Purchase Agreement by the delivery of such acceptance to the Purchaser at or prior to 5:00 P.M., Pacific time, on the date hereof.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Purchaser hereby agrees to purchase, for reoffering to the public, and the District hereby agrees to issue and execute and cause U.S. Bank National Association, San Francisco, California (the "Paying Agent"), to authenticate and deliver to the Purchaser for such purpose, all (but not less than all) of \$_____ in aggregate principal amount of the District's Tahoe Forest Hospital District 2015 General Obligation Refunding Bonds (the "Bonds").

The purchase price of the Bonds shall be \$_____ (being equal to the aggregate principal amount of the Bonds).

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the District and the Purchaser; (ii) in connection with such transaction, including the process leading thereto, the Purchaser is acting solely as a principal and not as an agent or a fiduciary of the District; (iii) the Purchaser has neither assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering of the Bonds or the process leading thereto (whether or not the Purchaser, or any affiliate of the Purchaser, has advised or is currently advising the District on other matters) nor has it assumed any other obligation to the District except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Purchaser has financial and other interests that differ from those of the District; and (v) the District has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

2. The Bonds. The Bonds are issued under Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and pursuant to a resolution adopted by the Board of Directors of the District on February 12, 2015 (the "Resolution").

The Bonds are general obligation bonds of the District, and Placer and Nevada Counties (the "Counties") is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on and principal of the Bonds, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates).

The Bonds will be dated as of their date of delivery. The Bonds will mature on the dates and in the principal amounts set forth in Exhibit A attached hereto. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2015, at the rates set forth in Exhibit A attached hereto. The Bonds will be subject to redemption prior to maturity on the dates and at the prices set forth in Exhibit A attached hereto.

The Bonds will be issued by the District to (a) provide for the defeasance and redemption of the outstanding Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008) (the "2008 Bonds"), and (b) pay for costs of issuance of the Bonds.

3. Private Placement; Bonds Constitute Investment of Purchaser.

(a) The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

(b) The Purchaser is acquiring the Bonds for its own account and not with a view to, or for sale in connection with, any distribution of the Bonds or any part thereof. The Purchaser has not offered to sell, solicited offers to buy, or agreed to sell the Bonds or any part thereof, and the Purchaser has no current intention of reselling or otherwise disposing of the Bonds *provided, however*, such representation shall not preclude the Purchaser from transferring or selling of the Bonds in accordance with the Resolution. The Purchaser is not acting in a broker-dealer capacity in connection with its purchase of the Bonds. The Purchaser intends to book and hold the Bonds as a loan in its loan portfolio.

(c) As a sophisticated investor, the Purchaser has made its own credit inquiry and analysis with respect to the District and the Bonds and has made an independent credit decision based upon such inquiry and analysis and in reliance on the truth, accuracy, and completeness of the representations and warranties of the District set forth in the Resolution and this Bond Purchase Agreement and in the information set forth in any materials submitted to the Purchaser by the District. The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information regarding the District, and the Purchaser has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the District and the Bonds.

(d) The Purchaser understands that the Bonds have not been registered under the United States Securities Act of 1933 or under any state securities laws. The Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bonds by it, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

(e) The Purchaser has authority to purchase the Bonds and to execute this Bond Purchase Agreement and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds. The undersigned is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the representations and warranties contained herein by execution of this Bond Purchase Agreement on behalf of the Purchaser.

(f) The Purchaser has been informed that the Bonds (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, and (ii) will not be listed on any stock or other securities exchange.

(g) The Purchaser acknowledges that the Bonds are transferable with certain requirements, as described in the Resolution.

(h) The Purchaser has been informed that the Bonds are exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the District has not undertaken to provide any continuing disclosure with respect to the Bonds.

4. Use of Documents. The District hereby authorizes the Purchaser to use, in connection with the offer and sale of the Bonds, this Bond Purchase Agreement, the Resolution, the Escrow Deposit and Trust Agreement, dated February 25, 2015, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), relating to the defeasance of the 2008 Bonds (the "Escrow Agreement"), and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Purchaser in connection with the transactions contemplated by this Bond Purchase Agreement.

5. Closing. At 8:00 A.M., California time, on February 25, 2015, or at such other time or on such other date as shall have been mutually agreed upon by you and us (the "Closing"), you will deliver to us (except as otherwise provided in the Resolution), at the offices of Bond Counsel, or at such other place as we may mutually agree upon, the Bonds, duly executed and registered in the name of the Purchaser, and the other documents hereinafter mentioned; and we will accept such delivery and pay the purchase price

thereof in immediately available funds by wire transfer to or upon the order of the Paying Agent on behalf of the District.

6. Representations, Warranties and Agreements of the District. The District hereby represents, warrants and agrees with the Purchaser that:

(a) *Due Organization.* The District is a health care district duly organized and validly existing under the laws of the State of California, with the power to request the issuance of the Bonds pursuant to the Act.

(b) *Due Authorization.* (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Bond Purchase Agreement and the Escrow Agreement, to adopt the Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Bond Purchase Agreement, the Escrow Agreement and the Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the Resolution, the Escrow Agreement and this Bond Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Bond Purchase Agreement and the Escrow Agreement constitute the valid and legally binding obligations of the District, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases; and (v) the District has duly authorized the consummation by it of all transactions contemplated by the Resolution, this Bond Purchase Agreement and the Escrow Agreement. The District will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of the Resolution, the Escrow Agreement or this Bond Purchase Agreement without the prior written consent of the Purchaser prior to the Closing Date.

(c) *Consents.* Other than the approving vote of the electorate of the District and adoption of the Resolution, no consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby.

(d) *Internal Revenue Code.* The District has covenanted to comply with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(e) *No Conflicts.* To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Bond Purchase Agreement, the Escrow Agreement, the Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) *Litigation.* As of the time of acceptance hereof, based on the advice of counsel to the District, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of *ad valorem* taxes of the District pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or, the levy of any taxes contemplated by the Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Bond Purchase Agreement, the Escrow Agreement or the Resolution or contesting the powers of the District or its authority with respect to the Bonds, the Resolution, the Escrow Agreement or this Bond Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Bond Purchase Agreement, the Escrow Agreement or the Resolution,

(b) declare this Bond Purchase Agreement or the Escrow Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(g) *No Other Debt.* Between the date hereof and the Closing, without the prior written consent of the Purchaser, the District will not have issued, nor will Placer and Nevada Counties, on behalf of the District issue, any bonds, notes or certificates of participation.

(h) *Arbitrage Certificate.* The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

(j) *Certificates.* Any certificates signed by any officer of the District and delivered to the Purchaser shall be deemed a representation by the District to the Purchaser, but not by the person signing the same, as to the statements made therein.

(j) *Financial Statements.* The financial statements of the District provided to the Purchaser fairly present the financial position of the District as of the dates indicated and the results of its operations for the periods specified.

7. Application of Proceeds. The District covenants and agrees with the Purchaser that the District will apply the proceeds from the sale of the Bonds for the purposes specified in the Resolution;

8. Conditions to Closing. The Purchaser has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Purchaser's obligations under this Bond Purchase Agreement are and shall be subject at the option of the Purchaser, to the following further conditions at the Closing:

(a) *Representations True.* The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Purchaser at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement;

(b) *Obligations Performed.* At the time of the Closing, (i) this Bond Purchase Agreement, the Escrow Agreement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Purchaser; (ii) all actions under the Act which, in the opinion of Quint & Thimmig LLP ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the Resolution, this Bond Purchase Agreement or the Escrow Agreement to be performed at or prior to the Closing;

(c) *Marketability.* Between the date hereof and the Closing, the market price or marketability or the ability of the Purchaser to enforce contracts for the sale of the Bonds shall not have been materially adversely affected in the judgment of the Purchaser (evidenced by a written notice to the District terminating the obligation of the Purchaser to accept delivery of and pay for the Bonds) by reason of any of the following:

(i) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(A) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of

causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or

(B) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(ii) legislation enacted by the legislature of the State of California (the "State"), or a decision rendered by a court of the State, or a ruling, order, or regulation (final or temporary) made by State authority, which would have the effect of changing, directly or indirectly, the State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof;

(iii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable judgment of the Purchaser, impractical or inadvisable to proceed with the offering or delivery of the Bonds;

(iv) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(v) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Purchaser;

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby, is or would be in violation of the federal securities laws, as amended and then in effect; or

(vii) the withdrawal or downgrading of any rating of the Bonds by a national rating agency.

(d) *Delivery of Documents.* At or prior to the date of the Closing, Bond Counsel shall deliver sufficient copies of the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Purchaser:

(i) **Bond Opinion.** An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District;

(ii) **Reliance Letter.** A reliance letter from Bond Counsel to the effect that the Purchaser can rely upon the approving opinion described in (e)(1) above;

(iii) **Supplemental Opinion.** A supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Purchaser to the effect that:

(A) this Bond Purchase Agreement and the Escrow Agreement have been duly executed and delivered by the District and, assuming due authorization, execution and delivery by and validity against the other parties thereto, are valid and binding agreements of the District, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases; and

(B) the Bonds are not subject to the registration requirements of the Securities Act and the Resolution is exempt from qualification under the Trust Indenture Act; and

(iv) **Additional Certificates.** Certificates signed by appropriate officials of the District to the effect that (i) such officials are authorized to execute this Bond Purchase Agreement and the Escrow Agreement, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the Resolution, the Escrow Agreement and this Bond Purchase Agreement which are necessary to be complied with prior to or concurrently with the Closing and such documents are in full force and effect, and (iv) the Bonds being delivered on the date of the Closing to the Purchaser under this Bond Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution;

(v) **Tax Matters.** An arbitrage certificate of the District in a form satisfactory to Bond Counsel;

(vi) **Resolution.** A certificate, together with fully executed copies of the Resolution, of the Secretary of the District's Board of Directors to the effect that:

(A) such copies are true and correct copies of the Resolution; and

(B) that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(vii) **Escrow Bank Certificate.** A certificate signed by appropriate officials of the Escrow Bank, to the effect that:

(A) the Escrow Bank is duly organized and validly existing as a national banking association, with full corporate power to undertake the trust of the Escrow Agreement;

(B) the Escrow Bank has duly authorized, executed and delivered the Escrow Agreement and by all proper corporate action has authorized the acceptance of the trust of the Escrow Agreement; and

(C) to the best of such officer's knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Escrow Bank (either in state or federal courts), or to the knowledge of the Escrow Bank which would restrain or enjoin the execution or delivery of the Escrow Agreement, or which would affect the validity or enforceability of the Escrow Agreement, or the Escrow Bank's participation in, or in any way contesting the powers or the authority of the Escrow Bank with respect to, the transactions contemplated by the Escrow Agreement, or any other agreement, document or certificate related to such transactions;

(viii) **Defeasance Opinion.** The opinions of Bond Counsel as to the legal defeasance of the 2008 Bonds; and

(ix) **Other Documents.** Such additional legal opinions, certificates, proceedings, instruments and other documents as the Purchaser may reasonably request to evidence compliance (i) by the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained, and (iii) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District; and

(e) **Termination.** Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by February 26, 2015, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Purchaser under Section 10 hereof.

If the District shall be unable to satisfy the conditions to the Purchaser's obligations contained in this Bond Purchase Agreement or if the Purchaser's obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be canceled by the Purchaser at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Purchaser may be waived by the Purchaser in writing at its sole discretion.

9. Conditions to Obligations of the District. The performance by the District of its obligations is conditioned upon (i) the performance by the Purchaser of its obligations hereunder; and (ii) receipt by the District and the Purchaser of opinions and certificates being delivered at the Closing by persons and entities other than the District.

10. Costs and Expenses. The District shall pay any expenses incident to the performance of its obligations hereunder from the proceeds of the Bonds. All out-of-pocket expenses of the Purchaser shall be paid by the Purchaser.

11. Notices. Any notice or other communication to be given under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to _____, _____, Tahoe Forest Hospital District, 10121 Pine Avenue, Truckee, CA 96160, or if to the Purchaser, to _____.

12. Parties in Interest; Survival of Representations and Warranties. This Bond Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the District and the Purchaser. This Bond Purchase Agreement is made solely for the benefit of the District and the Purchaser (including the successors or assigns of the Purchaser). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the District in this Bond Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Purchaser, (b) delivery of and payment by the Purchaser for the Bonds hereunder, and (c) any termination of this Bond Purchase Agreement.

13. Execution in Counterparts. This Bond Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

14. Applicable Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California applicable to contracts made and performed in such State.

Very truly yours,

_____, as Purchaser

By _____
Name _____
Title _____

The foregoing is hereby agreed to and accepted as of the date first above written:

TAHOE FOREST HOSPITAL DISTRICT

By _____
Name _____
Title _____

EXHIBIT A

INTEREST RATES, REOFFERING PRICES, MATURITIES, DEBT SERVICE, AND OPTIONAL AND MANDATORY REDEMPTION PROVISIONS

Maturity Schedule

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
--------------------------------	-----------------------------	--------------------------	--------------	--------------

Redemption Provisions

Optional Redemption. The Bonds maturing on or before August 1, ____, are non-callable. The Bonds maturing on August 1, ____, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any day on or after August 1, __ (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), and may be redeemed prior to the maturity thereof by payment of all principal, plus accrued interest to date of redemption, without premium, payable from any source lawfully available therefor.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption prior to their stated maturity date, at the principal amount thereof without premium on each August 1, on and after August 1, ____, to and including August 1, ____, in the principal amounts as set forth in the following table:

<u>Date of Sinking Fund Redemption (August 1)</u>	<u>Sinking Fund Installment Amount</u>	<u>Date of Sinking Fund Redemption (August 1)</u>	<u>Sinking Fund Installment Amount</u>
---	--	---	--

†Maturity

EXHIBIT C

FORM OF PAYING AGENT AGREEMENT

THIS PAYING AGENT/BOND REGISTRAR/COSTS OF ISSUANCE AGREEMENT (this "Agreement"), is entered into as of March 10, 2015, by and between the TAHOE FOREST HOSPITAL DISTRICT (the "District") and U.S. BANK NATIONAL ASSOCIATION (the "Bank"), relating to the \$_____ Tahoe Forest Hospital District (Placer and Nevada Counties, California) 2015 General Obligation Refunding Bonds (the "Bonds"). The District hereby appoints the Bank to act as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds.

RECITALS

WHEREAS, the District has duly authorized and provided for the issuance of the Bonds as fully registered bonds without coupons;

WHEREAS, the District will ensure all things necessary to make the Bonds the valid obligations of the District, in accordance with their terms, will be done upon the issuance and delivery thereof;

WHEREAS, the District and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal, redemption premium (if any) and interest on the Bonds, in accordance with the terms thereof, and under which the Bank will act as Bond Registrar for the Bonds;

WHEREAS, the District and the Bank also wish to provide the terms under which the Bank will act as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds;

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the District and has full power and authority to perform and serve as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds; and

WHEREAS, the District has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement a valid agreement have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

DEFINITIONS

Section 1.01. Definitions.

For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

"*Bank*" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America.

"*Bond Register*" means the book or books of registration kept by the Bank in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

"*Bond Registrar*" means the Bank when it is performing the function of registrar for the Bonds.

"*Bond Resolution*" means the resolution of the District pursuant to which the Bonds were issued.

“Bond” or “Bonds” means any one or all of the \$_____ Tahoe Forest Hospital District (Placer and Nevada Counties, California) 2015 General Obligation Refunding Bonds.

“Custodian and Disbursing Agent” means the Bank when it is performing the function of custodian and disbursing agent for the payment of costs of issuance relating to the Bonds.

“District” means Tahoe Forest Hospital District.

“District Request” means a written request signed in the name of the District and delivered to the Bank.

“Fiscal Year” means the fiscal year of the District ending on June 30 of each year.

“Paying Agent” means the Bank when it is performing the function of paying agent for the Bonds.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

“Registered Owner” means a Person in whose name a Bond is registered in the Bond Register.

“Stated Maturity” when used with respect to any Bond means the date specified in the Bond Resolution as the date on which the principal of such Bond is due and payable.

“Transfer Agent” means the Bank when it is performing the function of transfer agent for the Bonds.

“Underwriters” means Edward D. Jones & Co., L.P., Raymond James & Associates, Inc., Piper Jaffray & Co. and Southwest Securities, Inc.

ARTICLE TWO

APPOINTMENT OF BANK AS PAYING AGENT, TRANSFER AGENT, BOND REGISTRAR AND CUSTODIAN AND DISBURSING AGENT

Section 2.01. Appointment and Acceptance. The District hereby appoints the Bank to act as Paying Agent and Transfer Agent with respect to the Bonds, to pay to the Registered Owners in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of, redemption premium (if any), and interest on all or any of the Bonds.

The District hereby appoints the Bank as Bond Registrar with respect to the Bonds. As Bond Registrar, the Bank shall keep and maintain for and on behalf of the District, books and records as to the ownership of the Bonds and with respect to the transfer and exchange thereof as provided herein and in the Bond Resolution.

The District hereby appoints the Bank as Custodian and Disbursing Agent.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent, Transfer Agent, Bond Registrar and Custodian and Disbursing Agent.

Section 2.02. Compensation. As compensation for the Bank’s services as Paying Agent and Bond Registrar, the District hereby agrees to pay the Bank the fees and amounts set forth in a separate agreement between the District and the Bank.

In addition, the District agrees to reimburse the Bank, upon its request, for all reasonable and necessary out-of-pocket expenses, disbursements, and advances, including without limitation the reasonable fees, expenses, and disbursements of its agents and attorneys, made or incurred by the Bank in connection with entering into and performing under this Agreement and in connection with

investigating and defending itself against any claim or liability in connection with its performance hereunder.

ARTICLE THREE

PAYING AGENT

Section 3.01. Duties of Paying Agent. As Paying Agent, the Bank, provided sufficient collected funds have been provided to it for such purpose by or on behalf of the District, shall pay on behalf of the District the principal of, and interest on each Bond in accordance with the debt service schedule attached hereto as Exhibit A.

Section 3.02. Payment Dates. The District hereby instructs the Bank to pay the principal of, redemption premium (if any) and interest on the Bonds on the dates specified in the Bond Resolution.

