MINUTES

California Health Facilities Financing Authority
April 28, 2011
915 Capitol Mall, Room 587
Sacramento, California 95814

Teleconference Location
QIU Accountancy Corporation
3580 Wilshire Blvd. Suite 1126
Los Angeles, California

Patricia Wynne, Chairperson called the meeting to order at 2:05 P.M.

Item #1 Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Jennifer Rockwell for Ana J. Matosantos, Department of Finance
Ronald Joseph
Samuel Qiu - Teleconference
Judith Frank
Ann Madden Rice

Members Absent: Jack Buckhorn
Dr. Oscar Sablan

Chairperson Wynne declared a quorum present.

Item #2 Approval of the Minutes from March 24, 2011 and April 11, 2011 Meeting (Action Item)
Ruth Holton-Hodson moved for approval of the minutes and Ronald Joseph seconded the motion. Chairperson Wynne asked if there were any discussion on the item and if there were any public comments. Hearing none, she asked for a roll call vote. The minutes of the March 24, 2011 meeting were approved with 6-Ayes and 1 abstention (Ms. Frank) pursuant to a roll call vote. The minutes of the April 11, 2011 meeting were unanimously approved with 7-Ayes pursuant to a roll call vote.

Item #3 Executive Director's Report (Information Item)
Ms. Liebert submitted into the record the balances for all of the Authority accounts.

Delegation of Powers Monthly Update (Information Item)
Ms. Liebert reported no delegation actions were taken pursuant to the delegation of powers.

Ms. Liebert further reported on AB 1394 (Monning). Ms. Liebert indicated the bill will update the CHFFA statute to reflect the modern changes associated with hospitals, the delivery of services, and the way hospitals conduct business. AB 1394 passed the Assembly Health Committee with a 19-0 vote on March 29, 2011, passed the Appropriations Committee with a 16-0 vote on April 6, 2011, and passed the Assembly with a 60-0 vote on consent on April 14, 2011. AB 1394 will soon move to the Senate Health Committee. Staff anticipates minor adjustments to be made to the bill based on some feedback from the Attorney General's Office.

Chairperson Wynne added the CHFFA statute was drafted in 1979. The changes in the bill reflect 30 years of needed modernization.

Ms. Liebert provided an update on Modoc Medical Center ("Modoc"). Several months ago, the Authority authorized a HELP II Loan in the amount of $750,000 for Modoc. Modoc has since successfully made timely payments every month. This month, CHFFA received its first large capture of county funds. Yassar Dahbour, of staff, continuously monitors the Modoc Medical Center account.

Ms. Brewer reported on the National Association of Health and Educational Facilities Finance Authority's (NAHEFFA) conference held April 13-15, 2011 in Charleston, South Carolina. This semi-annual conference is a national conference and provides issuers the opportunity to communicate and exchange the latest information on tax compliance, SEC rule changes, Electronic Municipal Market Access system updates, along with industry speakers and other financing news. CEFA and CHFFA will host the Fall 2011 NAHEFFA conference in San Diego from October 3-5, 2011. Ms. Brewer extended an invitation to board members.

Item #4 Adventist Health System/West, Resolution No. 364

Before Item#4 was introduced, Ms. Liebert clarified that Barclay's Capital was not the "Private Placement Advisor" but rather the "Structuring Agent." Ms. Frank then left the meeting room. For the record, Ms. Liebert reflected that Ms Frank recused herself from board discussion and voting on the transaction due to a conflict of interest (specifically, Ms. Frank owns Wells Fargo stock and Wells Fargo is a possible trustee in the transaction).

Marissa Sequeira, of staff, introduced representatives of Adventist Health, Rodney Wehtje, Vice President & Treasurer, Adventist Health; Steven Hollis, Structuring Agent, Barclays Capital; Jenna Magan and Brandon Dias, Bond Counsel, Orrick, Herrington & Sutcliffe; Harriet Welch, Issuer's Counsel, Squire, Sanders & Dempsey; and Sarah Hollenbeck, Senior Consultant, Public Financial Management.

