CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
EXECUTIVE SUMMARY

Applicant:	ValleyCare Health System (VHS) 5575 West Positas Blvd. Pleasanton, CA 94588 Alameda County	**Amount Requested:**	$20,255,000
		Loan Term:	25 years
		Date Requested:	February 28, 2002
		Resolution Number:	F-280
Project Site:	Pleasanton		
Facility Type:	General acute care hospital		

Uses of Bond Proceeds: To construct/renovate various portions of the Pleasanton campus.

Type of Issue:	Negotiated public offering with fixed rates.
Credit Enhancement:	Cal-Mortgage (preliminary approval on November 14, 2001)
Credit Rating:	A+, S&P (based on Cal-Mortgage Insurance)
Senior Underwriter:	UBS PaineWebber Inc.
Bond Counsel:	Sidley Austin Brown & Wood

Financial Overview: VHS has posted solid profitability over our review period supported by growing patient utilization and strong revenue growth. It also maintains a strong balance sheet with good liquidity, acceptable long-term debt levels, and significant net assets. The proforma debt service coverage is also acceptable.

Sources of Revenue:
(6/30/01)

	Percent
Contracted Rate Payers	44%
Medicare	37%
Medi-Cal	4%
Capitated	8%
Commerical Insurance/Other	7%
	100%

Sources of Funds (000's):		Uses of Funds (000's):	
Bond Proceeds	$20,255	Construction/Renovation	$13,448
Estimated Interest Earnings	262	Equipment Purchase	1,826
Accrued Interest	72	Debt Service Reserve	1,577
		Capitalized Interest	1,793
		Financing Costs	1,945
Total Sources	$20,589	Total Uses	$20,589

Legal Review: See Legal Review section on page 11.

Asset Transfer – Additional Cure Documents: VHS and VHC entered into an Asset Transfer Agreement in June 2000. Although the consolidation was reflected on the Hospital's financial statements, not all the necessary collateral steps to complete and accurately document the transaction were taken, putting both entities into technical default under the bond documents. Additional documents have been prepared to correct the non-compliance issues and are submitted for Authority approval (see page 13 for more detail).

Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed $20,255,000 for ValleyCare Health System and authorizing the Authority's execution and delivery of all documents necessary to correct the non-compliance aspects of the asset transfer, the bond financing approval subject to a bond rating of at least an "A" by a nationally recognized rating agency and a final insurance commitment from Cal-Mortgage.

STAFF SUMMARY AND RECOMMENDATION
ValleyCare Health System (VHS)

February 28, 2002
Resolution Number: F-280

I. PURPOSE OF FINANCING: ValleyCare Healthcare System is seeking financing as part of a development master plan to meet increased demand for inpatient acute care services and ancillary support services at its Pleasanton Campus.

Construction/Renovation on the ValleyCare Medical Center Campus $6,143,000
VHS expansion plans for the three-floor acute care tower are composed of two phases. The first phase of construction began in 1998 and was completed in 2000. This phase completed and equipped the second floor, adding 30 beds for a total of 97 acute care beds. In addition, this phase completed the first and third floor shell-in process. This phase was paid for with internal VHS funds.

The second phase of construction, which will be funded from the proceeds of this proposed transaction, will complete the third floor and add 30 acute care beds. The first floor will remain shelled-in for future acute care bed expansion. Once completed, the new tower will add approximately 53,000 square feet of space.

Addition of 10 ICU/CCU Beds..3,385,000
ValleyCare will add 10 ICU/CCU beds to support anticipated additional ICU/CCU activity.

Construction of Temporary Modular Building...1,190,000
The 10,000 square foot building will house the expanded ancillary services that support the acute care activities on the Pleasanton campus. Ancillary services anticipated to be relocated to this building include pharmacy, clinical laboratory, medical records, biomedical engineering, and environmental services.

Remodel and expand surgery suite and support spaces 2,198,000
The expansion of the surgery suite will help accommodate the expanded acute care capacity.

Expand kitchen...532,000
The current dietary services space is insufficient to meet current capacity and will require further expansion given the expanded acute care operating capacity that will be undertaken for this project.

Equipment purchases 1,826,000
The purchase of monitoring equipment, computers and other general medical equipment for the Pleasanton campus.