ARTICLE FOUR

BOND REGISTRAR

Section 4.01. Initial Delivery of Bonds. The Bonds will be initially registered and delivered to the purchaser designated by the District as one Bond for each maturity. If such purchaser delivers a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on the date of initial delivery, deliver Bonds of authorized denominations, registered in accordance with the instructions in such written request.

Section 4.02. Duties of Bond Registrar. The Bank shall provide for the proper registration of transfer, exchange and replacement of the Bonds. Every Bond surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an eligible guarantor institution, in form acceptable to the Bank, duly executed by the Registered Owner thereof or his attorney duly authorized in writing. The Bond Registrar may request any supporting documentation it deems necessary or appropriate to effect a re-registration.

Section 4.03. Unauthenticated Bonds. The District shall provide to the Bank on a continuing basis, an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank agrees that it will maintain such unauthenticated Bonds in safekeeping.

Section 4.04. Form of Bond Register. The Bank as Bond Registrar will maintain its records as Bond Registrar in accordance with the Bank's general practices and procedures in effect from time to time.

Section 4.05. Reports. The District may request the information in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing and to convert the information into written form.

The Bank will not release or disclose the content of the Bond Register to any person other than to the District at its written request, except upon receipt of a subpoena or court order or as may otherwise be required by law. Upon receipt of a subpoena or court order the Bank will notify the District.

Section 4.06. Cancelled Bonds. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The District may at any time deliver to the Bank for cancellation any Bonds previously authenticated and delivered which the District may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Bank. All cancelled Bonds held by the Bank for its retention period then in effect and shall thereafter be destroyed and evidence of such destruction furnished to the District upon its written request.

ARTICLE FIVE

CUSTODIAN AND DISBURSING AGENT

Section 5.01. Receipt of Moneys. The Custodian and Disbursing Agent has received, from the Underwriters, the sum of \$_____. Of such amount, \$_____ has been transferred to The Bank of New York Mellon Trust Company, N.A., as paying agent for the Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008), and as escrow bank, to provide for the defeasance and redemption of the 2008 Bonds, and the remaining \$_____ has been deposited in a special account to be held and maintained by the Custodian and Disbursing Agent in the name of the District (the "Costs of Issuance Fund").

Section 5.02. Investment. The Custodian and Disbursing Agent will hold funds in the Costs of Issuance Fund until June 17, 2015, or upon prior written order of the District. The Custodian and Disbursing Agent shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written investment direction from the District. In no event shall the Custodian and Disbursing Agent be liable for the selection of investments or for investment losses incurred thereon.

Section 5.03. Payment of Costs of Issuance. The Custodian and Disbursing Agent will pay costs of issuance of the Bonds as directed by the District from time to time via a written requisition of the District.

Section 5.04. Transfer of Remaining Amounts. Any balances remaining in the Costs of Issuance Fund (including any earnings) on June 17, 2015, will be transferred to the Placer and Nevada Counties Treasurer-Tax Collector for deposit in the Debt Service Fund maintained for the District.

Section 5.05. Limited Liability. The liability of the Custodian and Disbursing Agent as custodian and disbursing agent is limited to the duties listed above. The Custodian and Disbursing Agent will not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion of power conferred upon it by this Agreement.

ARTICLE SIX

THE BANK

Section 6.01. Duties of the Bank. The Bank undertakes to perform the duties set forth herein. No implied duties or obligations shall be read into this Agreement against the Bank. The Bank hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Bonds to pay the same as it shall become due and further agrees to establish and maintain such accounts and funds as may be required for the Bank to function as Paying Agent.

Section 6.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions expressed therein, on certificates or opinions furnished to the Bank by the District.

(b) The Bank shall not be liable for any error of judgment made in good faith. The Bank shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) The Bank may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bank need not examine the ownership of any Bond, but shall be protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Registered Owner or agent of the Registered Owner.

(e) The Bank may consult with counsel, and the written advice or opinion of counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the actions of such agent or attorney if appointed by it with reasonable care.

(g) The Paying Agent shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; terrorism; military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities; computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Paying Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(h) The Paying Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the District shall provide to the Paying Agent an incumbency certificate listing designated persons authorized to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Paying Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Paying Agent in its discretion elects to act upon such instructions, the Paying Agent's understanding of such instructions shall be deemed controlling. The Paying Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Paying Agent, including without limitation the risk of the Paying Agent acting on unauthorized instructions, and the risk or interception and misuse by third parties.

Section 6.03. Recitals of District. The recitals contained in the Bond Resolution and the Bonds shall be taken as the statements of the District, and the Bank assumes no responsibility for their correctness.

Section 6.04. May Own Bonds. The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent and Bond Registrar for the Bonds.

Section 6.05. Money Held by the Bank. Money held by the Bank hereunder need not be segregated from other funds. The Bank shall have no duties with respect to investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with or otherwise held by the Bank for the payment of the principal, redemption premium (if any) or interest on any Bond and remaining unclaimed for two years after such deposit will be paid by the Bank to the District, and the District and the Bank agree that the Registered Owner of such Bond shall thereafter look only to the District for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

Section 6.06. Other Transactions. The Bank may engage in or be interested in any financial or other transaction with the District.

Section 6.07. Interpleader. The District and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The District and the Bank further agree that the Bank has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 6.08. Indemnification. To the extent permitted by law, the District shall indemnify the Bank, its officers, directors, employees and agents (“Indemnified Parties”) for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Bank’s acceptance or administration of the Bank’s duties hereunder or under the Bond Resolution (except any loss, liability or expense as may be adjudged by a court of competent jurisdiction to be attributable to the Bank’s negligence or willful misconduct), including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or discharge of the Bonds.

ARTICLE SEVEN

MISCELLANEOUS PROVISIONS

Section 7.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 7.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party.

Section 7.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the District or the Bank shall be mailed or delivered to the District or the Bank, respectively, at the address shown herein, or such other address as may have been given by one party to the other by fifteen (15) days written notice.

Section 7.04. Effect of Headings. The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 7.05. Successors and Assigns. All covenants and agreements herein by the District and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 7.06. Severability. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Section 7.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 7.08. Entire Agreement. This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds.

Section 7.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 7.10. Term and Termination. This Agreement shall be effective from and after its date and until the Bank resigns or is removed in accordance with the Bond Resolution; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder.

The Bank may resign at any time by giving written notice thereof to the District. If the Bank shall resign, be removed or become incapable of acting, the District shall promptly appoint a successor Paying Agent and Bond Registrar. If an instrument of acceptance by a successor Paying Agent and Bond Registrar shall not have been delivered to the Bank within thirty 30 days after the Bank gives notice of resignation, the Bank may petition any court of competent jurisdiction at the expense of the District for the appointment of a successor Paying Agent and Bond Registrar. In the event of resignation or removal of the Bank as Paying Agent and Bond Registrar, upon the written request of the District and upon payment of all amounts owing to the Bank hereunder the Bank shall deliver to the District or its designee all funds and unauthenticated Bonds, and a copy of the Bond Register. The provisions of Section 2.02 and Section 6.08 hereof shall survive and remain in full force and effect following the termination of this Agreement.

Section 7.11. Governing Law. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of California.

Section 7.12. Documents to be Filed with Bank. At the time of the Bank's appointment as Paying Agent and Bond Registrar, the District shall file with the Bank the following documents: (a) a certified copy of the Bond Resolution and a specimen Bond; (b) a copy of the opinion of bond counsel provided to the District in connection with the issuance of the Bonds; and (c) a District Request containing written instructions to the Bank with respect to the issuance and delivery of the Bonds, including the name of the Registered Owners and the denominations of the Bonds.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TAHOE FOREST HOSPITAL DISTRICT

By _____
Name _____
Title _____

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By _____
Andrew Fung
Vice President

EXHIBIT A
DEBT SERVICE SCHEDULE

Interest Payment Date	Principal	Interest	Total
08/01/2015			
02/01/2016			
08/01/2016			
02/01/2017			
08/01/2017			
02/01/2018			
08/01/2018			
02/01/2019			
08/01/2019			
02/01/2020			
08/01/2020			
02/01/2021			
08/01/2021			
02/01/2022			
08/01/2022			
02/01/2023			
08/01/2023			
02/01/2024			
08/01/2024			
02/01/2025			
08/01/2026			
08/01/2027			
08/01/2028			
08/01/2029			
08/01/2030			
08/01/2031			
08/01/2032			
08/01/2033			
08/01/2034			
08/01/2035			
08/01/2036			
08/01/2037			
08/01/2038			

EXHIBIT D

FORM OF ESCROW AGREEMENT

This Escrow Deposit and Trust Agreement (this "Escrow Deposit and Trust Agreement"), dated March 10, 2015, is by and between the TAHOE FOREST HOSPITAL DISTRICT, a health care district duly created and existing pursuant to the laws of the State of California (the "District"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as escrow bank (the "Escrow Bank").

WITNESSETH:

WHEREAS, the Board of Directors (the "Board") of the District has, heretofore issued the District's Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008) (the "2008 Bonds"), in the original principal amount of \$29,400,000, issued for authorized hospital purposes, of which \$29,345,000 principal amount remains outstanding;

WHEREAS, the 2008 Bonds were issued under and pursuant to a resolution of the Board, adopted on June 24, 2008 (the "2008 Bond Resolution");

WHEREAS, pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), the District is empowered to issue general obligation refunding bonds;

WHEREAS, the District has determined that it is in the best interests of the District to provide for the payment of principal of and interest on the 2008 Bonds to and including August 1, 2016, and to redeem, on August 1, 2016, all 2008 Bonds then outstanding, and it is desirable to enter into this Escrow Deposit and Trust Agreement to do so;

WHEREAS, the Board, by resolution adopted on February 12, 2015 (the "Refunding Bond Resolution"), has authorized the issuance and sale of the District's \$_____ 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds"), and has determined to use a portion of the proceeds of the 2015 Refunding Bonds to provide for the payment of principal of and interest on the 2008 Bonds to and including August 1, 2016, and for the redemption of the outstanding 2008 Bonds in full on August 1, 2016 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount thereof (the "Redemption Price");

WHEREAS, the District, in the Refunding Bond Resolution, has directed that a portion of the proceeds of the sale of the 2015 Refunding Bonds be deposited hereunder, and that such amount will be in an amount sufficient to provide for the redemption of the 2008 Bonds on the Redemption Date at the Redemption Price;

WHEREAS, the Escrow Bank has full powers to perform the duties and obligations to be undertaken by it pursuant to this Escrow Deposit and Trust Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto do hereby agree as follows:

Section 1. Discharge of 2008 Bonds. The District hereby irrevocably elects to pay and discharge all indebtedness payable by the District under the 2008 Bond Resolution with respect to the 2008 Bonds, and to terminate all obligations of the District thereunder with respect thereto.

Section 2. Escrow Fund.

(a) There is hereby established a special fund, to be held in trust by the Escrow Bank for the benefit of the owners of the 2008 Bonds, to be known as the "Escrow Fund." Upon the issuance of the 2015 Refunding Bonds, there shall be deposited into the Escrow Fund an amount equal to \$_____, derived as follows:

(i) \$_____ from the proceeds of the 2015 Refunding Bonds; and

(ii) \$_____ from amounts allocated for the principal (\$_____) and interest (\$_____) with respect to the 2008 Bonds due on August 1, 2015.

(b) The Escrow Bank shall invest \$_____ of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the securities set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrowed Federal Securities") and shall hold the remaining \$_____ in cash, uninvested. The Escrowed Federal Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

(c) The Escrow Bank may rely upon the conclusion of Grant Thornton LLP, as contained in its opinion and accompanying schedules (the "Report") dated March 10, 2015, that the Escrowed Federal Securities mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to redeem the outstanding 2008 Bonds in full on the Redemption Date at the Redemption Price.

(c) The Escrow Bank shall not be liable or responsible for any loss resulting from its full compliance with the provisions of this Escrow Deposit and Trust Agreement.

(d) Any money left on deposit in the Escrow Fund after payment in full of the 2008 Bonds, and the payment of all amounts due to the Escrow Bank hereunder, shall be transferred to U.S. Bank National Association, the payment agent for the 2015 Refunding Bonds, to be applied to the payment of debt service on the 2015 Refunding Bonds.

(e) If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of state and local government series securities ("SLGS") that is to be submitted pursuant to this Escrow Deposit and Trust Agreement, the Escrow Bank shall promptly request alternative written investment instructions from the District with respect to funds which were to be invested in SLGS. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

Section 3. Instructions as to Application of Deposit.

(a) The moneys deposited in the Escrow Fund pursuant to Section 2 shall be applied by the Escrow Bank for the sole purpose of paying the principal of and interest on the 2008 Bonds to and including August 1, 2016, and redeeming the outstanding 2008 Bonds in full on the Redemption Date at the Redemption Price, all as set forth in Exhibit B attached hereto and by this reference incorporated herein.

(b) The Escrow Bank, in its capacity as paying agent for the 2008 Bonds, is hereby requested, and the Escrow Bank, in its capacity as paying agent for the 2008 Bonds, hereby agrees to give notice of the defeasance of the 2008 Bonds in the form of defeasance notice attached hereto as Exhibit C.

(c) The Escrow Bank, in its capacity as paying agent for the 2008 Bonds is hereby requested, and the Escrow Bank, as paying agent for the 2008 Bonds, hereby agrees to give notice, as soon as practicable,

of the redemption of the 2008 Bonds on the Redemption Date in accordance with the applicable provisions of the 2008 Bond Resolution and the form of redemption notice attached hereto as Exhibit D.

Section 4. Investment of Any Remaining Moneys. The Escrow Bank shall invest and reinvest the proceeds received from any of the Escrowed Federal Securities, and the cash originally deposited into the Escrow Fund, for a period ending not later than the next succeeding interest payment date relating to the 2008 Bonds, in Federal Securities pursuant to written directions of the District; *provided, however,* that (a) such written directions of the District shall be accompanied by (i) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Federal Securities then to be so deposited in the Escrow Fund, together with the cash then on deposit in the Escrow Fund, together with the interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 3 hereof, and (ii) an opinion of nationally recognized bond counsel (“Bond Counsel”) that investment in accordance with such directions will not affect, for Federal income tax purposes, the exclusion from gross income of interest due with respect to the 2008 Bonds, and (b) if the District directs such investment or reinvestment to be made in United States Treasury Securities-State and Local Government Series, the District shall, at its cost, cause to be prepared all necessary subscription forms therefor in sufficient time to enable the Escrow Bank to acquire such securities. In the event that the District shall fail to file any such written directions with the Escrow Bank concerning the reinvestment of any such proceeds, such proceeds shall be held uninvested by the Escrow Bank. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 4 and not required for the purposes set forth in Section 2, as indicated by such verification, shall, promptly upon the receipt of such interest income by the Escrow Bank, be paid to the District.

Section 5. Substitution or Withdrawal of Federal Securities. The District may, at any time, direct the Escrow Bank in writing to substitute Federal Securities for any or all of the Escrowed Federal Securities then deposited in the Escrow Fund, or to withdraw and transfer to the District any portion of the Federal Securities then deposited in the Escrow Fund, provided that any such direction and substitution or withdrawal shall be simultaneous and shall be accompanied by (a) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Federal Securities then to be so deposited in the Escrow Fund together with interest to be derived therefrom, or in the case of withdrawal, the Federal Securities to be remaining in the Escrow Fund following such withdrawal together with the interest to be derived therefrom, together with the cash then on deposit in the Escrow Fund, shall be in an amount at all times at least sufficient to make the payments specified in Section 3 hereof; and (b) an opinion of Bond Counsel that the substitution or withdrawal will not affect, for Federal income tax purposes, the exclusion from gross income of interest on the 2008 Bonds. In the event that, following any such substitution of Federal Securities pursuant to this Section 5, there is an amount of moneys or Federal Securities in excess of an amount sufficient to make the payments required by Section 2 hereof, as indicated by such verification, such excess shall be paid to the District.

Section 6. Compensation to Escrow Bank. The District shall pay the Escrow Bank full compensation for its duties under this Escrow Deposit and Trust Agreement, including out-of-pocket costs such as publication costs, prepayment or redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

Section 7. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Deposit and Trust Agreement unless the District shall have deposited sufficient funds with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the District or its agents relating to any matter or action as Escrow Bank under this Escrow Deposit and Trust Agreement.

The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Deposit and Trust Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the uninvested moneys held hereunder to accomplish the purposes set forth herein, or any payment, transfer or other application of moneys by the

Escrow Bank in accordance with the provisions of this Escrow Deposit and Trust Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the “whereas” clauses herein shall be taken as the statement of the District, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representations as to the sufficiency of the uninvested moneys to accomplish the purposes set forth herein or to the validity of this Escrow Deposit and Trust Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Deposit and Trust Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Deposit and Trust Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Deposit and Trust Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the District.

Anything in this Escrow Deposit and Trust Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action.

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

The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Bank and its respective successors, assigns, agents, officers, directors, employees and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Deposit and Trust Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Escrow Deposit and Trust Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; provided, however, that the District shall not be required to indemnify the Escrow Bank against its own negligence or misconduct. The indemnities contained in this Section 7 shall survive the termination of this Escrow Deposit and Trust Agreement or the resignation or removal of the Escrow Bank.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the

extent permitted by law. The Escrow Bank will furnish the District monthly cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

No provision of this Escrow Deposit and Trust Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

The Escrow Bank may at any time resign by giving 30 days written notice of resignation to the District. Upon receiving such notice of resignation, either District shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Bank from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the District, the resigning Escrow Bank and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor.

Section 8. Amendment. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the 2008 Bonds shall have been filed with the Escrow Bank. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the 2008 Bonds or the 2015 Refunding Bonds, and that such amendment will not cause interest on the 2008 Bonds or the 2015 Refunding Bonds to become subject to federal income taxation. In connection with any contemplated amendment or revocation of this Escrow Deposit and Trust Agreement, prior written notice thereof and draft copies of the applicable legal documents shall be provided by the District to each rating agency then rating the 2008 Bonds.

Section 9. Notice of Escrow Bank and District. Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the corporate trust office of the Escrow Bank as specified by the Escrow Bank as 2008 Paying Agent in accordance with the provisions of the 2008 Resolution. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to such party as provided in the 2008 Resolution (or such other address as may have been filed in writing by the District with the Escrow Bank).

