MINUTES

California Health Facilities Financing Authority ("CHFFA") 915 Capitol Mall, Room 587 Sacramento, California 95814

Alternate Locations for CHFFA Teleconference Participation

QIU Accountancy Corporation 3580 Wilshire Blvd., Suite 1126 Los Angeles, CA 90010

Valley Health Team/Sablan Health Center 927 "O" Street Firebaugh, CA 93622

October 25, 2012 – 1:45 P.M.

Patricia Wynne, Chairperson, called the meeting to order 2:16 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer

Alan Gordon for John Chiang, State Controller

Jennifer Rockwell for Ana J. Matosantos, Director of Finance

Samuel Qiu via teleconference

Judith Frank Jay Hansen

Absent: Ann Madden Rice

Jack Buckhorn

Dr. Oscar Sablan (Teleconference line remained open)

Chairperson Wynne declared a quorum present, and welcomed Jay Hansen to the board.

Approval of the Minutes from the September 27, 2012 Meeting

Alan Gordon moved approval of the minutes and Judith Frank seconded the motion. The motion was adopted with a 5-aye roll call vote. Mr. Hansen abstained.

Executive Director's Report

Barbara Liebert, Executive Director, submitted the fund balances for the record as of August 31, 2012 and September 30, 2012, as well as the comprehensive debt list summary of CHFFA's largest borrowers by amount of debt outstanding.

Tax-Exempt Bond Delegation of Powers Monthly Update

No actions were taken pursuant to the delegation resolution.

HELP II Loan Program Delegation of Powers Monthly Update

No actions were taken pursuant to the delegation resolution.

California Health Access Model Program ("CHAMP") Status Update

Ms. Liebert explained to the board the CHAMP funds had not yet been moved to the CHAMP sub-account on the fund balance report, but the movement of funds was in progress and would likely be reflected in October's report.

Barbara Webster-Hawkins, Program Manager, stated that the public comment period for the proposed regulations ended October 12. Two comments were received, one from the California Primary Care Association (CPCA) and one from the California Nurses Association (CNA). CPCA's comments were supportive of the proposed regulations and did not recommend changes. CNA's comments expressed concern over the definition of "health-home" and staff concurred it was best to make minor, non-substantive changes to the regulations. Staff prepared a final regulatory package for submission to the Office of Administrative Law with hopes the CHAMP program will be ready to start in January 2013.

Authority Meeting Dates for the Year 2013

Ms. Liebert noted the meeting dates for 2013 were included in the current meeting's agenda packets.

Tax Equity And Fiscal Responsibility Act ("TEFRA") Hearing Procedure Changes

Ms. Liebert noted recent changes had been implemented in the Authority's TEFRA hearing process in accordance with suggestions from the Bureau of State Audits. CHFFA incorporated a telephone call-in line for all TEFRA hearings so any and all interested parties may attend the public hearing in person or by phone wherever they may be located throughout the state of California.

Item #4 City of Hope and Certain of its Affiliates ("COH"), Resolution No. 384

Ms. Frank recused herself from the agenda item due to a potential conflict of interest associated with her ownership in Wells Fargo Bank stock.

Marissa Sequeira, Staff Analyst, introduced Wael Fakhry, Senior Vice President of Financial Operations, and Mike Malewicz, Director of Treasury Operations, both from COH. Also introduced were Peter Reilly, Executive Director of J.P. Morgan, Underwriter, as well as John Myers, Bond Counsel, Orrick, Herrington & Sutcliffe, LLP.

City of Hope requested funds in an amount not to exceed \$351,000,000. Bond proceeds would be used to refinance all existing debt, with a portion to be used for reimbursements and the remainder to be used to fund capital projects over the next year.

Staff recommended the Authority approve Resolution No. 384 in an amount not to exceed \$351,000,000 subject to the conditions in the resolution. Macias Gini & O'Connell, LLP, and Public Financial Management, Inc., the Authority's financial analysts, concurred with the Authority's staff recommendations.

Chairperson Wynne asked if the representatives from COH had anything to add.

Mr. Fakhry thanked the board for their consideration on behalf of COH. Mr. Malewicz added that COH is very appreciative for any consideration.

Chairperson Wynne asked if there were any questions or public comment.

Mr. Hansen asked COH attendees to elaborate on a sentence written in the staff report which stated "COH also expects to explore opportunities for new community practices."

Mr. Fakhry replied as part of COH's 10-year strategic plan, COH planned to invest in the community rather than its Duarte site. This plan would allow patients within the community better access to medical care. He further commented that COH broke ground two weeks ago at its Antelope Valley Medical Center, a new cancer center. Also, the strategic plan outlines opening additional medical sites in years 2013, 2015, 2017 and 2019.

Mr. Gordon moved approval of Resolution No. 384 and Mr. Hansen seconded the motion. The Resolution was adopted with a 5-aye roll call vote. Ms. Frank abstained.

Item #5 Ararat Home of Los Angeles, Inc. ("Ararat"), Resolution No. 385

Paul Dulai, Staff Analyst, introduced Derik Ghookasian, Chief Financial Officer, and Michael Surmeian, Treasurer, both from Ararat, and Grant Wilson, financial advisor, H.G. Wilson Municipal Finance, Inc. Ararat is a first time borrower which plans to utilize bond proceeds to refund all of the California Statewide Communities Development Authority Series 1998 Certificates of Participation. Based on current market conditions, Ararat expects the refunding to result in an estimated net present value savings of \$286,000 over the life of the Bonds. This bond transaction would be Cal-Mortgage insured.

