

\$84,100,000**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY****Refunding Revenue Bonds
(STANFORD HOSPITAL AND CLINICS)****2008 Series B-2****\$42,050,000 Subseries 1 and \$42,050,000 Subseries 2****Reoffering Date:** June 15, 2011**Due:** November 15, 2045

This Reoffering Circular has been prepared to provide information concerning the remarketing of the California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series B-2 (the "2008 B-2 Bonds"), following the mandatory tender of the 2008 B-2 Bonds on June 15, 2011, in connection with the reoffering of the 2008 B-2 Bonds in a Commercial Paper Mode. The 2008 B-2 Bonds and the California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series A-1, A-2, A-3 and B-1 (collectively, the "Other Bonds") were issued on June 2, 2008 pursuant to an Indenture, dated as of June 1, 2008, as amended and supplemented (the "Indenture"), between the California Health Facilities Financing Authority (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee") for the benefit of Stanford Hospital and Clinics (the "Corporation"). The 2008 B-2 Bonds and the Other Bonds are referred to herein as the "2008 Bonds." The Trustee also acts as tender agent (the "Tender Agent") for the 2008 B-2 Bonds.

In connection with the mandatory tender and reoffering of the 2008 B-2 Bonds, and pursuant to a Second Supplemental Indenture, dated as of June 1, 2011, between the Authority and the Trustee, the 2008 B-2 Bonds will be divided into two subseries (each, a "Subseries") to be designated as the 2008 Series B-2 Subseries 1 Bonds, having an aggregate principal amount of \$42,050,000 (the "2008 B-2 Subseries 1 Bonds"), and the 2008 Series B-2 Subseries 2 Bonds, having an aggregate principal amount of \$42,050,000 (the "2008 B-2 Subseries 2 Bonds" and, together with the 2008 B-2 Subseries 1 Bonds, the "Bonds").

Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and J.P. Morgan Securities LLC will serve as the initial remarketing agents for the 2008 B-2 Bonds upon their reoffering on June 15, 2011. Thereafter, Goldman, Sachs & Co. will serve as the remarketing agent for the 2008 B-2 Subseries 1 Bonds and J.P. Morgan Securities LLC will serve as the remarketing agent for the 2008 B-2 Subseries 2 Bonds.

While in the Commercial Paper Mode, interest on each Bond will be payable on the first Business Day following the last day of each Commercial Paper Rate Period for such Bond.

The 2008 Bonds are limited obligations of the Authority, secured under the provisions of the Indenture and a Loan Agreement, dated as of June 1, 2008 (the "Loan Agreement"), between the Authority and the Corporation, and are payable from Revenues, which consist primarily of all amounts received by the Authority or the Trustee for the account of the Authority pursuant to or with respect to the Loan Agreement and Obligation No. 19 issued under the Master Indenture, described herein. Under the Master Indenture, the Corporation and any future Members of the Obligated Group are jointly obligated to make payments on Obligation No. 19 in an amount sufficient to pay the principal of and interest on the 2008 Bonds, when due.

The Bonds are offered in denominations of \$500 or any integral multiple thereof, and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. The Bonds are subject to optional, special and mandatory redemption prior to maturity as described herein. **The Bonds are also subject to mandatory tender for purchase, including after the end of any Commercial Paper Rate Period for a Bond and on a Conversion Date, as described herein. No credit or liquidity facility will be provided in connection with the reoffering of the Bonds in a Commercial Paper Mode. See "THE BONDS—Purchase of Bonds—Inadequate Funds for Tenders" herein.**

There has been filed with the MSRB a reoffering circular, dated June 8, 2011, relating to the California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series A-2 and A-3 (the "2008 A-2/A-3 Reoffering Circular"), which includes the audited consolidated financial statements of the Corporation for the fiscal years ended August 31, 2010 and 2009 and certain other financial and operating information for the Corporation for the periods described therein. **The 2008 A-2/A-3 Reoffering Circular filed with the MSRB on behalf of the Corporation is hereby incorporated by reference.**

This Reoffering Circular has been prepared for the sole purpose of describing certain terms of the Bonds following the reoffering of the Bonds in a Commercial Paper Mode. It does not purport to be definitive or complete. Reference is made to the 2008 A-2/A-3 Reoffering Circular filed with the MSRB for information concerning the Corporation.