Section 10. Merger or Consolidation of Escrow Bank. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as trustee under the 2008 Resolution, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

Section 11. Execution in Several Counterparts. This Escrow Deposit and Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed

to be an original; and all such counterparts shall together constitute but one and the same instrument.

Section 12. Governing Law. This Escrow Deposit and Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 13. Severability. In case any one or more of the provisions contained in this Escrow Deposit and Trust Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Escrow Deposit and Trust Agreement, but this Escrow Deposit and Trust Agreement shall be construed as if such invalid or illegal or unenforceable provisions had never been contained herein.

Section 14. Counterparts. This Escrow Deposit and Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and such counterparts, or as many of them as the District and the Escrow Bank shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 15. Business Days. Whenever any act is required by this Escrow Deposit and Trust Agreement to be done on a specified day or date, and such day or date shall be a day other than a business day for the Escrow Bank, then such act may be done on the next succeeding business day.

IN WITNESS WHEREOF the parties hereto have caused this Escrow Deposit and Trust Agreement to be executed in their respective names by their respective duly authorized officers, all as of the day and year first above written.

TAHOE FOREST HOSPITAL DISTRICT

By _____
Name _____
Title _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Bank

By _____
Deborah H. Young, CCTS
Vice President

EXHIBIT A

SCHEDULE OF ESCROW SECURITIES

Type	Maturity	Coupon	Par	Price	Cost	Accrued	Total
SLGS	8/1/15						
SLGS	2/1/16						
SLGS	8/1/16						

EXHIBIT B

PAYMENT AND REDEMPTION SCHEDULE

<u>Date</u>	<u>Maturing Principal</u>	<u>Called Principal</u>	<u>Interest</u>	<u>Redemption Premium</u>	<u>Total Payment</u>
8/1/15	100,000	—	\$727,290.00	—	\$ 827,290.00
2/1/16	—	—	725,290.00	—	725,290.00
8/1/16	155,000	\$29,090,000	725,290.00	—	29,970,290.00

EXHIBIT C

NOTICE OF DEFEASANCE

Tahoe Forest Hospital District
General Obligation Bonds, Election of 2007, Series A (2008)

<u>Maturity Date</u>	<u>Amount Defeased</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
8/1/2015	\$ 100,000	4.000%	873822 CG3
8/1/2016	155,000	4.000	873822 CH1
8/1/2017	215,000	4.000	873822 CJ7
8/1/2018	275,000	5.000	873822 CK4
8/1/2019	340,000	5.000	873822 CL2
8/1/2020	410,000	5.000	873822 CM0
8/1/2021	490,000	5.000	873822 CN8
8/1/2022	570,000	4.625	873822 CP3
8/1/2025	2,260,000	5.125	873822 CQ1
8/1/2026	965,000	4.750	873822 CR9
8/1/2027	1,080,000	4.800	873822 CS7
8/1/2028	1,205,000	4.800	873822 CT5
8/1/2029	1,340,000	4.875	873822 CU2
8/1/2030	1,485,000	5.000	873822 CV0
8/1/2031	1,640,000	5.000	873822 CW8
8/1/2032	1,810,000	5.000	873822 CX6
8/1/2033	1,985,000	5.000	873822 CY4
8/1/2034	2,175,000	5.000	873822 CZ1
8/1/2035	2,375,000	5.000	873822 DA5
8/1/2036	2,590,000	5.000	873822 DB3
8/1/2037	2,820,000	5.000	873822 DC1
8/1/2038	3,060,000	5.000	873822 DD9

NOTICE IS HEREBY GIVEN, on behalf of the Tahoe Forest Hospital District (the "District") to the owners of the outstanding Tahoe Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008) (the "Bonds"), as described above, that pursuant to the resolution authorizing the issuance of the Bonds (the "Resolution"), the lien of the Resolution with respect to the Bonds has been discharged through the irrevocable deposit of cash and U.S. Treasury securities in an escrow fund (the "Escrow Fund"). The Escrow Fund has been established and is being maintained pursuant to that certain Escrow Deposit and Trust Agreement, dated March 10, 2015, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank. As a result of such deposit, the Bonds are deemed to have been paid and defeased in accordance with the Resolution. The pledge of the funds provided for under the Resolution and all other obligations of the District to the owners of the defeased Bonds shall hereafter be limited to the application of moneys in the Escrow Fund for the payment of the principal and interest with respect to the Bonds as the same become due and payable as described below.

As evidenced by the verification report delivered to the Escrow Bank, amounts deposited in the Escrow Fund are calculated to provide sufficient moneys to pay the principal of and interest on the Bonds to and including August 1, 2016, and to redeem the outstanding Bonds in full on August 1, 2016 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount thereof. From and after the Redemption Date, interest with respect to the Bonds shall cease to accrue and be payable.

Dated: _____, 2015

THE BANK OF NEW YORK
MELLON TRUST COMPANY,
N.A., as Escrow Bank

EXHIBIT D

NOTICE OF FULL AND FINAL REDEMPTION

Tahoe Forest Hospital District
General Obligation Bonds, Election of 2007, Series A (2008)

<u>Dated Date</u>	<u>Maturity Date</u>	<u>Redemption Price</u> ^(a)	<u>Interest Rate</u>	<u>CUSIP No.</u>
8/5/2008	8/1/2017	\$ 215,000	4.000%	873822 CJ7
8/5/2008	8/1/2018	275,000	5.000	873822 CK4
8/5/2008	8/1/2019	340,000	5.000	873822 CL2
8/5/2008	8/1/2020	410,000	5.000	873822 CM0
8/5/2008	8/1/2021	490,000	5.000	873822 CN8
8/5/2008	8/1/2022	570,000	4.625	873822 CP3
8/5/2008	8/1/2025	2,260,000	5.125	873822 CQ1
8/5/2008	8/1/2026	965,000	4.750	873822 CR9
8/5/2008	8/1/2027	1,080,000	4.800	873822 CS7
8/5/2008	8/1/2028	1,205,000	4.800	873822 CT5
8/5/2008	8/1/2029	1,340,000	4.875	873822 CU2
8/5/2008	8/1/2030	1,485,000	5.000	873822 CV0
8/5/2008	8/1/2031	1,640,000	5.000	873822 CW8
8/5/2008	8/1/2032	1,810,000	5.000	873822 CX6
8/5/2008	8/1/2033	1,985,000	5.000	873822 CY4
8/5/2008	8/1/2034	2,175,000	5.000	873822 CZ1
8/5/2008	8/1/2035	2,375,000	5.000	873822 DA5
8/5/2008	8/1/2036	2,590,000	5.000	873822 DB3
8/5/2008	8/1/2037	2,820,000	5.000	873822 DC1
8/5/2008	8/1/2038	3,060,000	5.000	873822 DD9

^(a) Plus accrued interest.

NOTICE is hereby given that the Tahoe Forest Hospital District (the "District") has called for redemption on August 1, 2016 (the "Redemption Date"), the outstanding Forest Hospital District (Placer and Nevada Counties, California) General Obligation Bonds, Election of 2007, Series A (2008), described above (the "Bonds"), in the aggregate principal amount of \$29,090,000 at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Price").

Payment of principal will be made upon presentation on and after August 1, 2016, at the following addresses:

First Class/Registered/Certified
The Bank of New York Mellon
Global Corporate Trust
P.O. Box 396
East Syracuse, NY 13057

Express Delivery Only
The Bank of New York Mellon
Global Corporate Trust
111 Sanders Creek Parkway
East Syracuse, NY 13057

By Hand Only
The Bank of New York Mellon
Global Corporate Trust
Corporate Trust Window
101 Barclay Street 1st Floor East
New York, NY 10286

Owners of Bonds presenting their Bonds in person for the same day payment must surrender their Bonds by 1:00 p.m. on the Redemption Date and a check will be available for pickup after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed to the owner by first class mail.

Interest with respect to the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

If payment of the Redemption Price is to be made to the owner of the Bonds, such owner is not required to endorse the Bond to collect the Redemption Price.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "Act") 28% of the Redemption Price will be withheld if a tax identification number is not properly certified. The Form W-9 may be obtained from the Internal Revenue Service.

Neither the District nor The Bank of New York Mellon Trust Company, N.A., the Paying Agent, shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness as shown in this Redemption Notice. It is included solely for convenience of the Owners.

Dated: _____, 2016

THE BANK OF NEW YORK
MELLON TRUST COMPANY,
N.A., as Paying Agent

EXHIBIT E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the TAHOE FOREST HOSPITAL DISTRICT (the "District") in connection with the issuance by the District of its \$_____ Tahoe Forest Hospital District (Placer and Nevada Counties, California) 2015 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the District on February 12, 2015 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean D.K. Goulding Financial Services, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"EMMA" or *"Electronic Municipal Market Access"* means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Participating Underwriter" shall mean the original underwriters of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2014-15 Fiscal Year, which is due not later than April 1, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is

consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District 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.

(b) *Change of Fiscal Year.* If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date the Dissemination Agent has not received a copy of the Annual Report the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

- (i) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and
- (ii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be

necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolution.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following 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 District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the District 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 Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March 10, 2015

TAHOE FOREST HOSPITAL DISTRICT

By _____
Name _____
Title _____

ACKNOWLEDGED:

D.K. GOULDING FINANCIAL SERVICES, LLC,
as Dissemination Agent

By _____
Name _____
Title _____

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Tahoe Forest Hospital District

Name of Issue: \$_____ Tahoe Forest Hospital District (Placer and Nevada Counties, California) 2015 General Obligation Refunding Bonds

Date of Issuance: March 10, 2015

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate dated March 10, 2015, furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

D.K. GOULDING FINANCIAL SERVICES, LLC,
as Dissemination Agent

By _____
Name _____
Title _____

cc: Paying Agent

Tahoe Forest Health System Quality and Regulation Program

Janet Van Gelder, RN, DNP
Director of Quality and Regulations



Quality Program Building Blocks

- Mission
- Vision
- Values
- Five Foundations of Excellence
- Strategic Plan
- Federal and State Regulations



Quality: Board Governance

- Delegates the responsibility for developing, implementing, and maintaining performance improvement activities
- Recognizes that performance improvement is a continuous, never-ending process,
- Provides direction for the organization's improvement activities
- Evaluates the organization's effectiveness in improving quality.

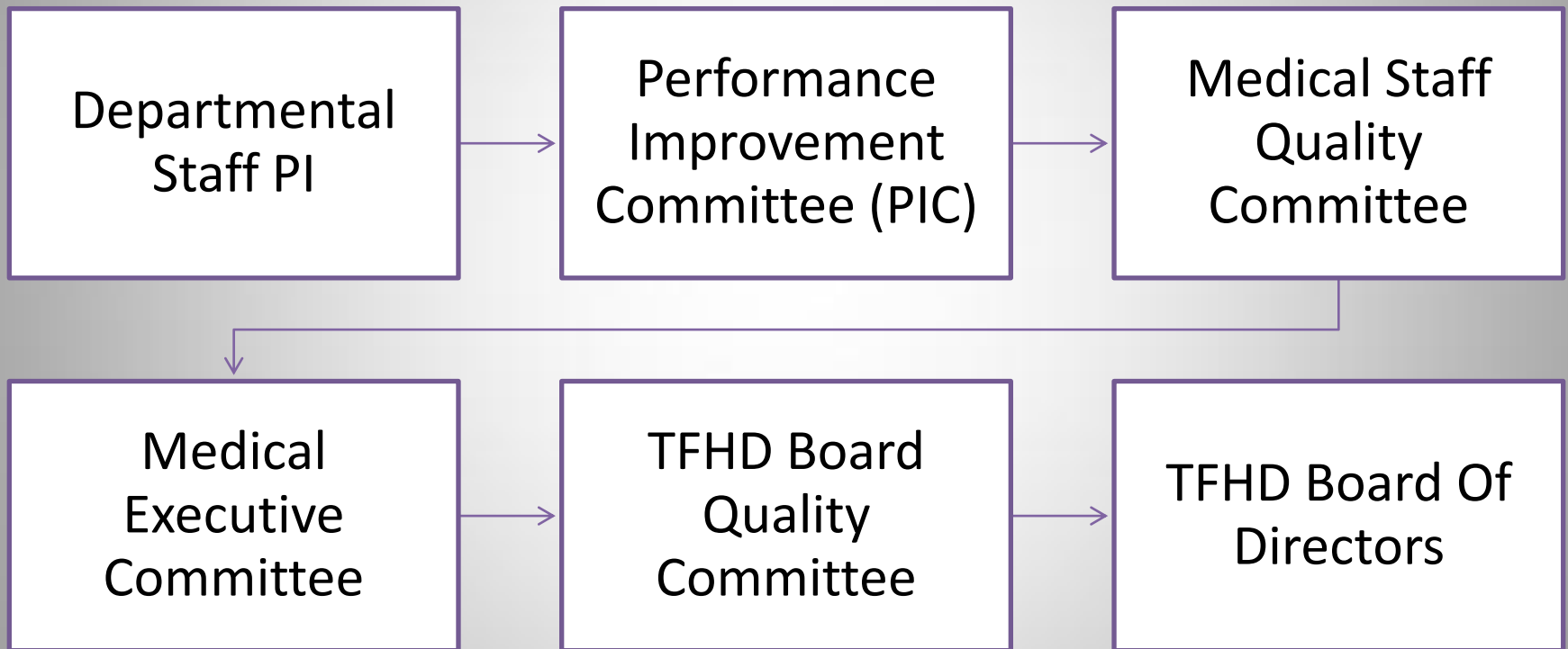


Board Quality Committee

- Provide oversight for the Health System QA/PI Plan
 - set expectations of quality care, patient safety, and environmental safety
- Utilize the principles of STEEEP™ (Safe, Timely, Effective, Efficient, Equitable, Patient Centered Care) and the IHI Triple Aim:
 - Improving the patient experience of care (including quality and satisfaction);
 - Improving the health of populations; and
 - Reducing the per capita cost of health care.
- Oversee and be accountable for
 - the organization's participation and performance in national quality measurement efforts, accreditation programs, and QA/PI activities.
- Assure the development and implementation of
 - ongoing education focusing on service and performance excellence, risk-reduction/safety enhancement, healthcare outcomes.



Quality: Internal Reporting Mechanisms

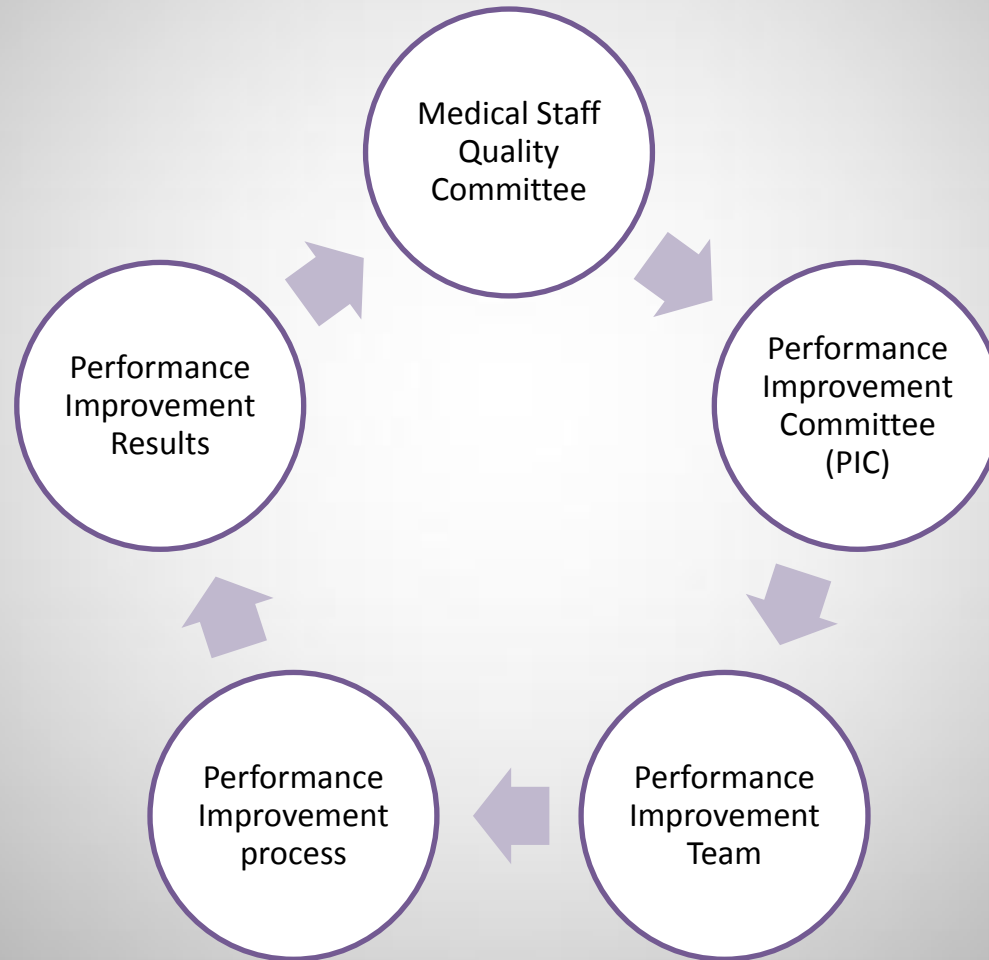


Key Quality Initiatives for 2015

- Creating the Perfect Care Experience
- Patient and Family Centered Care
- Embracing a Just Culture model that promotes Patient Safety Awareness
- Strengthening the Quality Infrastructure
- Optimizing Technology to Integrate Medical Services



Achieving Performance Improvement



Scientific Method for Achieving Performance Improvement



Quality: Mandatory External Reporting

Center for Medicare and Medicaid (CMS)

- Quality Health Care Indicators
- Home Health Consumer Assessment of Providers and Systems (HHCAPs)
- Hospice Quality Reporting Program (HQRP)
- Minimum Data Sets (MDS)
- Outcome & Assessment Information Set(OASIS)

State of California

- Office of Statewide Health Planning & Development (OSHPD)



Quality: Voluntary External Reporting

- California Nursing Outcome Coalition (CALNOC)
- Hospital Consumer Assessment of Healthcare Providers & Systems (HCAHPS)
- Hospital Compare (core measures)
- National Healthcare Safety Network (NHSN)
- Outcome Based Quality Improvement (QBQI)