Debt Service Reserve 1,577,000

Capitalized Interest*..*1,793,000

Financing Costs* *1,945,000

Cal-Mortgage Insurance Premium	$1,155,694
Costs of Issuance	275,000
Estimated Original Issue Discount	219,295
Underwriter's Discount	214,095
Other Fees	80,916

Total Uses of Funds* *$20,589,000

Financing Structure:

- Fixed interest rate
- 25 year amortization period with varying debt payments
- Secured through Cal-Mortgage bond insurance
- Negotiated public offering with an A+ rating
- Serial and term maturities

II. FINANCIAL STATEMENTS AND ANALYSIS:

ValleyCare Health System
Consolidated Statement of Activities
(In 000's)
(Unrestricted)

	For Six Months Ending 31-Dec	Fiscal Year Ended June 30,		
	2001	2001	2000	1999
	(Unaudited)			
REVENUES				
Net patient service revenue	$ 58,063	$ 109,385	$ 91,378	$ 86,771
Premium revenue	459	6,568	11,058	8,692
Other operating revenue	145	529	2,343	2,521
Investment income	1,351	2,313	1,315	1,721
Total Revenue	60,018	118,795	106,094	99,705
EXPENSES				
Salaries and wages	29,878	56,276	52,623	47,552
Professional fees	718	1,344	1,476	1,081
Supplies	8,941	15,266	14,379	12,301
Purchased services	6,652	14,633	14,418	13,920
Insurance	801	1,786	1,519	1,302
Utilities	1,152	1,884	1,465	1,330
Depreciation and amotization	3,002	6,443	6,180	5,688
Interest	1,156	2,260	2,194	2,869
Provision for uncollectible accounts	3,222	7,306	5,326	4,460
Other	3,719	7,423	4,594	3,375
Total Expenses	59,241	114,621	104,174	93,878
Net income before change in acct. policy	777	4,174	1,920	5,827
Cumulative change in accounting policy	-	-	-	1,331
Operating Income	777	4,174	1,920	7,158
Non-operating income	2,746	1,191	106	(416)
Increase in Unrestricted Net Assets	3,523	5,365	2,026	6,742
Unrestricted net assets, beginning of year	58,359	52,994	50,968	44,226
Unrestricted net assets, end of year	$ 61,882	$ 58,359	$ 52,994	$ 50,968

Consolidated Balance Sheet
(In 000's)

	As of 31-Dec 2001	As of June 30 2001	2000	1999
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,338	$ 8,794	$ 6,486	$ 3,943
Assets whose use is limited	2,153	1,326	1,385	3,788
Patient account receivable	18,452	20,610	17,111	19,971
Prepaid expenses and other	9,300	7,561	8,374	6,918
Total current assets	41,243	38,291	33,356	34,620
Assets whose use is limited	11,392	12,164	17,146	32,743
Property, plant and equipment, net	80,169	78,838	75,292	61,022
Land held for expansion	1,780	1,780	1,780	1,780
Other assets	2,508	1,930	1,811	1,752
TOTAL ASSETS	$ 137,092	$ 133,003	$129,385	$131,917
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current maturities of long-term debt	$ 1,994	$ 1,989	$ 1,888	$ 2,647
Accounts payable	6,758	8,137	9,819	9,719
Accrued liabilities:				
Payroll, vacation and related expenses	8,055	7,139	6,177	5,135
Other	587	965	2,027	2,335
Due to government agencies	6,120	5,456	4,261	7,101
Total current liabilities	23,514	23,686	24,172	26,937
Long-term debt less current maturities	47,183	47,221	49,168	51,911
Self-insurance reserves	2,408	1,571	467	235
Deferred revenue	1,617	1,690	1,730	1,645
Total liabilities	74,722	74,168	75,537	80,728
NET ASSETS:				
Unrestricted	61,882	58,359	52,994	50,968
Temporarily restricted	488	476	854	221
Total net assets	62,370	58,835	53,848	51,189
Total liabilities and net assets	$ 137,092	$ 133,003	$129,385	$131,917

Financial Ratios:

	Proforma (a) 06/30/01	2001	2000	1999
Debt Service Coverage ratio (x)	2.25	3.10	2.02	2.95
Debt/Unrestricted Net Assets(x)	1.2	0.85	0.99	1.10
Margin (%)		4%	2%	6%
Current Ratio (x)		1.40	1.29	1.35

(a) Recalculates fiscal year 2001 audited results to include the impact of this proposed financing

Financial Discussion:

VHS has posted solid profitability over our review period, supported by growing patient utilization and strong revenue growth.

