

OFFICIAL MINUTES
California Health Facilities Financing Authority

915 Capitol Mall, Room 587
Sacramento, California
Thursday, February 26, 2004
1:45 PM

Prior to the California Health Facilities Financing Authority meeting being called to order, State Treasurer and Chairman Philip Angelides presented a Resolution to Terry Partington, Executive Director, on his retirement from State service, and expressed his appreciation and gratitude for his 28 years of faithful service to the people of the State of California, including 19 years of dedicated service to the California Health Facilities Financing Authority and since 1996, the California Educational Facilities Authority. Terry's colleagues acknowledged him for his professionalism and knowledge of public finance and for the great work he has done on behalf of the healthcare and educational industry.

The meeting was called to order by Cathy Calfo sitting for Chairman Philip Angelides. Members present were Cindi Aronberg (sitting for Steve Westly), Bob Campbell (sitting for Donna Arduin), Harry Bistrin, Judith Frank, Dr. Theodore Hariton and Christopher Hammond. Also present were staff members Terry Partington, Executive Director, Tom Noguerola, Counsel to the Authority, Gina Greer, Attorney General's Office, and Bob Kittredge, Financial Advisor, PricewaterhouseCoopers LLP. Cathy Calfo welcomed the newest board member Christopher Hammond.

The minutes of the October 30, 2003 meeting were approved as submitted.

The Executive Director's Report was presented covering the months of October, November, December 2003, and January 2004. As of January 31, 2004, bonds outstanding totaled \$6,552,020,290 and the fund balance was \$7,456,241.01. The Executive Director also reported that there were 10 borrowers with over \$100 million in CHFFA debt with a combined balance outstanding of \$5,073,869,880, which represents 77% of all CHFFA debt outstanding, and 9 equipment financings with a total balance outstanding of \$37,231,513. The Executive Director also reported a HELP II loan fund balance of \$12,917,303; a HealthCAP balance of \$0.00 and a clinic grant fund balance of \$3,443,403, as of January 31, 2004.

Resolution No. F300 – Marshall Medical Center ("Marshall") requested the Authority approve an amendment to the resolution that was presented at the October 30, 2003, meeting. Marshall now seeks to clarify that approximately \$3.4 million of bond proceeds will be used for imaging equipment (including MRI and CT scanner systems) at its Diagnostic and Imaging Center in Cameron Park rather than in Placerville. Staff recommended the Authority approve a resolution for Marshall Medical Center, as amended, in an amount not to exceed \$50,000,000, subject to a final insurance commitment from Cal-Mortgage. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. 2004-01 – Beckman Research Institute of the City of Hope ("Beckman") requested the Authority approve an amendment to its Loan Agreement and related Deed of Trust to (i) pay down a portion of the existing tax-exempt notes and (ii) relax certain existing covenants. Beckman is proposing to convert a portion of the financed facility to for-profit purposes and to secure a separate loan from Wells Fargo Bank ("Wells Fargo") to provide funds to prepay this portion of the notes in the approximate amount of \$5.4 million. In addition, Beckman proposes making certain modifications in the financial terms of the notes with Wells Fargo. Staff

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recommends the Authority approve: (i) the proposed changes to the Loan Agreement to change a portion of the facility financed with tax-exempt note proceeds by prepaying a portion of the loan with proceeds from a Wells Fargo Bank loan; and (ii) the other proposed changes to the Loan Agreement and the related Deed of Trust, reflecting such changes to the restrictive covenants as are acceptable to Wells Fargo, as the note-holder. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. 2004-02 – Downey Regional Medical Center-Hospital, Inc. (formerly Downey Community Hospital Foundation) (“Downey”) requested the Authority to approve an Amendment to its Loan Agreement and Indenture for the 1993 Series bonds that waives the requirement for Downey to re-hire a third-party management consultant through fiscal year end 2005, and require a partial redemption of bonds in 2004 and 2005, if Downey does not meet the 1.10 debt service requirement for each respective fiscal year. Staff recommended the Authority approve an Amendment to the Loan Agreement and Indenture for the Downey 1993 Series bonds. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. HII-157 – Planned Parenthood Los Angeles (“PPLA”) requested the Authority to approve a HELP II resolution in an amount not to exceed \$400,000. PPLA will use the loan proceeds to renovate a leased facility and purchase equipment. Staff recommended the Authority approve a resolution for a HELP II loan in an amount not to exceed \$400,000 for a term not to exceed 5 years for Planned Parenthood Los Angeles subject to the standard HELP II loan provisions. After discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

Resolution No. HII-158 – Open Door Community Health Centers (“Open Door”) requested the Authority approve a HELP II resolution in an amount not to exceed \$360,000. Open Door will use the HELP II loan proceeds to purchase and remodel a facility to provide mental health counseling. Staff recommended the Authority approve a resolution for a HELP II Loan for Open Door Community Health Centers in an amount not to exceed \$360,000 for a term of 15 years, subject to the 2003 audited financial statements being materially similar to the unaudited figures presented, subject to approval of this additional debt by Cal-Mortgage, and subject to the standard HELP II loan provisions. After discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