Quality: Service Excellence Program

- Patient & Customer Satisfaction
 - Press Ganey: Inpatient & Outpatient Surveys
- Patient & Customer Service Recovery
- Patient & Family Complaints/Grievance
- Patient & Family Centered Care
- Patient Advocate: Rounding, f/u phone calls



Quality: Patient Safety/Risk Management Program

- Incident/occurrence reporting
- Patient Safety Program
 - Culture of safety
 - Root Cause Analysis
 - Sentinel Events
- Risk Assessment and Prevention Analysis
 - Claims and Litigation Analysis



Regulations

- Conditions of Participation for CAH (CMS)
- Title 22 Division 5 (State of California)
- Nevada Revised Statutes (NRS)
- Nevada Administrative Code (NAC)
- Office of Statewide Health Planning & Development (OSHPD)



Regulatory: Licensing and Certification

- Health Care Facilities Accreditation (HFAP)
 - Deemed accreditation from CMS
 - Hospitals, Clinics, Cancer Center
- Center for Medicare and Medicaid (CMS)
 - California Department of Health Services represents for survey
 - ECC SNF, Home Health, Hospice





Regulatory: Licensing and Certification

- California Department of Public Health
 - TFH, ECC SNF, Home Health, Hospice
- Nevada Bureau of Health Care Quality & Compliance (HCQC)
 - IVCH, Home Health, Hospice





	Tahoe Forest Health System			
	Title: Quality Assurance / Performance Improvement (QA/PI) Plan		Policy/Procedure #: AQPI-05	
	Responsible Department: Quality & Regulations			
Type of policy	Original Date:	Reviewed Dates:	Revision Dates:	
<input checked="" type="checkbox"/> Administrative	9/96		03/13; 02/14; 12/14	
<input type="checkbox"/> Medical Staff				
<input type="checkbox"/> Departmental				
Applies to: <input checked="" type="checkbox"/> X System <input type="checkbox"/> Tahoe Forest Hospital <input type="checkbox"/> Incline Village Community Hospital				

PURPOSE:

The purpose of the Quality Assurance/Performance Improvement (QA/PI) plan is to provide a framework for promoting and sustaining performance improvement at Tahoe Forest Health System, in order to improve the quality of care and enhance organizational performance. The goals are to proactively reduce risk to our patients by eliminating or reducing factors that contribute to unanticipated adverse events and/or outcomes and provide high quality care and services to ensure a perfect care experience for our patients and customers. This will be accomplished through the support and involvement of the Board of Directors, Administration, Medical Staff, Management, and employees, in an environment that fosters collaboration and mutual respect. This collaborative approach supports innovation, necessary data management, performance improvement, proactive risk assessment, commitment to customer satisfaction, and use of the Just Culture model to promote and improve awareness of patient safety. Tahoe Forest Health System has an established vision, mission and values statements and a foundation of excellence which are used to guide all improvement activities.

POLICY:

VISION STATEMENT

The vision of Tahoe Forest Health System is “to be the best mountain community health system in the nation.”

MISSION STATEMENT

Tahoe Forest Health System is “Devoted to Excellence - Your Health, Your Life, Our Passion”.

VALUES STATEMENT

Our vision and mission is supported by our values. These include:

- 1.0 Quality – holding ourselves to the highest standards and having personal integrity in all we do.
- 2.0 Understanding – being aware of the concerns of others, caring for and respecting each other as we interact.
- 3.0 Excellence – doing things right the first time, on time, every time; and being accountable and

responsible.

- 4.0 Service – service with a smile, appreciating differences and anticipating needs.
- 5.0 Teamwork – looking out for those we work with, finding ways to support each other in the jobs we do.

FOUNDATIONS OF EXCELLENCE

Our foundation of excellence includes: Quality, Service, People, Finance and Growth.

- 1.0 Quality – provide excellence in clinical outcomes
- 2.0 Service – best place to be cared for
- 3.0 People – best place to work and practice
- 4.0 Finance – provide superior financial performance
- 5.0 Growth – meet the needs of the community

PERFORMANCE IMPROVEMENT INITIATIVES

The 2015 performance improvement priorities are based on the principles of STEEEP™, (Safe, Timely, Effective, Efficient, Equitable, Patient Centered Care) and the IHI Triple Aim:

- Improving the patient experience of care (including quality and satisfaction);
- Improving the health of populations; and
- Reducing the per capita cost of health care.

Priorities identified include:

- 1.0 Creating the Perfect Care Experience
- 2.0 Patient and Family Centered Care
- 3.0 Embracing a Just Culture model that promotes Patient Safety Awareness
- 4.0 Strengthening the Quality Infrastructure
- 5.0 Optimizing Technology to Integrate Medical Services

Tahoe Forest Health System's vision will be achieved through these strategic priorities. Each strategic priority is driven by leadership oversight and teams developed to ensure improvement and implementation (*See Attachment A*).

ORGANIZATION FRAMEWORK

Processes cross many departmental boundaries and performance improvement requires a planned, collaborative effort between all hospital-based departments, services, and outside Tahoe Forest Health System, including third-party payors and other physician groups. Though the responsibilities of this plan are delineated according to common groups, it is recognized that true process improvement and positive outcomes occur only when each individual works cooperatively and collaboratively to achieve improvement.

Governing Board

The Board of Directors (BOD) of Tahoe Forest Health System has the ultimate responsibility for the quality of care and services provided throughout the system (*See Attachment B – CAH Services*). The BOD assures that a planned and systematic process is in place for measuring, analyzing and improving the quality and safety of the Health System activities.

The Board:

- 1.0 Delegates the responsibility for developing, implementing, and maintaining performance improvement activities to administration, medical staff, management, and employees;
- 2.0 Recognizes that performance improvement is a continuous, never-ending process, and therefore they will provide the necessary resources to carry out this philosophy;
- 3.0 Provides direction for the organization's improvement activities through the development of strategic initiatives;
- 4.0 Evaluates the organization's effectiveness in improving quality through reports from the various board committees, Medical Executive Committee and Medical Staff Quality Committee.

Administrative Staff

The Administrative staff creates an environment that promotes the attainment of quality and process improvement through the safe delivery of patient care, quality outcomes, and patient satisfaction. The Administrative Council sets expectations, develops plans, and manages processes to measure, assess, and improve the quality of the Health System's governance, management, clinical and support activities. The Administrative Council ensures that clinical contracts contain quality performance indicators to measure the level of care and service provided.

The Administrative Council has developed a culture of safety by embracing the Just Culture model and has set behavior expectations for providing no less than Safe, Timely, Effective, Efficient, Equitable, Patient Centered Care (STEEEP™). They ensure compliance with regulatory, statutory and contractual requirements.

Board Quality Committee

The Board Quality Committee is to provide oversight for the Health System QA/PI Plan and set expectations of quality care, patient safety, environmental safety, and performance improvement throughout the organization. The committee will monitor the improvement of care, treatment and services to ensure that it is safe, timely, effective, efficient, equitable and patient-centered. They will oversee and be accountable for the organization's participation and performance in national quality measurement efforts, accreditation programs, and subsequent quality improvement activities. The committee will assure the development and implementation of ongoing education focusing on service and performance excellence, risk-reduction/safety enhancement, and healthcare outcomes.

Medical Executive Committee

The Medical Executive Committee shares responsibility with the BOD Quality Committee and senior management for the ongoing quality of care and services provided within the Health System.

The Medical Executive Committee provides effective mechanisms to monitor, assess, and evaluate the quality and appropriateness of patient care and the medical performance of all individuals with delineated clinical privileges. These mechanisms function under the purview of the medical staff peer review process. Consistent with this process, performance improvement opportunities are addressed, and important problems in patient care or safety are identified and resolved.

The Medical Executive Committee delegates the oversight responsibility for performance improvement activity monitoring, assessment, and evaluation of patient care services provided throughout the system to the Medical Staff Quality Committee (MSQC).

Department Chairs of the Medical Staff

The Department Chairs:

- 1.0 Provide a communications channel to the Medical Executive Committee;
- 2.0 Monitor Ongoing Professional Performance Evaluation and Focused Professional Performance Evaluation and make recommendations regarding reappointment based on data regarding quality of care;
- 3.0 Maintain all duties outlined by appropriate accrediting bodies.

Medical Staff

The medical staff is expected to participate and support performance improvement activities. The medical staff provides effective mechanisms to monitor, assess, and evaluate the quality and appropriateness of patient care and the clinical performance of all individuals with delineated clinical privileges. These mechanisms are under the purview of the medical staff peer review process. Consistent with this process, performance improvement opportunities are addressed, and important problems in patient care or safety are identified and resolved. Annually, the Departments will determine critical indicators/performance measures consistent with strategic and performance improvement priorities and guidelines.

The Medical Director of Quality provides physician leadership that creates a vision and direction for clinical quality and patient safety throughout the Health System. The Director, in conjunction with the medical staff and Health System leaders, directs and coordinates quality, patient safety, and performance improvement initiatives to enhance the quality of care provided to our patients. The Director communicates patient safety, best practices, and process improvement activities to the medical staff and engages them in improvement activities. The Director chairs the Medical Staff Quality Committee.

Hospital Management (Directors, Managers, and Supervisors)

Management is responsible for ongoing performance improvement activities in their departments and for supporting teams chartered by the Medical Staff Quality Committee. Many of these activities will interface with other departments and the medical staff. They are expected to do the following:

- 1.0 Foster an environment of collaboration and open communication with both internal and external customers;
- 2.0 Participate and guide staff in the patient advocacy program;
- 3.0 Advance the philosophy of Just Culture within their departments;
- 4.0 Utilize DMAIC (Define, Measure, Analyze, Improve, Control) process improvement activities for department-specific performance improvement initiatives;
- 5.0 Establish performance and patient safety improvement activities in conjunction with other departments;
- 6.0 Encourage staff to report any and all reportable events including “near-misses”;
- 7.0 Participate in the investigation and determination of the causes that underlie a “near-miss” / sentinel event as recommended by the Just Culture model and implement changes to reduce the probability of such events in the future.

Employees

The role of the individual employee is critical to the success of a performance improvement initiative. Quality is everyone's responsibility and each employee is charged with practicing and supporting the Standards of Business Conduct: Health System Code of Conduct and Chain of Command for Medical Care Issues policies. All employees must feel empowered to report, correct, and prevent problems.

The Nursing Quality and Peer Review Council consist of registered nurses from each service area. This Council is an integral part of reviewing QA/PI data, evaluating processes, providing recommendations, and communicating their findings with peers to improve nursing practice.

Employees are expected to do the following:

- 1.0 Contribute to improvement efforts, including reporting adverse events, to produce positive outcomes for the patient and ensure the perfect care experience for patients and customers;
- 2.0 Make suggestions/recommendations for opportunities of improvement or for a cross-functional team, including risk reduction recommendations and suggestions for improving patient safety, by contacting their Director or Manager, the Director of Quality and Regulations, the Medical Director of Quality, or an Administrative Council Member.

PERFORMANCE IMPROVEMENT STRUCTURE

Medical Staff Quality Committee

With designated responsibility from the Medical Executive Committee, the Medical Staff Quality Committee (MSQC) is responsible for prioritizing the performance improvement activities in the organization, chartering cross-functional teams, improving processes within the Health System, and supporting the efforts of all performance improvement activities. The MSQC is an interdisciplinary committee lead by the Medical Director of Quality. The committee has representatives from each medical department, Health System leadership, nursing, and ancillary and support services. Meetings are held at least quarterly each year. The Medical Director of Quality and the Vice Chief of staff are members of the Board of Director's Quality Committee.

The Medical Staff Quality Committee:

- 1.0 Annually review and approves the Medication Error Reduction Plan (MERP), Infection Control Plan, Alternate Life Safety Measures Plan, Utilization Review Plan, Risk Management Plan, and the Patient Safety Plan.
- 2.0 Regularly reviews progress to the aforementioned plans.
- 3.0 Reviews quarterly quality indicators to evaluate patient care and delivery of services and takes appropriate actions based on patient and process outcomes;
- 4.0 Reviews recommendations for performance improvement activities based on patterns and trends identified by the proactive risk reduction programs and from the various Health System committees;
- 5.0 Elicits and clarifies suspected or identified problems in the provision of service, quality, or safety standards that may require further investigation;
- 6.0 Reviews and approves chartered Performance Improvement Teams as recommended by the Performance Improvement Committee (PIC). Not all performance improvement efforts require a chartered team;

- 7.0 Reviews progress reports from chartered teams and assists to address and overcome identified barriers;
- 8.0 Reviews summaries and recommendations of Root Cause Analysis (RCA) and Failure Mode Effects Analysis (FMEA) activities.
- 9.0 Oversees the radiation safety program, including nuclear medicine and radiation oncology and evaluates the services provided and make recommendations to the MEC..

Performance Improvement Committee (PIC)

The Medical Staff Quality Committee provides direct oversight for the PIC. The PIC is an executive committee with departmental representatives, within the Tahoe Forest Health System, presenting their QA/PI findings as assigned. The goal of this committee is to achieve optimal patient outcomes by making sure that all staff participates in performance improvement activities. Departmental Directors or their designee review assigned quality metrics twice annually at the PIC (*See Attachment C – QA PI Reporting Measures*). Performance improvement includes collecting data, analyzing the data, and taking action to improve. The Director of Quality and Regulations is responsible for processes related to this committee.

The Performance Improvement Committee will:

- 1.0 Oversee the Performance Improvement activities of TFHS including data collection, data analysis, improvement, and communication to stakeholders
- 2.0 Set performance improvement priorities and provide the resources to achieve improvement
- 3.0 Reviews requests for chartered Performance Improvement Teams. Requests for teams may come from committees, department or individual employees. Not all performance improvement efforts require a chartered team;
- 4.0 Report the committee’s activities quarterly to the Medical Staff Quality Committee.

SCIENTIFIC METHOD FOR IMPROVEMENT ACTIVITIES

Tahoe Forest Health System utilizes DMAIC Rapid Cycle Teams (Define, Measure, Analyze, Improve, Control). The BOD, Administrative Council Members, or the Medical Staff Quality Committee charter formal cross-functional teams to improve current processes and design new services, while each department utilizes tools and techniques to address opportunities for improvement within their individual areas.

Performance Improvement Teams

Teams are cross-functional and multidisciplinary in nature. The priority and type of team are based on the strategic initiatives of the organization, with regard to high risk, high volume, problem prone, and low volume.

Performance Improvement Teams will:

- 1.0 Follow the approved team charter as defined by the BOD, Administrative Council Members, or MSQC;
- 2.0 Establish specific, measurable goals and monitoring for identified initiatives;
- 3.0 Report their findings and recommendations to key stakeholders and the MSQC.

PERFORMANCE IMPROVEMENT EDUCATION

Training and education are essential to promote a culture of quality within the Tahoe Forest Health System. All employees and Medical Staff receive education about performance improvement upon initial orientation. Employees receive additional annual training on various topics related to performance improvement.

A select group of employees have received specialized facilitator training in using the DMAIC rapid cycle process improvement and utilizing statistical data tools for performance improvement. These facilitators may be assigned to chartered teams at the discretion of the MSQC and Administrative Council Members. Staff trained and qualified in Lean/Six Sigma will facilitate the chartering, implementation, and control of enterprise level projects.

Team members receive "just-in-time" training as needed, prior to team formation to ensure proper quality tools and techniques are utilized throughout the team's journey in process improvement.

Annual evaluation of the performance improvement program will include an assessment of needs to target future educational programs. The Director of Quality and Regulations is responsible for this evaluation.

PERFORMANCE IMPROVEMENT PRIORITIES

Improvement activities must be data driven, outcome based, and updated annually. Careful planning, testing of solutions and measuring how a solution affects the process will lead to sustained improvement or process redesign. Improvement priorities are based on the mission, vision, and strategic plan for Tahoe Forest Health System. During planning, the following are given priority consideration:

- 1.0 Processes that may jeopardize patient safety and outcomes
- 2.0 Processes that place patients at risk if not performed well, if performed when not indicated, or if not performed when they are indicated
- 3.0 Processes that affect a large percentage of Tahoe Forest Health System patients
- 4.0 Processes that have been or are likely to be problem-prone
- 5.0 Processes related to patient advocacy and the perfect care experience
- 6.0 Processes related to the National Quality Forum (NQF) Endorsed Set of Safe Practices
- 7.0 Processes related to patient flow
- 8.0 Processes associated with near miss/sentinel events

Because Tahoe Forest Health System is sensitive to the ever changing needs of the organization, priorities may be changed or re-prioritized due to:

- 1.0 Identified needs from data collection and analysis
- 2.0 Unanticipated adverse occurrences affecting patients
- 3.0 Processes identified as error prone or high risk regarding patient safety
- 4.0 Processes identified by proactive risk assessment
- 5.0 Changing regulatory requirements
- 6.0 Significant needs of patients and/or staff

7.0 Changes in the environment of care

8.0 Changes in the community

DESIGNING NEW AND MODIFIED PROCESSES/FUNCTIONS/SERVICES

Tahoe Forest Health System designs and modifies processes, functions, and services with quality in mind. When designing or modifying a new process the following steps are taken:

An individual with the appropriate expertise within the organization is assigned the responsibility of developing the new process.

1.0 Key individuals, who will own the process when it is completed, are assigned to a team led by the responsible individual.