VHS has a solid operating history, marked by continued profitability during our review period. VHS' net income has ranged from approximately $1.9 million to $5.8 million over the past three fiscal years. In fiscal 2001, VHS' operating income improved to $4.2 million, with a margin of 3.5%. VHS has enjoyed strong revenue growth throughout the organization, with revenues increasing by 12% in the most recent fiscal year. In addition, VHS also holds a substantial market share, with over 34% primary market share for fiscal year 2000.

VHS canceled all of its inpatient capitation contracts in December 2000, due to costs of services being well above the anticipated premium revenue. The capitated contracts were replaced with per-diem or per discharge contracts. No volume was lost due to the change and net patient service revenue actually increased 20%. In addition, cancellation of the capitation contracts improved net income by approximately $700,000 per year, beginning in 2001.

For the six month interim fiscal year, VHS has posted a more modest $777,000 in net income. VHS' management indicates that net income has grown more slowly due to the higher costs associated with contracted nursing services to fill vacant nurse positions. Management indicates that paying less costly incentives to part-time nurses to work more hours has significantly mitigated this issue. Like all hospitals throughout the country, the shortage of nurses remains a significant operational and financial challenge for VHS. However, the independent feasibility study for the proposed project that is required by Cal-Mortgage estimates strong continued growth from VHS for the next several years, ranging from $4.4 million in 2003 to $7.8 million in 2007.

The interim financial statements also show non-operating income of $2.5 million, which relates to the transfer of 8.5 acres of land to ValleyCare Senior Housing Inc. a wholly owned subsidiary of VHS from the City of Livermore. A third party is leasing the land from VHS and putting a senior-assisted housing facility on the site.

VHS also maintains a strong balance sheet with good liquidity, acceptable long-term debt levels, and significant net assets. The proforma debt service coverage is also acceptable.

Liquidity remains strong at approximately $8.8 million in cash and cash equivalents. The hospital has controlled its long-term debt, with debt to unrestricted net assets at less than 1.0x. Most impressive is VHS' total net assets of nearly $59 million. With the proposed financing, VHS increases its leverage (debt to unrestricted net assets) to 1.20x. However, debt service coverage remains acceptable at 2.25x, indicating that VHS should be able to handle debt service payments.

III. BACKGROUND:

General

The Hospital Committee for the Livermore-Pleasanton Areas, a California nonprofit public benefit corporation, doing business as ValleyCare Health System, owns and operates two health facilities located on two campuses, ValleyCare Medical Center Pleasanton, Valley Memorial Hospital in Livermore. VHS' mission is to meet the health care needs of Pleasanton, Livermore, Dublin and San Ramon.

Pleasanton Campus: ValleyCare Medical Center, which opened in 1991, consists of approximately 87,000 square feet of space and provides a comprehensive range of medical and surgical inpatient acute services including cardiac care, emergency room, intensive care, obstetrics, pediatrics and operating and recovery rooms. The current licensed capacity is 97 acute care beds.

VHS' also owns the 27,000 square foot Ambulatory Care Center (ACC) which is located within the same building as ValleyCare Medical Center. VHS leases space in the ACC to two partnerships, one of which operates an outpatient surgical center and the other which operates a comprehnsive cancer center. The ACC also houses a diagnostic imaging center including computerized tomography, magnetic resonance imaging and a women's center which largely provides mammography services.

Livermore Campus: Valley Memorial Hospital consists of approximately 125,000 square feet of space and provides urgent care, laboratory and radiology services, in addition to 30 skilled nursing and 14 geriatric psychiatric beds.

Valley Memorial Hospital Foundation: The Foundation is a California nonprofit public benefit corporation, the sole corporate member which is VHS. The Foundation was formed to solicit, maintain and distribute charitable donations for the benefit of VHS.

Pleasanton Physicians Affiliates II ("PPA II") PPA II is a California limited partnership of which VHS is a limited partner. PPA II owns a medical office building in which VHS leases space.