Staff recommended the Authority approve Resolution Number 364 for Adventist Health System/West in an amount not to exceed $130,000,000 as a private placement with one or more Qualified Institutional Buyers on parity with other Adventist Health System/West rated debt and subject to an ongoing requirement that Adventist Health System/West use its best efforts to obtain a bond rating by a nationally recognized rating agency in the event that the rating(s) on such parity Adventist Health System/West debt is withdrawn or no other rated debt issued on a parity with the Series 2011 Bonds remains outstanding. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concur with the Authority's staff recommendation.

Chairperson Wynne asked the Adventist team to elaborate on the transaction.

Mr. Hollis stated that over the past couple of years commercial banks have shown a great desire to lend money to the not-for-profit health sector. It is a very stable part of the economy and one of the few places where there is a high demand for loans. Banks have stepped up and offered to directly purchase bonds from many clients including Adventist. These transactions do not need an underwriter to participate in the public sale of the transaction. The need to look for investors is no longer required. Private placement transactions have a specific very small number of buyers,

sometimes just one, and the bonds are structured to meet the buyers' credit terms. The Adventist transaction was unusual because normally private placements are reserved for lower rated entities. On this transaction there were private placement buyers seeking to lend money to a highly rated enterprise. Adventist chose a private placement because of the expediency and efficiency. Also, Adventist currently has plenty of 'A' rated debt in the public markets. Adventist worked with the buyers to marry a private placement structure with a publically rated enterprise and it seemed to work very well. Mr. Hollis thanked everyone on the transaction for their efforts.

Chairperson Wynne asked if the board members had any questions. Ms. Holton-Hodson asked Barclays if they anticipated seeing more of these types of financial requests and if the rates were different than what might be obtained via the tax exempt market. Mr. Hollis fielded both questions.

Chairperson Wynne asked if there was anything Jenna Magan would like to add.

Ms. Magan added that these transactions were becoming more of the common financing technique. Orrick has received multiple inquires from other entities to bring similar transactions to the Authority.

Mr. Joseph asked if there were any areas of risk the Board should consider. Ms. Magan replied that the direct purchase solves a lot of problems in the variable rate market. Entities do not have the risk of a bank losing its credit rating and impacting the interest rate paid on the bonds. When the direct purchaser extends its capital to purchase the bonds on the closing date, the capital has been committed so the borrower does not take the risk of the banks' credit worthiness going up and down. The direct purchases solve the problem created by the variable rate bonds.

Ms. Hollenbeck also concurred that there were some challenges for many borrowers in all sectors with variable rate debt. There were times in the market were Letters of Credit (LOC) were in very short supply and tens of billions of dollars in LOC's were terminated which placed facilities at risk if the market were to deteriorate. The private placement addresses some problems that already existed.

Chairperson Wynne asked if there were any public comments and if there were any questions from the board members. Hearing none, Mr. Joseph moved approval of the Resolution and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with a 6-Aye roll call vote.

After the discussion and vote, Ms. Frank returned to the board meeting.

Item #5 Beacon House Association of San Pedro, Resolution No. 362

Yassar Dahbour, of staff, introduced Louis Lozano, Executive Director, Beacon House Association of San Pedro and Roy Nelson, Underwriter, Wulff Hansen & Co. Bond proceeds will be used to currently refund a tax-exempt 1993 California Statewide Communities Development Authority ("CSCDA") certificates of participation obligation previously used for real estate acquisition, renovation, improvements, equipping and refinancing. Due to lower interest rates, this refunding will result in an estimated $171,600 in savings over the life of the bonds.

Staff recommended the Authority approve Resolution Number 362 in an amount not to exceed $1,550,000 conditioned on receipt of an investment grade rating by a nationally recognized rating agency and contingent upon approval of Cal-Mortgage insurance commitment. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concurred with the Authority's staff recommendation.

