

California Health Facilities Financing Authority
Distressed Hospital Loan Program
Post-Loan Issuance Compliance Requirements

The California Health Facilities Financing Authority (CHFFA) has worked closely with the Department of Health Care Access and Information (HCAI) on the implementation of the Distressed Hospital Loan Program (Program). HCAI is statutorily responsible for loan award determinations and has awarded loans to 16 hospitals, each of which is eligible to receive a 0% interest, 72-month term loan (with an initial payment deferment period of 18-months). CHFFA's statutory role is to consult HCAI and issue loans at the direction of HCAI, which also includes the development of loan documents and the administration of loans.

As a condition of receiving a loan from the Program, each borrower has agreed to enter into a loan and security agreement with CHFFA, which outlines several different documents that a borrower must submit intermittently. Depending on the required document, submissions are needed on either an annual or quarterly basis and must be submitted until the loan is repaid, where the term may potentially run until at least 2030 considering the 72-month term of the loans. All borrowers must submit to CHFFA a total of 16 documents during their fiscal year by specific deadline dates:

- (i) Audited Financial Statements, within 150 days after the end of each fiscal year;
- (ii) Unaudited Quarterly Financial Statements, within 45 days after end of each fiscal quarter;
- (iii) Board Approved Budget, within 30 days after the end of each fiscal year;
- (iv) Turnaround Plan Progress Report, within 45 days after the end of each fiscal quarter;
- (v) Utilization Statistics, within 120 days after the end of each fiscal year;
- (vi) Annual Financial Ratio Calculations, within 150 days after the end of each fiscal year; and
- (vii) Quarterly Financial Ratio Calculations, within 45 days after the end of each fiscal quarter.

Along with these requirements, borrowers that are in bankruptcy court proceedings may be required to submit additional documents, as deemed necessary.

Additionally, as long as the DHLP loans remain outstanding, CHFFA must: 1) collect and process monthly loan repayments, 2) track loan balances, 3) address loans that enter into default on a case-by-case basis, 4) monitor and address issues with borrowers incurring additional debt or documentation not being filed with CHFFA timely, 6) file Medi-Cal intercepts, and 7) engage with special counsel for any issues with legal documents or bankruptcy court proceedings that may affect the loans or security of the loans.

CHFFA will also work alongside HCAI to develop the application process and criteria for loan forgiveness and/or modification.