2.0 An external consultant is utilized to provide technical support, when needed.

3.0 The design team develops or modifies the process utilizing information from the following concepts:

3.1 It is consistent with our mission, vision, values, and strategic priorities and meets the needs of individual served, staff and others

3.2 It is clinically sound and current

3.3 Current knowledge when available and relevant i.e. practice guidelines, successful practices, information from relevant literature and clinical standards

3.4 It is consistent with sound business practices

3.5 It incorporates available information and/or literature from within the organization and from other organizations about potential risks to patients, including the occurrence of sentinel/near-miss events, in order to minimize risks to patients affected by the new or redesigned process, function, or service

3.6 Conducts an analysis and/or pilot testing to determine whether the proposed design/redesign is an improvement and implements performance improvement activities, based on this pilot

3.7 It incorporates the results of performance improvement activities

3.8 It incorporates consideration of staffing effectiveness

3.9 It incorporates consideration of patient safety issues

3.10 It incorporates consideration of patient flow issues

4.0 Performance expectations are established, measured, and monitored. These measures may be developed internally or may be selected from an external system or source. The measures are selected utilizing the following criteria:

4.1 They can identify the events it is intended to identify

4.2 They have a documented numerator and denominator or description of the population to which it is applicable

4.3 They have defined data elements and allowable values

4.4 They can detect changes in performance over time

- 4.5 They allow for comparison over time within the organization and between other entities
- 4.6 The data to be collected is available
- 4.7 Results can be reported in a way that is useful to the organization and other interested stakeholders

PROACTIVE RISK ASSESSMENTS

- 1.0 Risk assessments are conducted to proactively evaluate the impact of buildings, grounds, equipment, occupants, and internal physical systems on patient and public safety. At least one Failure Effect Mode Analysis will be completed every 18 months.
- 2.0 The Medical Staff Quality Committee and other leadership committees will recommend the processes chosen for our proactive risk assessments based on literature, errors and near miss events, sentinel event alerts, and the National Quality Forum (NQF) Endorsed Set of Safe Practices.
 - 2.1 The process is assessed to identify steps that may cause undesirable variations, or “failure modes”.
 - 2.2 For each identified failure mode, the possible effects, including the seriousness of the effects on the patient are identified and the potential breakdowns for failures will be prioritized.
 - 2.3 Potential risk points in the process will be closely analyzed including decision points and patient’s moving from one level of care to another through the continuum of care.
 - 2.4 For the effects on the patient that are determined to be “critical”, a root cause analysis is conducted to determine why the effect may occur.
 - 2.5 The process will then be redesigned to reduce the risk of these failure modes occurring or to protect the patient from the effects of the failure modes.
 - 2.6 The redesigned process will be tested and then implemented. Performance measurements will be developed to measure the effectiveness of the new process.
 - 2.7 Strategies for maintaining the effectiveness of the redesigned process over time will be implemented.
- 3.0 Ongoing hazard surveillance rounds including Environment of Care Rounds and departmental safety hazard inspections are conducted to identify any trends and to provide a comprehensive ongoing surveillance program.
- 4.0 The Environment of Care Safety Officer and EOC/Safety Committee review trends and incidents related to the Safety Management Plans. The EOC Safety Committee provides guidance to all departments regarding safety issues.
- 5.0 The Infection Control Practitioner and Environment of Care Safety Officer complete a written infection control and preconstruction risk assessments for interim life safety for new construction or renovation projects.

DATA COLLECTION

Tahoe Forest Health System chooses processes and outcomes to monitor based on the mission and scope of care and services provided and populations served. Data that the organization considers for the purpose of monitoring performance includes, but is not limited to, the following:

- 1.0 Priorities identified by leaders
- 2.0 Needs, expectations, and satisfaction of individuals and organizations served, including:
 - 2.1 Their specific needs and expectations
 - 2.2 Their perceptions of how well the organization meets these needs and expectations
 - 2.3 How the organization can improve patient safety
 - 2.4 The effectiveness of pain management
- 3.0 Significant medication errors
- 4.0 Significant adverse drug reactions
- 5.0 Use of blood products and blood components
- 6.0 All reported and confirmed transfusion reactions
- 7.0 Effectiveness of all fall reduction activities including assessment, interventions, and education
- 8.0 Operative/invasive and other high risk procedures that place patients at risk of disability or death
- 9.0 Adverse events related to using moderate or deep sedation or anesthesia
- 10.0 Use of restraints and seclusion
- 11.0 Effectiveness of rapid response to change or deterioration in a patient's condition
- 12.0 The results of resuscitation
- 13.0 Hospital acquired conditions
- 14.0 Discharge planning and utilization management
- 15.0 Quality control (i.e., lab, radiology, etc)
- 16.0 Infection control surveillance and reporting
- 17.0 Mortality review
- 18.0 Autopsy results, when performed
- 19.0 Organ procurement effectiveness
- 20.0 Measurement to determine the effectiveness of patient safety goals implementation
- 21.0 Patient complaints and grievances
- 22.0 Research data, as applicable -
- 23.0 Risk management
- 24.0 Critical incident debriefings
- 25.0 Performance measures from acceptable data bases/comparative reports, i.e., Quantros, NDNQI, HCAHPS, Hospital Compare, QHi, CAHEN, and Press Ganey
- 26.0 Performance data identified within HFAP standards or identified by other regulatory bodies
- 27.0 The Health System considers collecting data on the following:
 - 27.1 Staff opinions and needs

- 27.2 Staff perceptions of risks to individuals
- 27.3 Staff suggestions for improving patient safety
- 27.4 Staff willingness to report unanticipated adverse events
- 28.0 In addition, the following clinical and administrative data is aggregated and analyzed to support patient care and operations:
 - 28.1 Quality measures delineated in clinical contracts will be reviewed annually
 - 28.2 Pharmacy transactions as required by law and to control and account for all drugs
 - 28.3 Information about hazards and safety practices used to identify safety management issues to be addressed by the organization
 - 28.4 Records of radio nuclides and radiopharmaceuticals, including the radionuclide's identity, the date received, method of receipt, activity, recipient's identity, date administered, and disposal
 - 28.5 Reports of required reporting to federal, state, authorities
 - 28.6 Performance measures of processes and outcomes, including measures outlined in clinical contracts
- 29.0 Summaries of performance improvement actions and actions to reduce risks to patients
- 30.0 These data are reviewed regularly by the MSQC, MEC and BOD.

AGGREGATION AND ANALYSIS OF DATA

Tahoe Forest Health System believes that excellent data management and analysis are essential to an effective performance improvement initiative. Statistical tools are used to analyze and display data. These tools consist of dashboards, bar graphs, pie charts, run charts (SPC), histograms, Pareto charts, control charts, fishbone diagrams, and other tools as appropriate. All performance improvement teams and activates must be data driven and outcome based. The analysis includes comparing data within our organization, with other comparable organizations, with published regulatory standards, and best practices. Data is aggregated and analyzed within a time frame appropriate to the process or area of study. Data will also be analyzed to identify system changes that will help improve patient safety and promote a perfect care experience (*See Attachment D for QI PI Indicator definitions*).

Data is analyzed in many ways including:

- 1.0 Using appropriate performance improvement problem solving tools
- 2.0 Making internal comparisons of the performance of processes and outcomes over time
- 3.0 Comparing performance data about the processes with information from up-to-date sources
- 4.0 Comparing performance data about the processes and outcomes to other hospitals and reference databases

Intensive analysis is completed for:

- 1.0 Levels of performance, patterns or trends that vary significantly and undesirably from what was expected
- 2.0 Significant and undesirable performance variations from the performance of other operations
- 3.0 Significant and undesirable performance variations from recognized standards

- 4.0 A sentinel event which has occurred (see Sentinel Event Policy)
- 5.0 Variations which have occurred in the performance of processes that affect patient safety
- 6.0 Hazardous conditions which would place patients at risk
- 7.0 The occurrence of an undesirable variation which changes priorities

The following events will automatically result in intense analysis:

- 1.0 Significant confirmed transfusion reactions
- 2.0 Significant adverse drug reactions
- 3.0 Significant medication errors
- 4.0 All major discrepancies between preoperative and postoperative diagnosis
- 5.0 Adverse events or patterns related to the use of sedation or anesthesia
- 6.0 Hazardous conditions that significantly increase the likelihood of a serious adverse outcome
- 7.0 Staffing effectiveness issues
- 8.0 Deaths associated with a hospital acquired infection
- 9.0 A sentinel event (see Sentinel Event Policy)
- 10.0 Oryx core measure data, that over two or more consecutive quarters for the same measure, identify the hospital as a negative outlier

REPORTING

Results of the outcomes of performance improvement and patient safety activities identified through data collection and analysis, performed by medical staff, ancillary, and nursing services, in addition to outcomes of performance improvement teams, will be reported to the MSQC on a quarterly basis. Results of the appraisal of performance measures outlined in clinical contracts will be reported to the MSQC and medical staff annually.

The MSQC will provide their analysis of the quality of patient care and services to the Medical Staff Executive Committee on a quarterly basis. The Medical Staff Executive Committee will report to the BOD at least quarterly relevant findings from all performance improvement activities performed throughout the System.

Tahoe Forest Health System also recognizes the importance of collaborating with state agencies to improve patient outcomes and reduce risks to patients by participating in voluntary quality reporting initiatives (*See Attachment E for External Reporting listing*).

CONFIDENTIALITY AND CONFLICT OF INTEREST

All communication and documentation regarding performance improvement activities will be maintained in a confidential manner. Any information collected by any medical staff committee, the Administrative Council, or Health System department in order to evaluate the quality of patient care, is to be held in the strictest confidence, and is to be carefully safeguarded against unauthorized disclosure. Access to peer review information is limited to review by the Medical Staff and its designated committees and is confidential and privileged. No member of the Medical Staff shall participate in the review process of any case in which he/she was professionally involved. All information related to performance improvement activities performed by the medical staff or Health System personnel in

accordance with this plan are confidential and are protected by disclosure and discoverability through California Evidence Code 1156 and 1157.

ANNUAL ASSESSMENT

The Quality Assurance program and the objective, structure, methodologies, and results of performance improvement activities will be evaluated at least annually. The evaluation includes a review of patient care and patient related services, infection control, medication administration, medical care, and the Medical Staff. More specifically, the evaluation includes a review of the utilization of services (including at least the number of patients served and volume of services), chart review (a representative sample of both active and closed clinical records), and the Health System policies addressing provision of services.

The purpose of the evaluation is to determine whether the utilization of services is appropriate, policies are followed, and needed changes are identified. The Quality Assurance program evaluates the quality and appropriateness of diagnoses, treatments furnished, and treatment outcomes. An annual report summarizing the improvement activities and the assessment will be submitted to the Medical Staff Quality Committee, the Medical Executive Committee, and the Board of Directors.

PLAN APPROVAL

The Performance Improvement Plan will be reviewed, updated, and approved annually by the Medical Staff Quality Committee, the Medical Executive Committee, and the Board of Directors.

Related Policies/Forms:

[Medication Error Reduction Plan \(MERP\); See also Medication Error Reporting APH-24](#)

[Infection Control Plan](#)

[Alternate Life Safety Measures \(ALSM\) Program](#)

[Utilization Review Plan](#)

[Risk Management Plan](#)

[Patient Safety Plan](#)

References: HFAP and CMS

Policy Owner: Janet Van Gelder RN, DNP, NEA-BC, Director of Quality & Regulations

Approved by: Virginia Razo, PharmD., Chief Operating Officer

**Attachment A
Quality Initiatives
2015**

	Initiative	Agency	Inclusive Of
1.	Patient Safety Initiative	National Quality Forum (NQF) Endorsed Set of 34 Safe Practices	NQF Endorsed Set of 34 Safe Practices <ul style="list-style-type: none"> • Leadership Structures and Systems • Culture Measurement, Feedback, and Intervention • Teamwork Training and Skill Building • Identification and Mitigation of Risk and Hazards • Informed Consent • Life-Sustaining Treatment • Disclosure • Care of the Caregiver • Nursing Workforce • Direct Caregivers • Intensive Care Unit Care • Patient Care Information • Order Read-Back and Abbreviations • Labeling of Diagnostic Studies • Discharge Systems • Safe Adoption of Computerized Prescriber Order Entry • Medication Reconciliation • Pharmacist Leadership Structures and Systems • Hand Hygiene • Influenza Prevention • Central Line-Associated Bloodstream Infection Prevention • Surgical-Site Infection Prevention • Care of the Ventilated Patient • Multidrug-Resistant Organism Prevention • Catheter-Associated Urinary Tract Infection Prevention • Wrong-Site, Wrong-Procedure, Wrong-Person Surgery • Pressure Ulcer Prevention • Venous Thromboembolism Prevention • Anticoagulation Therapy • Contrast Media-Induced Renal Failure Prevention • Organ Donation • Glycemic Control • Fall Prevention • Pediatric Imaging

**Attachment A
Quality Initiatives
2015**

	Initiative	Agency	Inclusive Of
2.	Healthcare Provider Communication	AHRQ	Evaluate standardized approach for critical conversations.
3.	Patients, Service & Quality TFHS Strategic Plan	Approved by the BOD in June 2014	Achieve goals as outlined on the Fiscal Year 2015-2017 approved Strategic Plan
4.	Medical Staff Strategic Plan	Approved by the BOD in June 2014	Achieve goals as outlined on the Fiscal Year 2015-2017 approved Strategic Plan
5.	Surgery Services Process Improvement Team	Opportunity Discovery Team met in early 2014 to determine priorities and timelines for completion	<ul style="list-style-type: none"> • Forms Standardization • Standard of Care as related to workflow expectations prior to surgery • Remove delays • Inventory Control – Ordering Practices • Improve Teamwork and workplace behavior within Perioperative Services Team
6.	Orthopedic & Sports Medicine Service Line	California Orthopaedic Association American Orthopaedic Association	<ul style="list-style-type: none"> • CA Joint Replacement Registry • Own the Bone QI Program
7.	Navigator Program		<ul style="list-style-type: none"> • Cancer Center • Orthopedic & Sports Medicine
8.	Service Excellence	Press Ganey	Patient feedback received and quarterly report shared at BOD, Medical & Clinical staff meetings. Service Excellence PI team meets monthly to review results and identify areas for organizational improvement.
9.	Patient & Family Centered Care	Patient & Family Centered Care Partners & Patient's On Board	Patient Advisory Council approved by the BOD Quality Committee. Plan to establish charter and identify council members by December 2014.
10.	Root Cause Analysis/Debriefing Process		As outlined per the Sentinel Event policy or as requested by the Medical Staff and Directors
11.	OPPE/FPPE	Medical Staff Committee approve indicators	
12.	Sanctioned Rapid Cycle Teams	Performance Improvement Committee (PIC) prioritizes and sanctions teams as requested	<ul style="list-style-type: none"> • Wound Care Management • Nursing Productivity Process Improvement • Medication Reconciliation PI • Service Excellence PI Team • Surgical Services PI Team • Revenue Cycle Process Improvement
13.	FMEA	PIC prioritizes and sanctions teams as requested	

**Attachment A
Quality Initiatives
2015**

	Initiative	Agency	Inclusive Of
14.	Department Specific Metrics and Quality Dashboard	2015 Reporting Matrix outlines the matrix and reporting schedule to PIC	
15.	Choose Wisely	Medical Staff Committee approval then develop an implementation plan	Specialty medical societies have created lists of “Things Physicians and Patients Should Question” that provide specific, evidence-based recommendations physicians and patients should discuss to help make wise decisions about the most appropriate care

ATTACHMENT B

CAH SERVICES BY AGREEMENT OR ARRANGEMENT

PURPOSE:

To identify providers who provide patient care services through agreements or arrangements.

POLICY:

The Chief Executive Officer or designee is principally responsible for the operation of Tahoe Forest Hospital District and the services furnished with providers or suppliers participating under Medicare to furnish other services to its patients by agreement or arrangement. All agreements or arrangements for providing health care services to the CAH's patients must be with a provider or supplier that participates in the Medicare program, except in the case of an agreement with a distant-site telemedicine entity. A list will be maintained that describes the nature and scope of the services provided and the individual assigned to oversee the contract. (Attachment A)

TAHOE FOREST HOSPITAL

- 1.0 The following services are available directly at Tahoe Forest Hospital:
 - 1.1 Emergency Services
 - 1.2 Inpatient and Outpatient Observation Care
 - 1.3 Inpatient Medical Surgical Care
 - 1.3.1 Medical Surgical Pediatric care
 - 1.4 Intensive Care and Step Down
 - 1.4.1 Step Down Pediatric care (age 7-17)
 - 1.5 Swing Program
 - 1.6 Obstetrical Services
 - 1.7 Inpatient and Outpatient Surgery
 - 1.8 Inpatient and Outpatient Pharmacy Service
 - 1.9 Medical Nutritional / Dietary Service
 - 1.10 Respiratory Therapy Services
 - 1.11 Rehabilitation Services that includes Physical, Occupational and Speech Therapy
 - 1.12 Inpatient and Outpatient Laboratory Services
 - 1.13 Diagnostic Imaging Services that includes: PET CT, Radiation, CT Scan, MRI, Mammography and Ultrasound, Fluoroscopy, and Nuclear Medicine
 - 1.14 Home Health
 - 1.15 Hospice
 - 1.16 Skilled Nursing Care
 - 1.17 Outpatient Services that includes Wellness program, Cardiac Rehabilitation, Occupational Health Services, Multispecialty Clinics
 - 1.18 Medical and Radiation Oncology Services

ATTACHMENT B
CAH SERVICES BY AGREEMENT OR ARRANGEMENT

2.0 Transfer Agreements provide other needed services as outlined in the Transfer Agreements

- 2.1 Renown Medical Center (Reno, NV)
- 2.2 Saint Mary's Regional Medical Center (Reno, NV)
- 2.3 Carson Tahoe Hospital (Carson City, NV)
- 2.4 UC Davis Medical Center (Sacramento, CA)
- 2.5 Sutter Memorial (Sacramento, CA)
- 2.6 Sutter Roseville Medical Center (SRMC) (Roseville, CA)
- 2.7 Incline Village Community Hospital (IVCH) (Incline Village, NV)
- 2.8 California Pacific Medical Center (Davies, CA)
- 2.9 Eastern Plumas District Hospital (Portola, CA)
- 2.10 Truckee Surgery Center (Truckee, CA)
- 2.11 Northern Nevada Medical Center (Sparks, NV)
- 2.12 Emergency Transportation Agreements with:
 - 2.12.1 Truckee Fire Protection District
 - 2.12.2 Care Flight

3.0 The following services are provided to patients by Agreement or Arrangement:

- 3.1 Emergency Professional Services
- 3.2 On Call Physician Program
- 3.3 Hospitalist Services
- 3.4 Pathology and Laboratory Professional Services
- 3.5 Diagnostic Imaging Professional Services
- 3.6 Pharmacy Services (Skilled Nursing Facility)
- 3.7 Anesthesia Services
- 3.8 Rehabilitation Services
- 3.9 Respiratory Therapies
- 3.10 Tissue Donor Services
- 3.11 Biomedical Services
- 3.12 Interpreter Services