Brandon Dias, Bond Counsel, Orrick, Herrington & Sutcliffe, replied the transaction was under desk review by Cal- Mortgage but was expected to be approved.

Chairperson Wynne asked if there were any public comments and if there were any questions from the board members. Hearing none, Ms. Holton-Hodson moved approval of the Resolution No. 362 and Mr. Joseph seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Item #6 Social Science Services, Inc. dba Cedar House Rehabilitation Center, Resolution No. 361

Yassar Dahbour, of staff, introduced Greg Dorst, Chief Executive Director, Social Science Services, Inc. Bond proceeds will be used to currently refund tax-exempt California Statewide Communities Development Authority ("CSCDA") certificates of participation originally used to acquire real estate. The anticipated transaction would result in an approximate $88,600 in savings over the life of the bonds.

Staff recommended the Authority approve Resolution Number 361 in an amount not to exceed $1,270,000 conditioned on receipt of an investment grade rating by a nationally recognized rating agency and contingent upon approval of Cal-Mortgage insurance commitment. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concur with the Authority's staff recommendation.

Ms. Holton-Hodson congratulated the borrower on their First 5 grant and commented on their heavy reliance on government agencies. Given the state of local budgets, Ms. Holton-Hodson asked what sort of things the borrower was doing to diversify its sources of revenue. Mr. Dorst indicated he believed the First 5 grant was safe and that due to the structure of their corporation, they had a variety of methods to compensate for possible losses such as working on receiving a Commission on Accreditation of Rehabilitation Facilities accreditation, service reduction in employee payroll, and application for grants.

Chairperson Wynne asked if there were any public comments or if there were any questions from the board members. Hearing none, Mr. Joseph moved approval of the Resolution No. 361 and Ms. Madden Rice seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Item #7 Children's Hospital of Orange County (CHOC), Resolution No. CHP 2011-02

Jim Rennie, of staff, introduced Jena Jensen, Government Relations Director, Children's Hospital of Orange County. Grant proceeds will be used to build Phase 1 of a seven-story, 425,000 square foot new tower for the hospital campus located at 455 South Main Street, Orange, CA 92868. Staff recommended the Authority approve Resolution No. CHP 2011-02, to provide a grant not to exceed $4,605,578 minus the costs of issuance, subject to all requirements of the Children's Hospital Program of 2004.

Chairperson Wynne asked if there were any public comments or any questions from the board members. Hearing none, Ms. Holton-Hodson moved approval of the Resolution Number CHP 2011-02 and Mr. Joseph seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Item #8 University of California, Davis Medical Center, Resolution No. CHP 2011-03

Jim Rennie, of staff, introduced Tom Rush, Facilities Manager, University of California, Davis Medical Center. The proceeds of the grant will be used to reimburse the eligible proportional pediatric costs for constructing the Surgery and Emergency Services Pavilion Project 2315 Stockton Boulevard, Sacramento, CA 95817. Staff recommended the Authority approve Resolution No. CHP 2011-03 for the University of California Davis Medical Center to receive a grant not to exceed $15,353,419 minus the costs of issuance and administrative costs, subject to all requirements of the Children's Hospital Program of 2004.

Ms. Madden Rice recused herself due to a conflict of interest and left the meeting before staff's presentation, the discussion and vote.

Chairperson Wynne asked if there were any public comments or any questions from the board members. Hearing none, Mr. Joseph moved approval of Resolution Number CHP 2011-03 and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with a 6-Aye roll call vote.

After the conclusion of the discussion and votes, Ms. Madden Rice returned to the board meeting.

Item #9 2010 Annual Report - Children's Hospital Program of 2004 and Children's Hospital Program of 2008

Barbara Webster-Hawkins, of staff, presented a program overview of the Children's Hospital Program of 2004 and the Children's Hospital Program of 2008. Handouts providing an overview of the program were given to the board members.

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:03 P.M.