Staff recommended the Authority approve Resolution No. 385 in an amount not to exceed \$3,560,000 subject to the conditions stated in the resolution, including a credit enhancement to be afforded by Cal-Mortgage Insurance. Macias Gini & O'Connell, LLP, and Public Financial Management, Inc., the Authority's financial analysts, concurred with the Authority's staff recommendations.

Chairperson Wynne asked if there were any questions or public comment.

Ms. Frank asked if there were any plans to add rooms or beds to existing facilities. Mr. Ghookasian replied affirmatively.

Mr. Gordon moved approval of Resolution No. 385 and Ms. Frank seconded the motion. The Resolution was adopted with a 6-aye roll call vote.

Item #6 Gateways Hospital and Mental Health Center ("Gateways"), Resolution No. HII-275

Yassar Dahbour, Staff Analyst, introduced Jeff Emery, Chief Financial Officer of Gateways. Gateways secured authorization from the board in 2011 for tax-exempt revenue bonds to finance the acquisition and renovation of real property with the intention of converting it into an adult residential facility. Gateways experienced higher renovation costs than originally planned due to the age of the property, which was originally constructed in 1920. Due to the higher costs, Gateways now requests HELP II funding in the amount of \$900,000 to complete the renovation of

the Hill Street facility to be used as a 60-bed adult residential facility. Staff recommended the Authority approve Resolution No. HII-275 for Gateways in an amount not to exceed \$900,000 for a term not to exceed 15 years. Approval would be subject to consent by the Office of Statewide Health Planning and Development (OSHPD) and would be contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, and Public Financial Management, Inc., the Authority's financial analysts, concurred with the Authority's staff recommendations.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Gordon moved approval of Resolution No. HII-275 and Ms. Frank seconded the motion. The Resolution was adopted with a 6-aye roll call vote.

Item #7 Mentally and Educationally Retarded Citizens, Inc. ("MERCI"), Resolution No. HII-276

Carolyn Aboubechara, Staff Analyst, introduced Marta Escanuelas, Executive Director, Barbara Shoji, Controller, and Linda Ohara, Accounting Specialist, of MERCI. MERCI requested a HELP II loan in an amount not to exceed \$1,000,000. Loan proceeds would be used to partially fund two phases of a three-phase project: the second phase - an administration building and the third phase - a multipurpose building to be used for classroom space. MERCI indicated the construction project would nearly double its capacity.

Staff recommended the Authority approve Resolution No. HII-276 for MERCI in an amount not to exceed \$1,000,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, and Public Financial Management, Inc., the Authority's financial analysts, concurred with the Authority's staff recommendations.

Ms. Escanuelas gave an overview of the need of MERCI's services and the multi-phase expansion project.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Ms. Rockwell moved approval of Resolution No. HII-276 as amended and Mr. Gordon seconded the motion. The Resolution was adopted with a 6-aye roll call vote.

Item #8 Revised Bond Issuance Guidelines for Non-Investment Grade Unrated Debt, Resolution No. 2012-08

Ms. Liebert introduced Diane S. Potter, Esq., of Orrick, Herrington & Sutcliffe LLP.

Ms. Liebert stated the Authority approved a new process of staff due diligence for investment grade rated bond transactions in September 2010. The working group has since reconvened to discuss updating the existing guidelines for non-investment grade and unrated debt. Following extensive time and document revisions, the working group agreed upon the following set of minimum requirements for all non-investment grade and unrated bond transactions: 1) Must be privately placed with and transferred only to a "Qualified Institutional Buyer" as defined by SEC Rule 144a; 2) Minimum denominations of \$250,000; 3) Unconditional promise to pay from Borrower; 4) An Investor Letter required at initial issuance (the Authority reserves the right to

discuss and require a Traveling Investor Letter as circumstances may warrant); 5) Bond transfer restrictions must be noted conspicuously on the bond itself and bonds must be physically delivered.

Staff recommended the Authority approve Resolution No. 2012-08.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Hansen moved approval of Resolution No. 2012-08 and Ms. Frank seconded the motion. The Resolution was adopted with a 6-aye roll call vote.

Item #9 Revised Post Issuance Tax Compliance Procedures, Resolution No. 2012-09

The Authority approved post-issuance tax compliance procedures at its June 30, 2011 meeting and amended procedures at its December 1, 2011 meeting. At each meeting, staff informed the board members that further changes might be recommended. The IRS released a publication in May 2012 which provided an overview of a conduit issuer's responsibilities with respect to tax compliance for tax-exempt bonds. State Treasurer's Office Legal Counsel reviewed the IRS publication and based on the review and input from bond and tax counsels, now recommends additional changes to CHFFA's Procedures. The most significant change to the procedures would result in the Authority designating an "Issuer Compliance Officer" to perform a number of tasks associated with post-issuance federal tax requirements for tax-exempt bonds. CHFFA worked with State Treasurer's Office Administration to create a new position to serve this purpose and is in the process of collecting resumes from interested individuals.

Staff recommended the Authority approve Resolution No. 2012-09

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Gordon moved approval of Resolution No. 2012-09 and Ms. Rockwell seconded the motion. The Resolution was adopted with a 6-aye roll call vote.

Item #10 HELP II Bi-Annual Report

Rosalind Brewer, Deputy Executive Director, presented the HELP II Loan Program's bi-annual report, which included statistics on loans that closed or were in the process of closing.

Item #11 Other Business

There was no other business presented. Chairperson Wynne asked for public comment.

Hearing none, the meeting was adjourned at 3:12 P.M.