Incline Village Community Hospital

4.0 The following services are available directly at Incline Village Community Hospital:

- 4.1 Emergency Services
- 4.2 Inpatient Medical Surgical Care

ATTACHMENT B
CAH SERVICES BY AGREEMENT OR ARRANGEMENT

- 4.3 Inpatient and Outpatient Observation Care
- 4.4 Inpatient and Outpatient Surgery
- 4.5 Inpatient Pharmacy Service
- 4.6 Rehabilitation Services including Physical Therapy
- 4.7 Laboratory Services
- 4.8 Diagnostic Imaging Services including CT
- 4.9 Home Health and Hospice
- 4.10 Sleep Disorder Clinic
- 4.11 Outpatient Services that include Occupational Health Services and a Multispecialty Clinic
- 5.0 Transfer Agreements provide other needed services as outlined in the Transfer Agreements
 - 5.1 Renown Regional Medical Center (Reno, NV)
 - 5.2 Saint Mary's Regional Medical Center (Reno, NV)
 - 5.3 Carson Tahoe Hospital (Carson City, NV)
 - 5.4 Tahoe Forest Hospital (Truckee, CA)
 - 5.5 Emergency Transportation Agreement with:
 - 5.5.1 North Lake Tahoe Fire Protection (Incline Village, NV)
- 6.0 The following services are provided to patients by Agreement or Arrangement:
 - 6.1 Emergency Professional Services
 - 6.2 Medicine – On Call
 - 6.3 Pathology and Laboratory Professional Services
 - 6.4 Diagnostic Imaging Professional Services
 - 6.5 Anesthesia Services
 - 6.6 Pharmacy Services
 - 6.7 Rehabilitation Services
 - 6.8 Tissue Donor Services
 - 6.9 Biomedical Services
 - 6.10 Interpreter Services

ATTACHMENT B
CAH SERVICES BY AGREEMENT OR ARRANGEMENT

Title	Scope of Services	TFHD/IVCH/System	Responsible	Comment
North Tahoe Emergency	24/7 Physician Service for ER	System	CEO	
Hospitalist Program	24/7 Physicians Services for TFHD Patients	TFHD	CEO	Individual Contracts
Western Pathology Consultants	Pathology Consults and Reports	System	CEO	
Quest Diagnostics	Labs not performed at TFHD	System	Director of Lab Services	
Virtual Radiologic	Read diagnostic imaging tests after hours	System	COO	
North Tahoe Radiology Medical Group	Read diagnostic imaging tests during normal business hours	System	COO	
Cardinal Health	After hour pharmacist services	System	Director of Pharmacy Services	
Nevada & Placer Co. Mental Health	Mental Health assessments in the ER	TFHD	CEO	
North Tahoe Anesthesia Group	24/7 Anesthesia services	System	CEO	
Truckee North Tahoe Rehabilitation	Provide rehab services for inpatient and outpatients	System	COO	
Sierra Tahoe Respiratory Services	24/7 Respiratory Services	TFHD	COO	
Sierra Donor Services	24/7 Organ Donor Services	System	CNO	
Sutter Biomedical Services	Electrical Safety for patient equipment	System	Facilities Development Chief	

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

CANCER CENTER	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Number of New Consults with documented vaccination status.	Bervid, C.	100%			May		Nov.
Rate of infection for patients with peripherally inserted central lines and implanted ports	Bervid, C.	0%			May		Nov.
% of patients w/ resected colon cancer that have at least 12 regional lymph nodes removed & pathologically examined.	Bervid, C.	100%			May		Nov.
% of patients, regardless of age, w/ a dx of prostate cancer at low risk of recurrence receiving interstitial prostate brachytherapy, OR external beam radiotherapy to the prostate. OR radical prostatectomy, OR cryotherapy who did not have a bone scan performed at any time since dx of prostate cancer	Bervid, C.	100%			May		Nov.
Radiation therapy is administered within 1 year of diagnosis for women under age 70 receive breast conserving surgery for breast cancer	Bervid, C.	100%			May		Nov.
Combination Chemo-Therapy is considered or administered within 4 months of diagnosis for women under 70 with AJCC1cMOMO, or stage II or III hormone receptor negative breast cancer	Bervid, C.	100%			May		Nov.
Tamoxifen or third-generation aromatase inhibitor is considered or administered within one year of diagnosis for women with AJCC1cMOMO-or stage II or III hormone receptor positive cancer	Garcia-Jay, T.	100%			May		Nov.
Adjuvant chemotherapy is considered or administered within 4 months of diagnosis for patients under the age of 80 with AJCC stage III (lymph node positive) colon cancer	Bervid, C.	100%			May		Nov.
CASE MANAGEMENT - UTILIZATION REVIEW & DISCHARGE PLANNING	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Total New Denials MTD	Schnobrich, B			Mar.		Sep.	
New Denial Medicare or Medicare HMO	Schnobrich, B			Mar.		Sep.	
New Denial Medi Cal or Mgd Medi Cal	Schnobrich, B			Mar.		Sep.	
New Denial Commercial Payer	Schnobrich, B			Mar.		Sep.	
Total Denials Overturned YTD	Schnobrich, B			Mar		Sep	
Denials Overturned Percentage YTD	Schnobrich, B			Mar		Sep	
Number of pts receiving comprehensive discharge planning based on high risk screening criteria (measurement is by sample)	Schnobrich, B			Mar		Sep	
Number of pts needing comprehensive discharge planning based on high risk screening criteria (measurement is by sample)	Schnobrich, B			Mar		Sep	
Comprehensive discharge planning compliance rate	Schnobrich, B			Mar		Sep	
Number of Medicare patients receiving second IM after 2 day IP stay	Schnobrich, B			Mar		Sep	
Number of Medicare patients needing second IM after 2 day IP stay	Schnobrich, B			Mar		Sep	
Second IM delivery accuracy percentage	Schnobrich, B			Mar		Sep	

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

CORE MEASURES	Responsible	Benchmark	2013	1st QTR	2nd QTR	3rd QTR	4th QTR
AMI							
Aspirin at arrival	Sturtevant/Van Gelder			March		Sept	
Aspirin at discharge	Sturtevant/VG			March		Sept	
ACEI or ARB for LVSD	Sturtevant/VG			March		Sept	
Beta blocke at discharge	Sturtevant/VG			March		Sept	
Fibrolytic therapy received within 30 mins of arrival	Sturtevant/VG			March		Sept	
Statin perscribed at discharge	Sturtevant/VG			March		Sept	
HEART FAILURE							
D/C instructions complete of all elements percentage	Sturtevant/VG	99.9%		March		Sept	
Left Ventricular Function assessment for CHF pts percent.	Sturtevant/VG	100.0%		March		Sept	
ACEI or ARB for LVSD	Sturtevant/VG	99.8%		March		Sept	
Pneumonia							
Blood cultures drawn prior to abx for ICU pts	Sturtevant/VG	99.8%		March		Sept	
Blood Cultures drawn in ER Prior to Initial abx	Sturtevant/VG	99.9%		March		Sept	
Initial abx received within 6hrs of arrival	Sturtevant/VG	99.9%		March		Sept	
Appropriate abx selection for immunocompetent patients	Sturtevant/VG	99.6%		March		Sept	
Appropriate abx selection for immunocompetent ICU pts	Sturtevant/VG	NA		March		Sept	
Appropriate abx selection for immunocompetent non-ICU pts	Sturtevant/VG	NA		March		Sept	
SCIP							
Prophylactic antibiotic within 1 hr of surgery incision OVERALL	Harman/VG	99.8%		March		Sept	
Antibiotic Selection OVERALL	Harman/VG	99.9%		March		Sept	
Antibiotics discontinued within 24 hrs	Harman/VG	99.7%		March		Sept	
Appropriate Hair Removal	Harman/VG	100.0%		March		Sept	
Urinary Catheter removed post-op day 1-or-2	Harman/VG	99.5%		March		Sept	
Perioperative temperature management	Harman/VG	100.0%		March		Sept	
Beta Blocker during perioperative period	Harman/VG	99.7%		March		Sept	
VTE administered within 24hrs prior-to-or-after surgery	Harman/VG	99.7%		March		Sept	
Immunizations							
Pneumococcal Immunization - Overall Rate	Sturtevant/VG			March		Sept	
Influenza Vaccine	Sturtevant/VG			March		Sept	
VTE							
VTE Prophylaxis	Sturtevant/VG			March		Sept	
ICU VTE Prophylaxis	Sturtevant/VG			March		Sept	
VTE Patients w/Anticoagulation Overlap Therapy	Sturtevant/VG			March		Sept	
VTE Patients receiving UFH w/Dosages/ Platelet Count monitoring	Sturtevant/VG			March		Sept	

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

VTE Discharge Instructions	Sturtevant/VG			March		Sept	
Incidence of potentially preventable VTE	Sturtevant/VG			March		Sept	
Stroke							
VTE Prophylaxis	Sturtevant/VG			March		Sept	
Discharged on Antithrombotic Therapy	Sturtevant/VG			March		Sept	
Anticoagulation Therapy for Atrial Fibrillation/Flutter	Sturtevant/VG			March		Sept	
Thrombolytic Therapy	Sturtevant/VG			March		Sept	
Antithrombotic Therapy by End of Hospital Day 2	Sturtevant/VG			March		Sept	
Discharged on Statin Medication	Sturtevant/VG			March		Sept	
Stroke Education	Sturtevant/VG			March		Sept	
Assessed for Rehabilitation	Sturtevant/VG			March		Sept	
Perinatal Care - Mother							
Elective Delivery	Sturtevant/VG			March		Sept	
DIAGNOSTIC IMAGING	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Rate of Mammography Recalls	Stokich, P.	11%		March		Sept	
Rate of Success full cases w/o complication	Stokich, P.	100%		March		Sept	
Rate of ASA Documentation	Stokich, P.	100%		March		Sept	
Rate of Airway Class Documentation	Stokich, P.	100%		March		Sept	
Rate of Procedural Sedation Significant Hypoxemia	Stokich, P.	0%		March		Sept	
Rate of Reversal Agents Used	Stokich, P.	0%		March		Sept	
Adverse Outcomes Documented	Stokich, P.	0%		March		Sept	
Rate of Correct Injections	Stokich, P.	100%		March		Sept	
Rate of time background checked >mR/h	Stokich, P.			March		Sept	
DI TOP BOX PERCENT TOTAL	Stokich, P.	90%		March		Sept	
DIETARY - NUTRITION & FOOD SERVICES	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
ICU Initial Nutritional Screen Compliance	Lutz, H.	100%		Feb.		Aug.	
MS Initial Nutritional Screen Compliance	Lutz, H.	100%		Feb.		Aug.	
Nutrition Consults within first 48hrs compliance rate	Lutz, H.	na		Feb		Aug	
Assessment Goals Achieved	Lutz, H.	85%		Feb.		Aug.	
Progress Note Goals Achieved	Lutz, H.	85%		Feb.		Aug.	
ECC - SKILLED NURSING FACILITY	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Rate of residents who experience a UTI	Hambrick, M.	9%			April		Oct
Rate of residents who experience significant weight loss	Hambrick, M.	8%			April		Oct
Rate of resident Falls	Hambrick, M.	7%			April		Oct
Number of patient visits to the emergency department	Hambrick, M.	200%			April		Oct
Rate of catheter related UTI's	Hambrick, M.				April		Oct

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

Staff Turn Over Rate	Hambrick, M.				April		Oct
Rate of Fluvac Administered	Hambrick, M.	89%			April		Oct
Rate of Pneumovax Administered	Hambrick, M.	94%			April		Oct
Resident TOP BOX satisfaction with NURSING SKILL	Hambrick, M.				April		Oct
Resident TOP BOX satisfaction with ACTIVITIES	Hambrick, M.				April		Oct
Resident TOP BOX satisfaction with 'FEELINGS OF SAFETY'	Hambrick, M.				April		Oct
EMERGENCY DEPT. - TFH	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Reversal Agent Used (S)	Rust, J.	5%			Apr.		Oct.
Propofol MD, RN and RT or 2nd MD documented (S)	Rust, J.	95%			Apr.		Oct.
Time out documented just prior to medication administration	Rust, J.				Apr		Oct
End Tidal CO2 documented	Rust, J.				Apr		Oct
Sedation Scale criteria met	Rust, J.						
Mean arrive to MD time (mins)	Rust, J.	NEW			Apr.		Oct.
ED throughput Mean LOS	Rust, J.	NEW			Apr.		Oct.
Mean Inpatient Decision to Admission Time	Rust, J.	NEW			Apr.		Oct.
Percent of ER Patients leaving against medical advice 'AMA' (P)	Rust, J.	1%			Apr.		Oct.
Percent ER patients leaving without being seen by a physician (P)	Rust, J.	2%			Apr.		Oct.
Patients readmitted to ER within 72 hrs (E)	Rust, J.	2%			Apr.		Oct.
Percent of ER Patients Transferred (E, Ef, P)	Rust, J.	no goal			Apr.		Oct.
ENVIRONMENTAL SVCS	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Room Cleanliness	Spencer, C	90%			May		Nov
Courtesy of Person Cleaning Room	Spencer, C	90%			May		Nov
HCAHPS - "Room and Bathroom Kept Clean"	Spencer, C	90%			May		Nov
Percentage of checklists 100% complete	Spencer, C				May		Nov
HIM	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Average AR Total - ER	Hunt, D.			Mar.		Sep.	
Average AR Total - IP	Hunt, D.			Mar.		Sep.	
Average AR Total - OP	Hunt, D.			Mar		Sep	
Average AR TOTAL	Hunt, D.			Mar		Sep	
Average Uncoded Records - ER	Hunt, D.	10000%		Mar		Sep	
Average Uncoded Records - IP	Hunt, D.			Mar		Sep	
Average Uncoded Records - OP	Hunt, D.			Mar		Sep	
Average Uncoded Records	Hunt, D.			Mar		Sep	
Average Days Out in Coding - ER	Hunt, D.	400%		Mar		Sep	
Average Days Out in Coding - IP	Hunt, D.	400%		Mar		Sep	
Average Days Out in Coding - OP	Hunt, D.	400%		Mar		Sep	

Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures

Average Days Out in Coding	Hunt, D.	400%		Mar		Sep	
HOME HEALTH	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Improvement in Pain	Gancitano, K.	68%			Apr.		Oct.
Improvement in Bathing	Gancitano, K.	66%			Apr.		Oct.
Improvement in Transferring	Gancitano, K.	55%			Apr.		Oct.
Improvement in Ambulation / Locomotion	Gancitano, K.	58%			Apr.		Oct.
Improvement in Management of Oral Medications	Gancitano, K.	49%			Apr.		Oct.
Improvement in Surgical Wounds	Gancitano, K.	89%			Apr.		Oct.
Home Health unplanned readmission within 30 days of discharge	Gancitano, K.	16%			Apr		Oct.
Emergency Care Visits related to wound deterioration	Gancitano, K.	1%			Apr.		Oct.
Increase in Number of Pressure Ulcers	Gancitano, K.	0%			Apr.		Oct.
HHCAHPS - Care of patients	Gancitano, K.	90%			Apr.		Oct.
HHCAHPS - Communication between pts and providers	Gancitano, K.	90%			Apr.		Oct.
HHCAHPS - Specific Care issues	Gancitano, K.	90%			Apr.		Oct.
HHCAHPS - Rate agency 9 or 10	Gancitano, K.	90%			Apr.		Oct.
HHCAHPS - Recommend this agency	Gancitano, K.	90%			Apr.		Oct.
HOSPICE	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Match MAR vs Physician Orders	Gancitano, K.	95%			Apr.		Oct.
Follow through on assessed pt needs	Gancitano, K.	95%			Apr.		Oct.
Patients Pain goals are met within 48 hrs	Gancitano, K.	95%			Apr.		Oct.
Hospice Patient CA-UTI Rate	Gancitano, K.	0%			Apr.		Oct.
Hospice Patient CLABSI Rate (per 1000 device days)	Gancitano, K.	0%			Apr.		Oct.
ICU	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Rate of Etomidate Adverse Events	Sturtevant, J	N/A		Jan		July	
Rate of Reversal Agents Used	Sturtevant, J			Jan		July	
Rate of Propofol MD, RN & RT or 2nd MD Documented	Sturtevant, J			Jan		July	
Rate of Propofol Adverse Events	Sturtevant, J			Jan		July	
Alternative Interventions Documented	Sturtevant, J			Jan		July	
MD Order documented and signed every 24 hrs non violent/q 4hrs for violent	Sturtevant, J			Jan		July	
Documentation of q15 min/assessment for need	Sturtevant, J			Jan		July	
Release of restraints 2q hrs documented	Sturtevant, J			Jan		July	
Need for restraints q4 hrs	Sturtevant, J			Jan		July	
Correct medication orders rate	Sturtevant, J			Jan		July	
Orders noted and transcribed	Sturtevant, J			Jan		July	
Signed TOV/VOV rate	Sturtevant, J			Jan		July	
Nursing Documentation complete	Sturtevant, J			Jan		July	