Pacific Health Care, Inc. ("PHC"). PHC is a California nonprofit mutual benefits corporation, whose members are VHS and the Pacific Health Care Medical Group Inc. PHC is a physician-hospital organization which provides administrative services for VHS and the Pacific Health Care Medical Group, Inc. This corporation was dissolved on December 31, 2001 and its assets are being informally liquidated.

Licenses and Contracts

VHS operates both the Pleasanton and Livermore campuses under one general acute care license. VHS is licensed to operate a total of 141 beds as follows: 97 general acute care, 30 skilled nursing and 14 acute psychiatric.

VHS is certified as a Medicare and Medi-Cal provider and serves both Medicare and Medi-Cal patients. Since VHS is located in a non-contracting area, it does not have a negotiated Medi-Cal contract, but provides Medi-Cal services on an eligible cost basis.

VHS also contracts with managed care companies and commercial insurers with various forms of reimbursement arrangements, including discounted fee for service, per diem payments and prior to December 31, 2000, capitation. On December 31, 2000, VHS terminated all of its capitation contracts and notified managed care plans it will no longer accept capitation contracts.

Service Area and Competition

The communities of Livermore, Pleasanton, San Ramon and Dublin comprise VHS' primary service area. This primary service area is located in Alameda and Contra Costa Counties and is situated approximately 50 miles southeast of San Francisco and 20 miles east of San Leandro. During calendar year 2000, VHS discharged 5,296 patients and captured 34.2% of the inpatient market share in the primary service area. There are approximately 21 other acute care hospitals serving patients who reside in the the primary service area, only 3 of which individually captured greater than 4% of the inpatient market share during calendar year 2000 (see table below).

ValleyCare Health System
Market Share Analysis
(Primary Service Area)

Hospital	Discharges 2000 (1)	Market Share 2000(1)
ValleyCare Health Systems	**5,296**	**34.2%**
Kaiser - Walnut Creek	2,922	18.9%
San Ramon RMC	2,281	14.7%
John Muir Medical Center	672	4.3%

(1) Most recent data available.

IV. UTILIZATION STATISTICS

INPATIENT DATA	Six months Ended 12-31-01	Year Ended June 30,		
	2001	2001	2000	1999
General Acute Beds				
Licensed / (in service) beds	97 / (96)	94 / (93)	67 / (66)	67 / (66)
Occupancy percentage	73%	81%	96%	91%
Admissions	3,271	6,951	6,219	5,977
Average length of stay (days)	4.0	3.97	3.73	3.67
Acute Psychiatric				
Licensed / (in service) beds	14 / (14)	14 / (14)	14 / (14)	14 / (14)
Occupancy percentage	69%	73%	69%	66%
Skilled Nursing Beds				
Licensed / (in service) beds	30 / (30)	30 / (30)	30 / (30)	30 / (30)
Occupancy percentage	82%	77%	75%	60%
OUTPATIENT DATA				
Emergency/Urgent Care Visits	11,563	24,688	21,284	19,966
Outpatient Visits	88,149	156,879	156,591	147,236
Outpatient Surgery Visits	2,341	4,876	5,162	3,799
Lab Tests	115,560	225,444	198,278	110,971
Radiology Exams	33,351	57,720	55,988	48,140

V. SOURCES OF OPERATING REVENUE

The following table provides a percentage breakdown of VHS' operating revenue:

	2001	2000	1999
Inpatient Revenue	70%	68%	70%
Outpatient Revenue			
Radiology	7%	8%	7%
Outpatient Surgery	8%	9%	8%
Laboratory	5%	6%	6%
Emergency/Urgent Care	3%	3%	2%
Other	7%	6%	7%
Total	100%	100%	100%

VI. COMPLIANCE WITH SB 1953 SEISMIC RETROFIT REQUIREMENTS

SB 1953 (Chapter 740, 1994) requires that all acute care hospitals in California meet specific seismic safety standards by 2008 and 2030. All general acute care hospital owners must perform seismic evaluations on each hospital building, and submit a plan for achieving compliance if the buildings do not meet SB 1953 seismic standards.

VHS has evaluated its total SB 1953 seismic upgrade liability and estimates a total cost to comply of approximately $500,000, to meet 2030 requirements. This money will be spent to retrofit the ValleyCare Medical Center building in Pleasanton. The Valley Memorial Hospital building located in Livermore will not require SB 1953 upgrades, as it will no longer maintain acute care beds.

