

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)

STAFF SUMMARY RECOMMENDATION

**FamiliesFirst, Inc. (“FF”)
Amendment to Resolution No. 367**

September 29, 2011

PRIOR AMOUNT APPROVED: \$15,500,000

PRIOR APPROVAL DATE: August 25, 2011

EXPECTED RATING: Private Placement

CREDIT ENHANCEMENT: Cal-Mortgage Insurance

CO-PLACEMENT AGENTS: Wuff, Hansen & Co. and Gates Capitol

LOCATION: Campbell, CA, Santa Clara County

PURPOSE OF THE AMENDMENT: FamiliesFirst, Inc. (“FF”) seeks Authority approval to amend FF’s existing Resolution No. 367 to provide FF with the discretion to utilize bond proceeds to prepay its existing HELP II loan, Resolution No. HII-198¹.

BACKGROUND: At the August 25, 2011 CHFFA board meeting, the Authority adopted Resolution No. 367 authorizing FF to issue Authority Series 2011A bonds in an amount not to exceed \$15,500,000. Bond proceeds were to be used for the refunding of California Statewide Communities Development Authority Series 1997A Certificate of Participation, CHFFA Series 2000A bonds, capital improvement projects at various sites and the acquisition and installation of an electronic health records system at the Campbell Campus. The bond transaction is set to close September 29, 2011.

At this time, FF seeks additional authorization to utilize some of the bond proceeds for the option of prepaying FF’s existing HELP II loan previously approved by the board at its July 26, 2007 board meeting². At the time of the board’s August meeting, FF did not consider requesting approval to include prepayment of this HELP II loan within its project list. FF now seeks this additional authority to maximize FF’s flexibility in its use of the bond proceeds.

RECOMMENDATION: Staff recommends the Authority approve the amended Resolution No. 367 to include the prepayment of FamiliesFirst, Inc.’s HELP II loan as a permissible use of funds.

¹ The outstanding principal balance is \$641,589.04.

² The HELP II loan was authorized in favor of Eastfield Ming Quong (“EMQ”) for \$844,753. (EMQ and FamiliesFirst merged in 2009, creating the current entity FamiliesFirst, Inc.) Loan proceeds were approved to refund the 1994 STARTS Series B bonds which was then unfortunately imposing an ongoing shortfall (on the borrower) in the debt service reserve fund for FamiliesFirst’s children’s mental hygiene facility located at 232 East Gish Road, San Jose, California.

EXHIBIT 1

FINANCING TEAM

Trustees: Bank of New York Mellon Trust Co.

Issuer's Counsel: Office of the Attorney General

Issuer's Financial Advisor: Public Financial Management, Inc.

Issuer's Financial Analyst: Macias Gini & O'Connell, LLP

Bond Counsel: Quint & Thimming LLP

Private Co-Placement Agent: Wuff, Hansen & Co.

Private Co-Placement Agent: Gates Capital

Purchaser Counsel: Squire, Sanders & Dempsey LLP

Purchaser: J.P. Morgan Chase Bank

Auditor: Nichols Rick & Company