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

Consult order present	Sturtevant, J			Jan		July	
Rate of age related developmental needs assessment	Sturtevant, J			Jan		July	
Number of Sepsis Patients	Sturtevant, J			Jan		July	
Serum lactate measured	Sturtevant, J	90%		Jan		July	
Blood cultures obtained prior to antibiotic administration	Sturtevant, J	90%		Jan		July	
Improve time to broad-spectrum antibiotics: within 3 hours for ED admissions and 1 hour for non-ED ICU admissions	Sturtevant, J	90%		Jan		July	
In the event of hypotension and/or lactate >4 mmol/L (36mg/dl): Deliver an initial minimum of 20 ml/kg of crystalloid (or colloid equivalent) Apply vasopressors for hypotension not responding to initial fluid resuscitation to maintain mean arterial pressure (MAP) >65 mm Hg.	Sturtevant, J			Jan		July	
Sepsis Pre-printed Orders Used - First hour/Admission	Sturtevant, J			Jan		July	
Survived?	Sturtevant, J			Jan		July	
INFECTION CONTROL	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Total SSI rate All Classes	Holmer, L.	CDC Metric			May		Nov.
Class I SSI	Holmer, L.	CDC Metric			May		Nov.
Class II SSI	Holmer, L.	CDC Metric			May		Nov
Class III SSI	Holmer, L.	CDC Metric			May		Nov
Class IV SSI	Holmer, L.	CDC Metric			May		Nov
ICU CLABSI	Holmer, L.	CDC Metric			May		Nov
Non-ICU CLABSI	Holmer, L.	CDC Metric			May		Nov
ICU VAP	Holmer, L.	CDC Metric			May		Nov
ICU cath-associated UTI Rate per 1000 device days	Holmer, L.	CDC Metric			May		Nov
Med-Surg cath-associated UTI per 1000 device days	Holmer, L.	CDC Metric			May		Nov
OB cath-associated UTI per 1000 device days	Holmer, L.	CDC Metric			May		Nov
MRSA Admission Screen Compliance	Holmer, L.	100%			May		Nov
MRSA Discharge Screen Compliance	Holmer, L.	100%			May		Nov
Acute Care Hand Hygiene Med Pass Compliance Rate	Holmer, L.	90%			May		Nov
HAC MRSA Infection Rate per 1000 Pt Days	Holmer, L.	0%			May		Nov
Outpatient Setting Hand Hygiene Compliance Rate	Holmer, L.	90%			May		Nov
LTC Foley Catheter Associated UTI	Holmer, L.	0%			May		Nov
LTC HAC-MRSA Infection Rate per 1000 Pt Days	Holmer, L.	0%			May		Nov
LTC Hand Hygiene Compliance	Holmer, L.	90%			May		Nov

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

IVCH	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Directors report for both TFH & IVCH during their respective months	Dept Director						
Nursing Services	lida, J				Apr.		Oct.
LABORATORY	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Amended/Corrected Report Rate TFDH	Barnes, V.	0%			April		Oct
Blood Culture Contamination Rate	Barnes, V.	<2.5%			April		Oct
Blood Culture Under Fill Rate	Barnes, V.	<1%			April		Oct
Blood Utilization- RBC Criteria Review	Barnes, V.	<1%			April		Oct
Blood Utilization C/T Ratio (S, E, P)	Barnes, V.	<3			April		Oct
Corrected Report TAT TFHD	Barnes, V.	<5			April		Oct
Critical Values Notification Time	Barnes, V.	<=15			April		Oct
Customer Complaints- Patients (Quantros)	Barnes, V.	<1			April		Oct
Customer Complaints- Physicians (Corp Comp)	Barnes, V.	<1			April		Oct
Customer Satisfaction- Wait Time	Barnes, V.	>90			April		Oct
Customer Satisfaction- Concern/Comfort	Barnes, V.	>95			April		Oct
Customer Satisfaction- Overall Score	Barnes, V.	>90			April		Oct
Error Overall Rate of TFHD	Barnes, V.	<0.3%			April		Oct
Error Patient ID Rate TFHD	Barnes, V.	0%			April		Oct
Error Percent Pre-Analytical TFHD	Barnes, V.	<0.3%			April		Oct
Error Percent Intra-Analytical TFHD	Barnes, V.	<0.1%			April		Oct
Error Percent Post-Analytical TFHD	Barnes, V.	<0.1%			April		Oct
Error Specimen Acceptability Rate TFHD	Barnes, V.	<0.1%			April		Oct
Failed Documentation Rate TFHD	Barnes, V.	<5%			April		Oct
HIPAA Disclosure Breachs TFHD	Barnes, V.	0%			April		Oct
POCT Quality Compliance TFHD	Barnes, V.	100%			April		Oct
Proficiency Testing Success Rate	Barnes, V.	>95%			April		Oct
TAT of STAT CBCs @ TFHD <60Min	Barnes, V.	>95%			April		Oct
TAT of STAT CMPs @ TFHD <60Min	Barnes, V.	>95%			April		Oct
TAT of STAT ProTimes (PTs) @ TFHD <60Min	Barnes, V.	>95%			April		Oct
TAT of STAT Troponins @ TFHD (Lab Rcpt to Result)<60Min	Barnes, V.	>95%			April		Oct
TAT Rate of Inpatient routine MSN/ICU reported by 7AM	Barnes, V.	>90%			April		Oct
TAT Rate of Routine AM Labs Drawn in MSN/ICU by 6AM	Barnes, V.	>90%			April		Oct
TAT Rate of Frozen Section , % exceeding target (T, E, Ef)	Barnes, V.	>90%			April		Oct
Tissue Report Concordance Frozen v. Final Dx (Eq, P)	Barnes, V.	>90%			April		Oct
Tissue Report Concordance rate 10% Peer Review (Eq, P)	Barnes, V.	>90%			April		Oct
Tissue Report- Frozen Section TAT (Eq, P)	Barnes, V.	0%			April		Oct

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

Transfusion Reaction (Hemolytic Rxn/Febrile)	Barnes, V.	0%/<2%			April		Oct
LIFE/SAFETY	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Employee RACE response to Code Red	Ruggerio, M.	89%			June		Dec.
Regulatory Preventive Maintenance On Time Percentage	Ruggerio, M.	100%			June		Dec.
Non-Regulatory Preventive Maintenance On Time Percentage	Ruggerio, M.	90%			June		Dec.
QUALITY	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Patient Safety Index Detail							
Restraint usage percentage	Sturtevant	5.0%		Jan		July	
Medication error rate (D+)	Ward, H.	5.0%		Feb		Aug	
Pressure ulcer percentage	Sturtevant	4.2%		Jan		July	
Inpatient falls per 1000 patient days rate	Sturtevant	2.79		Jan		July	
Excellent Care Index Detail							
Inpatient mortality percentage	Hunt, D.	3.0%			April		Oct
Primary C-Section percentage	Sturtevant, J	19.0%			April		Oct
Medicare average LOS	Schnobrich, B				April		Oct
ER Readmission within 72 hrs with same diagnosis	Rust, J.	3.6%			April		Oct
Hospital Acquired Surgical Infection							
Class I surgical site infection rate	Holmer, L.	0%			April		Oct
Hospital Acquired Non-Surgical Infection							
ICU CLABSI	Holmer, L.	0%			April		Oct
VAP (Ventilator Associated Pneumonia)	Holmer, L.	0%			April		Oct
ICU Catheter Associated UTI (CAUTI)	Holmer, L.	0%			April		Oct
Health Care Acquired MRSA (per 1000 pt-days)	Holmer, L.	0%			April		Oct
Hospital Acquired Conditions							
Foreign Object Retained After Surgery	Harman, L.				April		Oct
Air Embolism	Van Gelder				April		Oct
Blood Incompatibility	Barnes, V.				April		Oct
DVT & Pulmonary Emboli following Ortho Surgery	Harman, L.				April		Oct
Patient Satisfaction							
HCAHPS "Recommend this Hospital" Percentile Rank	Sturtevant, J.	SmPG DB			April		Oct
HCAHPS "Rate this Hospital 9-or-10" Percentile Rank	Sturtevant, J.	SmPG DB			April		Oct
OutPT Percentile Rank	Outpatient Director	Malcolm Baldrige			April		Oct
TFH ED Overall Percentile Rank	Rust, J.	SmPG DB			April		Oct
IVCH ED Overall Percentile Rank	Iida, J.	Malcolm Baldrige			April		Oct

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

ASD Overall Percentile Rank	Harman, L.	SmPG DB			April		Oct
MSC Overall Percentile Rank	Marshall, J.	15K-25K visits/yr			April		Oct
Long Term Care							
Percent of patients who develop pressure ulcers	Stull, SJ	12.0%			April		Oct
Residents with a urinary tract infection percentage	Stull, SJ	9.0%			April		Oct
Percent of residents who experience unplanned weight loss	Stull, SJ	8.0%			April		Oct
Percentage of Falls	Stull, SJ	13.1%			April		Oct
SNF 5-Star Quality Rating	Stull, SJ				April		Oct
Home Health							
Improvement in Pain	Gancitano, K.	64.0%			April		Oct
Improved Bathing	Gancitano, K.	64.0%			April		Oct
Improved Transferring	Gancitano, K.	53.0%			April		Oct
Improved Ambulation	Gancitano, K.	44.0%			April		Oct
Management of oral medications	Gancitano, K.	43.0%			April		Oct
Improve in Surgical Wounds	Gancitano, K.	80.0%			April		Oct
Patients with emergency care needs percentage	Gancitano, K.	22.0%			April		Oct
HHCAHPS - Rate this agency 9 or 10	Gancitano, K.	84.0%			April		Oct
HHCAHPS - Recommend this agency	Gancitano, K.	80.0%			April		Oct
Hospice							
Match MAR vs Physician Orders	Gancitano, K.				April		Oct
Follow through on assessed pt needs	Gancitano, K.				April		Oct
Patients Pain goals are met within 48 hrs	Gancitano, K.				April		Oct
Hospice Patient UTI Rate	Gancitano, K.				April		Oct
Hospice Patient Vascular Device Infection Rate (TPD)	Gancitano, K.				April		Oct
MED SURG & SWING	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Receipt of Patient Right is present on chart (Eq, P)	Sturtevant, J	100%		Jan		July	
Activities Evaluation Form is present and Complete (T, Ef, Eq, P)	Sturtevant, J	100%		Jan		July	
Plan for Recreational Therapy is documented by Activities Coordinator (T, Ef, Eq, P)	Sturtevant, J	100%		Jan		July	
Care Plan Conference held within 7-days of resident stay (S, T, E, Ef, Eq, P)	Sturtevant, J	100%		Jan		July	
Admission Evaluation and Interim Care Plan Present and Completed (S, T, E, Ef, Eq, P)	Sturtevant, J	100%		Jan		July	
TFH Swing/ECC Intersdisciplinary Care Plan Present and Completed (S, T, E, Ef, Eq, P)	Sturtevant, J	100%		Jan		July	
Medication Orders	Sturtevant, J	100%		Jan		July	
Orders Noted and Transcribed	Sturtevant, J			Jan		July	
All TOV/VOV orders signed	Sturtevant, J			Jan		July	
Nursing Documentation	Sturtevant, J	100%		Jan		July	
Consult Order not present	Sturtevant, J	100%		Jan		July	

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

Age related developmental needs assessments compliance (S, T, E, Ef, Eq, P)	Sturtevant, J	100%		Jan		July	
MULTISPECIALTY CLINICS	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Time Cycle Study	Marshall, J			Feb		Aug.	
Diabetes tracking	Walker, S			Feb		Aug.	
Influenza Vaccine	Walker, S			Feb		Aug.	
EMPLOYEE HEALTH	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
TDAP Compliance Rate	Spencer, C				May		Nov.
MMR Compliance Rate	Spencer, C				May		Nov.
Employee Influenza Vaccine Declination Rate	Spencer, C				May		Nov.
Rate of Events reviewed by Employee Health TFH	Spencer, C				May		Nov.
Rate of Events reviewd by Employee's Manager TFH	Spencer, C				May		Nov.
Number of Physician Exposures TFH	Spencer, C				May		Nov.
Percent of OSHA Reportable events vs Total events TFH	Spencer, C				May		Nov.
Lost work Days - TFH	Spencer, C				May		Nov.
Rate of Events reviewed by Employee Health IVCH	Spencer, C				May		Nov.
Rate of Events reviewd by Employee's Manager IVCH	Spencer, C				May		Nov.
Number of Physician Exposures IVCH	Spencer, C				May		Nov.
Percent of OSHA Reportable events vs Total events IVCH	Spencer, C				May		Nov.
Lost Work Days - IVCH	Spencer, C				May		Nov.
Back Injury - Case Close average (days)	Spencer, C				May		Nov.
All other injury - Case Close average (days)	Spencer, C				May		Nov.
Employer Satisfaction Top Box Scores	Spencer, C				May		Nov.
Rate of patients who have been under care for 1yr+	Spencer, C				May		Nov.
Rate of patients under care for 1yr+ who have received a physical	Spencer, C				May		Nov.
ORGAN DONATION	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Deaths	Thomas, A.			Jan		July	
Referrals	Thomas, A.			Jan		July	
Missed Referrals	Thomas, A.			Jan		July	
Donors	Thomas, A.			Jan		July	
PERIOPERATIVE SERVICES	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Moderate Sedation							
Moderate Sedations to MAC	Harman, L.	1%			June		Dec.
Respiratory Cause (n)	Harman, L.	NA			June		Dec.
Medicine History (n)	Harman, L.	NA			June		Dec.
Cardiac Cause (n)	Harman, L.	NA			June		Dec.
Surgical History Cause (n)	Harman, L.	NA			June		Dec.

Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures

Other Cause (n)	Harman, L.	NA			June		Dec
ASA Class Documented	Harman, L.	100%			June		Dec
Airway Class Documented	Harman, L.	100%			June		Dec
Reversal Aged Used	Harman, L.	0%			June		Dec
Patient Bagged	Harman, L.	0%			June		Dec
Extended Recovery > 2hrs	Harman, L.	0%			June		Dec.
Surgery							
Preop ABX administered per policy (S, T, E, Ef, P)	Harman, L.	100%			June		Dec.
Not Ordered (S, T, P)	Harman, L.	0%			June		Dec.
Incomplete Order (S, E, P)	Harman, L.	0%			June		Dec.
Order Unclear (S, E, P0)	Harman, L.	0%			June		Dec
ABX Too Early (S, T, E)	Harman, L.	0%			June		Dec
ABX Too Late (S, T, E)	Harman, L.	0%			June		Dec
OR Number Correct (E, Ef)	Harman, L.	100%			June		Dec
Header for Procedure Correct (E, Ef)	Harman, L.	100%			June		Dec
Anesthenis Provider Correct (Ef)	Harman, L.	100%			June		Dec
Anesthesia Type Correct (S, E, Ef)	Harman, L.	100%			June		Dec
e-Signature Present (Ef)	Harman, L.	100%			June		Dec
Surgery Start Time Correct (Ef)	Harman, L.	100%			June		Dec
Time Out Correct (Ef)	Harman, L.	100%			June		Dec
Preop ABX Name and Time Documented (T, Eq, P)	Harman, L.	100%			June		Dec
Surgical Safety Checklist Complete (S, T, E, Eq, P)	Harman, L.	100%			June		Dec
Rate of Timely application of SCD's	Harman, L.	100%			June		Dec
PAAS							
Rate of Range Orders Used Correctly	Harman, L.	100%			June		Dec.
Rate of Compliant Handwashing Observations	Harman, L.	100%			June		Dec.
Rate of Compliant Medication Administration Observations	Harman, L.	100%			June		Dec.
Rate of Extended Stays >3hrs	Harman, L.	New			June		Dec
Rate of Time to OR Present on PreOp Record	Harman, L.	100%			June		Dec
Rate of Discharge Scoring Criteria Complete	Harman, L.	100%			June		Dec
H&P is less than 30 days old	Harman, L.	100%			June		Dec
H&P 24hr update note is complete	Harman, L.	100%			June		Dec
H&P contains all essential elements	Harman, L.	100%			June		Dec
ENDO							
Moderate Sedations to MAC	Harman, L.	1%			June		Dec.
Respiratory Cause (n)	Harman, L.	NA			June		Dec.
Medicine History (n)	Harman, L.	NA			June		Dec.

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

Cardiac Cause (n)	Harman, L.	NA			June		Dec
Surgical History Cause (n)	Harman, L.	NA			June		Dec
Other Cause (n)	Harman, L.	NA			June		Dec
ASA Class Documented	Harman, L.	100%			June		Dec
Airway Class Documented	Harman, L.	100%			June		Dec
Reversal Aged Used	Harman, L.	0%			June		Dec
BVM (Bag/Valve/Mask) required	Harman, L.	0%			June		Dec
Extended Recovery > 2hrs	Harman, L.	0%			June		Dec
Cases in Endoscopy	Harman, L.				June		Dec
ORTHOPEDIC SERVICE LINE							
	Coll, D				June		Dec
	Coll, D				June		Dec
	Coll, D				June		Dec
PAIN CLINIC							
ASA Class Documented	Harman, L.	100%			June		Dec.
Airway Class Documented	Harman, L.	100%			June		Dec.
Reversal Aged Used	Harman, L.	0%			June		Dec.
BVM (Bag/Valve/Mask) required	Harman, L.	0%			June		Dec
Extended Recovery > 2hrs	Harman, L.	0%			June		Dec
SPD							
Immediate Use Cycle Rate	Harman, L.	10%			June		Dec.
PHARMACY		Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR
TFHS Medication Error Rate Category A+B	Ward, H.	5%			Feb		Aug
TFHS Medication Error Rate Category C+	Ward, H.	3%			Feb		Aug
TFHS Medication Error Rate Category D+	Ward, H.				Feb		Aug
TFHS ADR Reported	Ward, H.				Feb		Aug
TFH Error Free Override Medication Rate	Ward, H.	95%			Feb		Aug
TFH Number of Doses of Meds Overrided	Ward, H.	95%			Feb		Aug
PHYSICAL THERAPY		Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR
85% of Patients will attain projected increase in FOTO functional status measure (Truckee OP PT)	Larson, M.	85%				Apr.	Oct.
85% of Patients will attain projected increase in FOTO functional status measure (Tahoe City OP PT)	Larson, M.	85%				Apr.	Oct.
85% of Patients will attain projected increase in FOTO functional status measure (Incline OP PT)	Larson, M.	85%				Apr	Oct
85% of Patients will attain projected increase in FOTO functional status measure (OP PT)	Larson, M.	85%				Apr	Oct