VII. SECTION 15438.5 OF THE ACT (Savings Pass Through)

As a not-for-profit corporation, VHS sets its charges at levels sufficient to cover its operating expenses and to provide for orderly maintenance and replacement of its fixed assets and equipment. Because of the cost savings in interest expense, which VHS can realize through the lower tax-exempt interest rates, it will be able to set its charges at lower levels and still meet its financial requirements. The savings from the lower tax-exempt interest rates will in this way be passed along to VHS' patients and the various public and private party reimbursement programs.

Unsponsored Community Benefit Expense (a)

	Years Ended June 30	
	2001	**2000**
Benefits for the indigent		
Traditional charity care and uncollectible accounts	$5,257,397	$5,923,757
Unpaid costs of Medi-Cal program	1,136,549	720,126
Benefits for the Broader Community		
Costs of education and other Community service programs	849,418	1,376,195
Total estimated community benefit costs	**$7,243,364**	**$8,020,078**
Community benefit costs as a percentage of Total VHS operating expenses	6%	8%

(a) Benefits for the indigent include services provided to persons who cannot afford healthcare because of inadequate resources or who are uninsured. This includes charity care and uncollectible accounts at cost, and the estimated costs of treating Medi-Cal beneficiaries in excess of government payments. Benefits for the broader community include the estimated costs related to educational and other community programs.

VIII. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement).

The required physicians' list and certificate of verification dated October 30, 2001 was received for VHS, in compliance with Section 15459.1 of the Authority's Act.

IX. OUTSTANDING DEBT

As of June 30, 2001, VHS debt totaled $49.21 million, of which $48.89 million (99%) was comprised of debt issued through this Authority. Following this proposed financing, VHS' total debt will equal $69.47 million, with Authority debt being approximately $69.15 million.

ValleyCare Health System
Outstanding Debt

Bond Issue Name: Series	Original Issue Amount	Amount Outstanding as of 6/30/01	Estimated Amount Outstanding After Proposed Financing
Existing Authority Debt			
VHS Series 1997	37,165,000	$32,779,000	32,779,000
VHS Series 1993	11,660,000	10,030,000	10,030,000
VHS Series 1992	8,500,000	6,085,000	6,085,000
Proposed Authority Debt			
VHS Series 2002			*20,255,000*
Total Authority Debt		$48,894,000	$69,149,000
Other Debt (Capital Leases)		316,000	316,000
Total Debt		$49,210,000*	$69,465,000

* Includes current maturities of long-term debt.

X. LEGAL REVIEW

The legal disclosure section of the borrower's loan application included three specific legal issues, which are addressed below. Staff and Counsel to the Authority have reviewed these items with the borrower and borrower's counsel and have concluded that none of these legal issues have a material affect on the financial integrity of VHS or the proposed financing.

- Kim Fuller and the Livermore Valley Tennis Club filed a Petition for Writ of Mandate on June 28, 2001, challenging the City of Livermore's approval of the Environmental Impact Report (EIR) covering ValleyCare's construction of a medical office building and wellness center and the renovation of an existing hospital building in Livermore. The Petition named ValleyCare Health System and Hospital Committee for the Livermore-Pleasanton Areas, Inc., as Real Parties in Interest. Mr. Fuller and the Tennis Club asserted that the City violated the provisions of the California Environmental Quality Act (CEQA).

The hearing on the petition was held on December 5, 2001. The Judge rejected all six of the contentions made concerning the inadequacy of the EIR and ruled there was substantial evidence in the administrative record establishing that CEQA was complied with in all respects.

Mr. Fuller and the Tennis Club have until March 15, 2002, to appeal the denial of their Petition. However, even if there is an appeal and VHS loses on appeal, the effect would still be limited only to the Livermore campus and the EIR, and the Livermore campus is not being financed by the proposed transaction before the Authority.

- A former member of the Board of Directors for VHS is being sued civilly in connection with a real estate title matter unrelated to VHS and is also the subject of civil and criminal investigations relating to the same real estate matter. The Board member resigned from the VHS board, effective February 5, 2002. With this resignation, the Authority staff and Counsel to the Authority are satisfied that the legal integrity and financial viability of VHS as the borrower in this transaction, are unaffected by the former Board member's personal financial and legal condition.

- In 1997, a senior executive filed a personal Chapter 7 bankruptcy. Staff has determined that the senior executive serves in a professional capacity that has no finance responsibilities and is not involved in this transaction.