On June 2, 2008, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, delivered its opinion that, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Bond Counsel's opinion also stated that interest on the 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Bonds. In the opinion of Bond Counsel, to be dated June 15, 2011, the reoffering of the Bonds in a Commercial Paper Mode as described herein will not, in and of itself, adversely affect the exclusion of interest on the 2008 Bonds from gross income for purposes of federal income taxation. Bond Counsel is not rendering any opinion on the current tax status of the 2008 Bonds. See "TAX MATTERS" herein.

The Bonds are being remarketed at the direction of the Corporation. The Authority has not participated in the preparation of this Reoffering Circular, makes no representation with respect hereto and is not in any manner responsible for any of the information contained herein.

MORGAN STANLEY**GOLDMAN, SACHS & CO.****J.P. MORGAN**

June 9, 2011

† See "RATINGS" herein.

\$84,100,000
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Refunding Revenue Bonds
(STANFORD HOSPITAL AND CLINICS)
2008 Series B-2

2008 B-2 Subseries 1		
<u>Maturity</u> <u>(November 15)</u>	<u>Principal Amount</u>	<u>CUSIP†</u>
2045	\$42,050,000	13033LNX1

2008 B-2 Subseries 2		
<u>Maturity</u> <u>(November 15)</u>	<u>Principal Amount</u>	<u>CUSIP†</u>
2045	\$42,050,000	13033LNY9

† A registered trademark of The American Bankers Association. CUSIP is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. None of the Authority, the Corporation or any of the Remarketing Agents assume any responsibility for the accuracy of such numbers.

This Reoffering Circular does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

All information set forth herein has been obtained from the Corporation and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Reoffering Circular nor any sale of the Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the Corporation since the date hereof. The Remarketing Agents have provided the following sentence for inclusion in this Reoffering Circular. The Remarketing Agents have reviewed the information in this Reoffering Circular in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE REOFFERING OF THE BONDS, THE REMARKETING AGENTS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS REOFFERING CIRCULAR

Certain statements included or incorporated by reference in this Reoffering Circular constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained under the caption “BONDHOLDERS’ RISKS” and under the caption “FINANCIAL INFORMATION—Management’s Discussion and Analysis” in APPENDIX A – “INFORMATION CONCERNING STANFORD HOSPITAL AND CLINICS” in the 2008 A-2/A-3 Reoffering Circular.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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INTRODUCTION

This Reoffering Circular has been prepared to provide information concerning the remarketing of the California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series B-2 (the “2008 B-2 Bonds”), following the mandatory tender of the 2008 B-2 Bonds June 15, 2011, in connection with the reoffering of the 2008 B-2 Bonds in a Commercial Paper Mode. The 2008 B-2 Bonds and the California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series A-1, A-2, A-3 and B-1 (collectively, the “Other Bonds”) were issued on June 2, 2008 pursuant to an Indenture, dated as of June 1, 2008, as amended and supplemented (the “Indenture”), between the California Health Facilities Financing Authority (the “Authority”) and Wells Fargo Bank, National Association, as trustee (the “Trustee”) for the benefit of Stanford Hospital and Clinics (the “Corporation”). The 2008 B-2 Bonds and the Other Bonds are referred to herein as the “2008 Bonds.” The Trustee also acts as tender agent (the “Tender Agent”) for the 2008 B-2 Bonds.

In connection with the mandatory tender and reoffering of the 2008 B-2 Bonds, and pursuant to a Second Supplemental Indenture, dated as of June 1, 2011, between the Authority and the Trustee, the 2008 B-2 Bonds will be divided into two subseries (each, a “Subseries”) to be designated as the 2008 Series B-2 Subseries 1 Bonds, having an aggregate principal amount of \$42,050,000 (the “2008 B-2 Subseries 1 Bonds”), and the 2008 Series B-2 Subseries 2 Bonds, having an aggregate principal amount of \$42,050,000 (the “2008 B-2 Subseries 2 Bonds” and, together with the 2008 B-2 Subseries 1 Bonds, the “Bonds”). Upon their reoffering on June 15, 2011, the 2008 B-2 Bonds will initially be remarketed by Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and J.P. Morgan Securities LLC. Thereafter, the 2008 B-2 Subseries 1 Bonds will be remarketed by Goldman, Sachs & Co. and the 2008 B-2 Subseries 2 Bonds will be remarketed by J.P. Morgan Securities LLC.