Resolution No. HII-159 – West County Health Centers, Inc. (“West County”) requested the Authority approve a HELP II resolution in an amount not to exceed \$193,000. West County will use the HELP II loan proceeds to construct a centralized support services facility and convert vacated space to provide medical, counseling, and educational services. Staff recommended the Authority approve a resolution for a HELP II Loan for West County Health Centers, Inc. in an amount not to exceed \$193,000 for a term of 10 years subject to the standard HELP II loan provisions and for the replacement of a \$100,000 security with adequate real property collateral. After discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

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Resolution Numbers HII-160 through HII-165 – Requests from various borrowers to use HELP II loan proceeds to refinance loans from the Authority’s Insured Health Facility Revenue Bonds (Small Facilities Pooled Loan Program) Series A issued in 1992 (the “Bonds”). This issue is also commonly referred to as the STARTS 1992 Series A Bonds. The proposed refinancing will provide reduced interest costs from approximately 6.75% to 3% for each borrower and correct an existing shortage in the Debt Service Reserve Fund for the Bonds. The Executive Director requested that Resolution Numbers HII-160 through HII-165 be heard and approved at one time. The following Resolutions described below were not presented to the Board on an individual basis, but borrowers were available for any questions asked by the Authority. After discussion by the Authority, a motion was made and seconded and Resolution Numbers HII-160 through HII-165 were unanimously approved.

Resolution No. HII-160 - Canyon Acres Children and Family Services (“Canyon”) requested the Authority to approve a HELP II resolution in an amount not to exceed \$400,000. Canyon will use the loan proceeds to refinance part of the STARTS 1992 Series A bond loan. This refinancing will save approximately \$140,000 in interest expense over the life of the loan due to the low interest rate on the HELP II Loan. Staff recommended the Authority approve a resolution for a HELP II Loan to Canyon Acres Children and Family Services in an amount not to exceed \$400,000 for a term of 15 years, subject to the standard HELP II loan provisions.

Resolution No. HII-161 - Innovative Health Care Services, Inc. (“IHCS”) dba Peg Taylor Center for Adult Day Health Care requested the Authority to approve a HELP II resolution in an amount not to exceed \$400,000. IHCS will use the loan proceeds to refinance the STARTS 1992 Series A bonds. The proposed refunding will result in annual debt service savings of approximately \$9,000 for the next 15 years or a total savings of \$135,000. Staff recommended the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Innovative Health Care Services, Inc., subject to the standard HELP II loan provisions.

Resolution No. HII-162 - Escuela del Rio (EdR) requested the Authority to approve a HELP II Loan resolution in an amount not to exceed \$137,000. EdR will use the loan proceeds to refinance the STARTS 1992 Series A bonds to obtain a lower interest rate under the HELP II loan program resulting in a net present value savings of approximately \$72,000. Staff recommended the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$137,000 for a term not to exceed 15 years for Escuela del Rio, subject to the standard HELP II loan provisions.

Resolution No. HII-163 - Bi-Bett requested the Authority to approve a HELP II resolution in an amount not to exceed \$400,000. Bi-Bett will use the loan proceeds to refinance the STARTS 1992 Series A bonds, which have a current interest rate of 6.75%. This refunding will result in a savings of approximately \$10,000 per year in debt service payments and \$150,000 over the life of the loan. Staff recommended the Authority approve a resolution for a HELP II loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Bi-Bett subject to receipt of HealthCAP funds or another acceptable funding source, plus standard HELP II loan provisions.

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Resolution No. HII-164 - Henry Ohlhoff House (“HOH”) requested the Authority to approve a HELP II resolution in an amount not to exceed \$400,000. HOH will use the loan proceeds to lower the borrowers interest costs by refinancing the STARTS 1992 Series A bonds, which have a 6.75% interest rate. This refinancing will result in a savings of approximately \$11,000 per year in debt service payments or a total of \$165,000 over the life of the loan. Staff recommended the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Henry Ohlhoff House, subject to the standard HELP II loan provisions.

Resolution No. HII-164 – Seneca Residential and Day Treatment Center for Children (“Seneca”) requested the Authority to approve a HELP II resolution in an amount not to exceed \$170,000. Seneca will use the loan proceeds to refinance the STARTS 1992 Series A bonds, which will result in an annual debt service savings of approximately \$3,900 for the next 15 years or a total savings of approximately \$59,000. Staff recommended the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$170,000 for a term not to exceed 15 years for Seneca Residential and Day Treatment Center for Children, subject to the standard HELP II loan provisions.

Information Items – Staff presented the quarterly report of the HELP II Loan Program.

Bob Kittredge of PricewaterhouseCoopers LLP made a presentation to the Authority regarding the Financial Results of its borrowers.

Other Business – Having no other business, the meeting was adjourned.