XI. ADDITIONAL DOCUMENTS

On June 30, 2000, ValleyCare Health Corporation (VHC) and ValleyCare Health System (VHS) consolidated operations. In order to consolidate their operations, they entered into an Asset Transfer Agreement and in conjunction with that agreement, also executed an Assignment, and Assumption Agreement, and a Grant Deed from VHC to VHS. VHC transferred all of its assets and assigned all of its liabilities and obligations to VHS. VHS accepted those assets and assumed those liabilities and obligations. However, VHC and VHS did not complete all of the steps necessary to effectuate the asset transfer and they are currently in technical default under their respective bond documents. Included in the Authority Resolution for the proposed financing are all the additional documents necessary to finalize the asset transfer and return VHS to compliance. Cal-Mortgage is aware of these matters and has indicated it will execute a consent/default waiver for VHS.

The primary provisions of the agreement were:

- VHC will transfer title to its assets to VHS
- VHS will assume VHC's liabilities, including those associated with 1992 and 1997 bonds
- VHS will take specified actions so that the VHC bond issues assumed by VHS are secured on a parity basis with the VHS bond issue by liens on the gross revenues and real property of VHS.

<u>ADDITIONAL CURE DOCUMENTS</u>

To properly complete the above described transaction, the following additional documents are being amended as of June 2000:

<u>Amendments to Loan Agreements, Deeds of Trust, Regulatory Agreements</u>
Both VHC and VHS have outstanding Authority bond issues, which are insured by Cal-Mortgage. Both VHC and VHS have entered into loan agreements with the Authority and regulatory agreements with Cal-Mortgage and the Authority. In addition, mortgage liens were placed on some real property of VHC and VHS through the execution of deeds of trust by VHC and VHS in order to secure their respective bond issues. The technical default will be cured by the new amendments to these agreements, as well as other ancillary documents related to the bond issue, which are likewise being amended.

<u>Transfer of Assets/Cal-Mortgage Consent</u>
The VHC loan agreement and regulatory agreement and VHS loan agreement required the consent of Cal-Mortgage for the transfer by VHC, and the acquisition by VHS, of VHC's assets. This consent was requested and has been granted.

<u>Transfer of Assets/Legal Opinions</u>
The VHC loan agreement requires the delivery of a Hospital Counsel opinion to the effect that the transaction has been properly approved and effected and the lien of the VHC deed of trust and security interests on the VHC gross revenues have not been adversely affected. In addition, the VHC loan agreement requires an opinion by bond counsel to the effect that the asset transfer does not adversely affect the tax-exempt status of interest on the VHC bonds. Because these opinions could not be located, new opinions will be completed.

Debt Assumptions/Cal-Mortgage Consent

The VHS loan agreement requires Cal-Mortgage consent for the incurrence of indebtedness. This consent was requested and has been granted. However, additional debt tests were required and not performed. These tests are in the process of being completed.

Creation of Parity Liens

After completion of the Asset Transfer Agreement, all of VHC's assets will be owned by VHS and VHS will have assumed all of VHC's liabilities with respect to the 1992 and 1997 CHFFA bonds. The Agreement required that amendments or supplements to the deeds of trust and UCC financing statements be prepared and filed to secure the VHS bonds and the VHC bonds on a parity basis. This will effectively make the VHC bonds assumed by VHS parity debt under the VHS loan agreement. Similarly, the VHS bonds will become parity debt under the VHC loan agreement (assumed by VHS).

Notice to Attorney General

The California Corporations Code requires that notice of the proposed transfer be given to the Attorney General 20 days prior to the transaction. This notice was not given. However, in April 2001, a waiver of this notice was granted by the Attorney General.

XII. STAFF RECOMMENDATION

Staff recommends the Authority approve a Resolution in an amount not to exceed $20,255,000 for ValleyCare Health System and authorizing the Authority's execution and delivery of all documents necessary to correct the non-compliance aspects of the asset transfer, the bond financing approval subject to (1) receipt of a final insurance commitment from the California Office of Statewide Health Planning and Development, (2) meeting the Authority's standard bond issuance provisions for "A" rated debt and (3) a bond rating of at least an "A" by a nationally recognized rating agency and a final insurance commitment from Cal-Mortgage.