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

85% of Patients will attain projected increase in FOTO functional status measure (OP OT)	Larson, M.	85%			Apr		Oct
85% of patients after TKA and THA will score a '5' on the Walk section of the FIM (IP PT)	Larson, M.	85%			Apr		Oct
85% of patients after TKA and THA will score a '6' on the Dressing section of the FIM (IP OT)	Larson, M.	85%			Apr		Oct
Percent of patients reporting satisfaction at or above FOTO benchmark (Truckee)	Larson, M.	90%			Apr		Oct
Percent of patients reporting satisfaction at or above FOTO benchmark (Tahoe City)	Larson, M.	90%			Apr		Oct
Percent of patients reporting satisfaction at or above FOTO benchmark (Incline)	Larson, M.	90%			Apr		Oct
Truckee PT-OP patients meeting improvement criteria	Larson, M.	75%			Apr		Oct
Tahoe City PT-OP patients meeting improvement criteria	Larson, M.	75%			Apr		Oct
Incline Village PT-OP patients meeting improvement criteria	Larson, M.	75%			Apr		Oct
OT-OP patients showing at least 10% improvement (T, E, Ef, P)	Larson, M.	75%			Apr		Oct
PT-IP patients with ttl knee replacement achieving 75% Flexion by discharge (S,T,E,Ef,Eq,P)	Larson, M.	85%			Apr		Oct
OT-IP TTL Knee and Hip Replacements meeting bed mobility goals by discharge (S,T,E,Ef,Eq,P)	Larson, M.	85%			Apr		Oct
Patient Overall Satisfaction Top Box Score (all facilities)(P)	Larson, M.	90%			Apr		Oct
RESPIRATORY THERAPY	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Therapist Proficiency - ABG Sticks	Tilton, B	100%			May		Oct.
# Patients with continuous pulse oximetry monitoring SpO2 >= 98% on O2 >= 2 LPM who had a sudden reduction in saturation of <= 92% when titrated by 1/2 the current liter flow	Tilton, B	100%			May		Oct.
# abnormal transitions within 12 hours of birth with APGAR >= 7 at 5 minutes with presence of meconium in the fetal fluid	Tilton, B	100%			May		Oct.
RESTRAINTS	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Total # restraints per month	Thomas, A.			Jan		July	
Initial order received by MD	Thomas, A.			Jan		July	
All renewal orders signed by MD	Thomas, A.			Jan		July	
All orders dated and timed	Thomas, A.			Jan		July	
Average length of each episode (hours)	Thomas, A.			Jan		July	
RESUSCITATION OUTCOMES	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Total # of resuscitations	Thomas, A.			Jan		July	
ACLS protocol followed (debrief form)	Thomas, A.			Jan		July	
Survival Rate	Thomas, A.			Jan		July	
Critical Incident Debriefing Summary (Codes, RRT, Medical Emergencies)	Thomas, A.			Jan		July	

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

RISK	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Total number of patient safety events	Blumberg, C.			Mar.		Sep.	
Number of patient safety events per 1000 patient days	Blumberg, C.			Mar.		Sep.	
Number of AMA from in-patient units per 1000 patient days	Blumberg, C.	0%		Mar.		Sep.	
Number of new professional liability (PL) claims	Blumberg, C.	0%		Mar.		Sep.	
Number of new PL claims for which the event is unknown prior to claim	Blumberg, C.			Mar.		Sep.	
FALLS							
Total # non-patient (visitor) falls	Thomas, A.			Jan		July	
Total # of patient falls	Thomas, A.			Jan		July	
Rate of occurrence of falls per 1000 patient days.	Thomas, A.			Jan		July	
Laceration requiring treatment / sutures	Thomas, A.			Jan		July	
Fracture / dislocation	Thomas, A.			Jan		July	
Skin breakdown / decubitus							
Rate events/admissions	Thomas, A.			Mar.		Sep.	
WOMEN & FAMILY - OBSTETRICS	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
Neonatal Mortality Rate per 1000 live births	Sturtevant, J	70%		Jan		July	
Primary Cesarean Section Rate	Sturtevant, J	19%		Jan		July	
RN Deliveries	Sturtevant, J			Jan		July	
Scheduled Deliveries (elective inductions & C-Sections) <39 Weeks	Sturtevant, J	0%		Jan		July	
APGARS=<7@5min	Sturtevant, J			Jan		July	
Weight=<1500 Grams	Sturtevant, J			Jan		July	
Baby Friendliness Assessment	Sturtevant, J	80%		Jan		July	
Pediatric Hypoglycemia Algorithm Compliance	Sturtevant, J	100%		Jan		July	
Successful consents for Circumcision	Sturtevant, J	100%		Jan		July	
Successful consent for Epidural	Sturtevant, J	100%		Jan		July	
Number of Post Partum Hemorrhages	Sturtevant, J	NEW		Jan		July	
Shoulder Distocia	Sturtevant, J	NEW		Jan		July	
Medically Indicated Inductions	Sturtevant, J	NEW		Jan		July	
HFAP National Quality Forum Endorsed Set of Safe Practices	Responsible	Benchmark	2015	1st QTR	2nd QTR	3rd QTR	4th QTR
1. Leadership Structure and Systems							
	Blumberg, C.			March		Sept	
2. Culture Measurement, Feedback, and Intervention							
	Blumberg, C.			March		Sept	
3. Teamwork Training and Skill Building							
	Blumberg, C.			March		Sept	
4. Identification and Mitigation of Risks and Hazards							

**Attachment C
Tahoe Forest Health System 2015 QA/PI Reporting Measures**

	Blumberg, C.			March		Sept	
5. Informed Consent							
	Blumberg, C.			March		Sept	
6. Life-Sustaining Treatment							
	Blumberg, C.			March		Sept	
7. Disclosure							
	Blumberg, C.			March		Sept	
8. Care of the Caregiver							
	Blumberg, C.			March		Sept	
9. Nursing Workforce							
	Newland, J			March		Sept	
10. Direct Caregivers							
	Blumberg, C.			March		Sept	
11. Intensive Care Unit Care							
	Sturtevant, J			March		Sept	
12. Patient Care Information							
	Blumberg, C.			March		Sept	
13. Order Read-Back and Abbreviations							
	Blumberg, C.			March		Sept	
14. Labeling of Diagnostic Studies							
	Stokich, P.			March		Sept	
15. Discharge Systems							
	Blumberg, C.			March		Sept	
16. Safe Adoption of Computerized Prescriber Order Entry							
	Mather, T.			March		Sept	
17. Medication Reconciliation							
	Ward, H.			March		Sept	
18. Pharmacist Leadership Structure and Systems							
	Ward, H.			March		Sept	
19. Hand Hygiene							
	Spencer, C			March		Sept	
20. Influenza Prevention							
	Spencer, C			March		Sept	
21. Central Line-Associated Bloodstream Infection Prevention							
	Spencer, C			March		Sept	
22. Surgical Site Infection Prevention							
	Spencer, C			March		Sept	

Attachment D
Quality Improvement Indicator Definitions
2015

Indicator Title	CMS Core Measure #	Inclusive Of	Measurement Explanation
Patient Safety Index Detail	PSI-1 PSI-2 PSI-3 PSI-4	Core Measures: <ul style="list-style-type: none"> • Restraint usage percentage • Medication error rate (D+) • Pressure ulcer percentage • Inpatient falls per 1000 patient days 	Medication error rate: Sum of medication errors that reached the patient & divide this sum by the total # of medications dispensed.
TFH Heart Attack Care	AMI-1 AMI-5 AMI-7a AMI-8 AMI-8a	Core Measures: <ul style="list-style-type: none"> • Aspirin at arrival • Beta Blocker prescribed at discharge • Fibrinolytic therapy within 30 minutes of arrival • Median Time to PCI • Primary PCI with/in 90 min of hosp arrival 	Sum of times recommended evidence-base care was provided to patients & divide this sum by the total # of opportunities to provide this care.
TFH Heart Failure Care		Deleted HF-1, HF-2, HF-3	
TFH Community Acquired Pneumonia Care		Deleted PN-3a, PN3b, PN5c, PN-6, PN-6a, PN6-b	
TFH Surgical Care Improvement Program	SCIP-inf-1a SCIP-inf-2a SCIP-inf-3a SCIP-inf-6 SCIP-inf-9 SCIP-card-2 SCIP-VTE-2	Core Measures: <ul style="list-style-type: none"> • Prophylactic antibiotic 1 hr prior to surgical incision – Overall • Antibiotic selection – Overall • Antibiotics discontinued within 24 hrs. • Appropriate hair removal • Urinary Catheter removed post-op day 1 or 2 • Beta Blocker during perioperative period • VTE administered within 24 hrs prior-to-or-after surgery 	Sum of times recommended evidence-base care was provided to patients & divide this sum by the total # of opportunities to provide this care
CMS Core Measure Index - Immunizations	IMM-2	Core Measures: <ul style="list-style-type: none"> • Influenza Vaccine 	
CMS Core Measure Index - Venous Thrombosis	VTE-1 VTE-2 VTE-3 VTE-5 VTE-6	Core Measures: <ul style="list-style-type: none"> • VTE Prophylaxis • ICU VTE Prophylaxis • VTE Patients with Anticoagulation Overlap Therapy • VTE Discharge Instructions • Incidence of potentially preventable VTE 	
CMS Core Measure Index - Perinatal Care Mother	PC-1	Core Measures: <ul style="list-style-type: none"> • Elective Delivery 	

Attachment D
Quality Improvement Indicator Definitions
2015

Indicator Title	CMS Core Measure #	Inclusive Of	Measurement Explanation
Excellent Care Index Detail	ECI-1 ECI-2 ECI-3 ECI-4	<ul style="list-style-type: none"> Inpatient mortality percentage Primary C-Section percentage Medicare average LOS ER Readmission within 72 hrs with same diagnosis 	
TFH Hospital Acquired Surgical Infection	IC-1	Class 1 surgical site infection rate	Sum of times surgical infection occurred & divide this sum by the total # of surgical cases classified as Class 1.
TFH Hospital Acquired Infection - Nonsurgical	HA-NSI-1 HA-NSI-2 HA-NSI-3 HA-NSI-4	<ul style="list-style-type: none"> ICU CLR-BSI Ventilator-Associated pneumonia ICU Cath Associated Urinary Tract Infection Health Care acquired MRSA (per 1000 pt days) 	Sum of times hospital acquired infections occurred & divide this sum by the total # of opportunity days an infection could occur x 1000 pt. days
TFH Hospital Acquired Conditions	HAC-1 HAC-2 HAC-3 HAC-4	<ul style="list-style-type: none"> Foreign object retained after surgery Air Embolism Blood incompatibility DVT & pulmonary emboli following orthopedic surgery 	Numbers of occurrences – since many of these HAC’s are never events.
Patient Satisfaction	PtS-1 PtS-2 PtS-3 PtS-4 PtS-5 PtS-6 PtS-7	<ul style="list-style-type: none"> HCAHPS "Recommend this Hospital" Percentile Rank HCAHPS "Rate this Hospital 9-or-10" Percentile Rank OutPT Percentile Rank TFH ED Overall Percentile Rank IVCH ED Overall Percentile Rank ASD Overall Percentile Rank MSC Overall Percentile Rank 	
IVCH Infection Control	IVC-1	Class 1 Surgical Site Infection Rate	Sum of times surgical infection occurred & divide this sum by the total # of surgical cases classified as Class 1.
IVCH CMS Core Measure Index - Pneumonia		<ul style="list-style-type: none"> PCN deleter 	
IVCH CMS Core Measure Index - Immunizations	IMM-2	Core Measures <ul style="list-style-type: none"> Influenza vaccine administration percentage 	Sum of times recommended evidence-base care was provided to patients & divide this sum by the total # of opportunities to provide this care
IVCH Average LOS	IVC-9	<ul style="list-style-type: none"> Average Length of Stay 	
IVCH Pressure Ulcers	IVC-10	<ul style="list-style-type: none"> Pressure ulcer percentage 	
IVCH Inpatient Falls	IVC-11	<ul style="list-style-type: none"> Inpatient falls per 1000 patient days rate 	
IVCH Restraint Usage	IVC-12	<ul style="list-style-type: none"> Restraint usage per 100 pt days 	
IVCH Laboratory	IVC-13	<ul style="list-style-type: none"> STAT CBC turn around time < 60 	

Attachment D
Quality Improvement Indicator Definitions
2015

Indicator Title	CMS Core Measure #	Inclusive Of	Measurement Explanation
		minutes	
IVCH Pharmacy	IVC-15	<ul style="list-style-type: none"> Medication error rate 	
IVCH Inpatient Mortality	IVC-16	<ul style="list-style-type: none"> Inpatient mortality number 	
Skilled Nursing Facility	LTC1	<ul style="list-style-type: none"> Percent of patients who develop pressure ulcers 	Rate calculated per CMS.
	LTC4	<ul style="list-style-type: none"> Residents with a urinary tract infection percentage 	
	LTC5	<ul style="list-style-type: none"> Percent of residents who experience unplanned weight loss 	
	LTC6	<ul style="list-style-type: none"> Percentage of Falls 	
	LTC7	<ul style="list-style-type: none"> SNF 5-Star Quality Rating 	
Home Health	HH1	<ul style="list-style-type: none"> Improvement in Pain 	Rate calculated per CMS
	HH2	<ul style="list-style-type: none"> Improved Bathing 	
	HH3	<ul style="list-style-type: none"> Improved Transferring 	
	HH4	<ul style="list-style-type: none"> Improved Ambulation 	
	HH5	<ul style="list-style-type: none"> Management of Oral Medications 	
	HH6	<ul style="list-style-type: none"> Improve in Surgical Wounds 	
	HH7	<ul style="list-style-type: none"> Patients with emergency care needs percentage 	
	HH8	<ul style="list-style-type: none"> HHCAHPS - Rate this agency 9 or 10 	
	HH9	<ul style="list-style-type: none"> HHCAHPS - Recommend this agency 	
Hospice	H1	<ul style="list-style-type: none"> Match MAR vs Physician Orders 	
	H2	<ul style="list-style-type: none"> Follow through on assessed pt needs 	
	H3	<ul style="list-style-type: none"> Patients Pain goals are met within 48 hrs 	
	H4	<ul style="list-style-type: none"> Hospice Patient UTI Rate 	
	H5	<ul style="list-style-type: none"> Hospice Patient Vascular Device Infection Rate (TPD) 	

Updated 12/8/14 Specification Manual NQR Discharges 1-1-2015 to 9-31-2015

Attachment E 2015 External Reporting

	Title	Acronym	Sponsor	Indicators
1	California Nursing Outcome Coalition (Voluntary) http://calnoc.org/	CalNOC	CHA	<ul style="list-style-type: none"> • Nursing Staff satisfaction • Clinical Staffing • Patient falls • Pressure ulcers • Physical restraints
2	CA – Quality Healthcare Indicators www.qualityhealthindicators.org	QHi		<p>QHi has both quality and performance data/measures. Provides rural/CAH hospitals an economical instrument to evaluate internal processes of care and seek ways to improve practices by comparing specific measures of quality with like hospitals. Currently 13 states participating.</p> <ul style="list-style-type: none"> • Healthcare Associated Infections per Patient Day • PN pts. given antibiotics within 6 hrs. of admission • PN pts. receiving Pn Immunization • Unassisted Pt. Falls • Benefits as % of Salary • Staff Turnover • Gross Days in AR • Days Cash on Hand
3.	Home Health Consumer Assessment of Providers and Systems (HHCAPs)	HHCAPS	CMS	<ul style="list-style-type: none"> • Communication with agency • Communication with Nurses • Responsiveness of Home Health Staff • Willingness to recommend • Pain Control • Communication About Medicines • Discharge Information
4.	Hospice Quality Reporting Program (HQRP)	HQRP	CMS	<ul style="list-style-type: none"> • Structural Measure • Pain Measure
5.	Hospital Care Quality Information from the Consumer Perspective (Voluntary) http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/HospitalHCAHPS.html	HCAHPS	CMS AHRQ DHHS JC	<ul style="list-style-type: none"> • Communication with Doctors • Communication with Nurses • Responsiveness of Hospital Staff • Cleanliness and Quietness of the Physical Environment • Pain Control • Communication About Medicines • Discharge Information
6.	Hospital Compare (Voluntary) http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/HospitalCompare.html	CMS Collaborative	CMS HQA	<ul style="list-style-type: none"> • Heart attack care - 8 measures • Heart failure care - 4 measures • Pneumonia care - 6 measures • SCIP-3 measures • VTE - 7 measures • Perinatal Care - 6 measures • Stroke - 5 measures

Attachment E 2015 External Reporting

	Title	Acronym	Sponsor	Indicators
7.	Minimum Data Sets (MDS) http://www.cms.gov/Research-Statistics-Data-and-Systems/Computer-Data-and-Systems/MDSPubQIandResRep/index.html	MDS	CMS	The MDS Quality Indicator (QI) Report summarizes, by state, the average percentage of nursing home residents who activate (trigger) one of 24 quality indicators (32 with subcategories) during a quarter. QIs are triggered by specific responses to MDS elements and identify residents who either have or are at risk for specific functional problems needing further evaluation. QIs are aggregated across residents to generate facility level QIs, which is the proportion of residents in the facility with the condition.
8.	National Healthcare Safety Network (Voluntary) http://www.cdph.ca.gov/programs/hai/Pages/NHSNGuidanceSpecifictoCaliforniaHospitals.aspx	NHSN	CDPH	Statewide Indicators: <ul style="list-style-type: none"> • Central Line-associated Bloodstream Infection (CLABSI) • Methicillin-resistant Staphylococcus aureus (MRSA) Bloodstream Infection (BSI) • Vancomycin-resistant Enterococci (VRE) Bloodstream Infection (BSI) • Clostridium difficile infection (C. difficile, C. diff, CDI, CDAD) • Surgical Site Infection (SSI)
9.	Office of Statewide Planning & Development http://www.oshpd.ca.gov/	OSHPD	State of California	Statewide Indicators: <ul style="list-style-type: none"> • Prevention QI: avoidable IP admissions • Pediatric QI: avoidable IP admissions • IP QI: over or under use of procedures • Patient Safety: Preventable adverse events Facility Level Indicators: <ul style="list-style-type: none"> • IP Mortality • Volume Indicators • Utilization Indicators
10.	Outcome & Assessment Information Set http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/OASIS/index.html	OASIS	CMS	<ul style="list-style-type: none"> • Demographic information • History, Assessment and Social support • Diagnostic coding information • Clinical information upon transfer to acute • Discharge information
11.	Outcome Based Quality Improvement (Voluntary) http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HomeHealthQualityInits/Downloads/HHQIOBQIManual.pdf	OBQI	CMS MedQIC	<ul style="list-style-type: none"> • Improvement in Bathing • Improvement in Transferring • Ambulation/Locomotion Improvement • Improvement in Mgmt. of Oral Meds • Improvement in Pain Interfering with Activity • Status Improvement-Surgical Wounds • Improvement in Dyspnea • Improvement in Urinary Incontinence • Acute Care Hospitalization • Discharge to Community