While in the Commercial Paper Mode, interest on each Bond will be payable on the first Business Day following the last day of each Commercial Paper Rate Period for such Bond.

INFORMATION INCLUDED BY REFERENCE

There has been filed with the Municipal Securities Rulemaking Board (the “MSRB”) a reoffering circular, dated June 8, 2011, relating to the California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series A-2 and A-3 (the “2008 A-2/A-3 Reoffering Circular”), which included the audited consolidated financial statements of the Corporation for the fiscal years ended August 31, 2010 and 2009, and certain other financial and operating information for the Corporation for the periods described therein.

The 2008 A-2/A-3 Reoffering Circular filed with the MSRB is hereby incorporated by reference pursuant to Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. Prospective purchasers of the Bonds are advised to read the 2008 A-2/A-3 Reoffering Circular for more complete information about the Corporation. The 2008 A-2/A-3 Reoffering Circular incorporated by reference in this Reoffering Circular can be obtained for free by visiting EMMA on the MSRB website at www.msrb.org. Alternatively, the 2008 A-2/A-3 Reoffering Circular can be obtained upon request from Morgan Stanley & Co. Incorporated by contacting Jonathan Ma at (212) 762-9385 or jonathan.ma@morganstanley.com, from Goldman, Sachs & Co. by contacting Edward Kim at (415) 393-7714 or edward.kim@gs.com, or from J.P. Morgan Securities LLC by contacting Steven Kim at (415) 315-5753 or steven.d.kim@jpmchase.com.

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the 2008 A-2/A-3 Reoffering Circular. The discussion herein is qualified by such references.

SECURITY FOR THE BONDS

For information relating to the security for the Bonds and information relating to Obligations currently outstanding under the Master Indenture, including Obligation No. 19 issued in connection with the issuance of the 2008 Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—The Master Indenture” in the 2008 A-2/A-3 Reoffering Circular.

The Corporation intends to amend and restate the Master Indenture. For the form of the Amended and Restated Master Indenture of Trust (the “Amended Master Indenture”), see “APPENDIX H—FORM OF AMENDED AND RESTATED MASTER INDENTURE OF TRUST” in the 2008 A-2/A-3 Reoffering Circular. The Amended Master Indenture will go into effect when the Corporation secures the consent of the Holders of a majority in aggregate principal amount of Obligations outstanding under the Master Indenture, which the Corporation expects to obtain in connection with the reoffering of the Bonds and the reoffering of the above-referenced 2008 Series A-2 and A-3 Bonds described in the 2008 A-2/A-3 Reoffering Circular. The Amended Master Indenture also includes one provision which will not go into effect until the Corporation secures the consent of the Holders of 100% in aggregate principal amount of Obligations outstanding. See Section 4.14 of the Amended Master Indenture set forth in Appendix H to the 2008 A-2/A-3 Reoffering Circular.

By purchasing the Bonds offered hereunder, the purchasers and the beneficial owners will be deemed to have consented to the Amended Master Indenture and the amendment of Section 4.14.

THE BONDS

The following is a summary of certain provisions of the Bonds which will apply after the reoffering of the Bonds in a Commercial Paper Mode. Reference is made to the Bonds for the complete text thereof and to the Indenture for all of the provisions relating to the Bonds. Reference is also made to the 2008 A-2/A-3 Reoffering Circular.

This Reoffering Circular describes certain terms of the Bonds applicable while such Bonds accrue interest at Commercial Paper Rates. There are significant changes in the terms of the Bonds while such Bonds accrue interest at a Daily Rate, a Weekly Rate, a Long Term Rate or an Auction Rate.

General

The Bonds have been delivered in fully registered form without coupons and are registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC acts as securities depository for the Bonds. Upon reoffering of the Bonds in Commercial Paper Mode on June 15, 2011, ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$500 or any integral multiple thereof. Principal of and interest and premium, if any, on the Bonds is payable by the Trustee to DTC, which is obligated, in turn, to remit the principal, interest and premium to DTC Participants, upon DTC’s receipt of funds and corresponding detailed information from the Trustee or the Authority, for subsequent disbursement to beneficial owners of such Bonds. See APPENDIX F to the 2008 A-2/A-3 Reoffering Circular – “BOOK-ENTRY SYSTEM.”

Interest on the Bonds

Commercial Paper Mode. Upon their reoffering as described herein, the Bonds of each Subseries will bear interest at Commercial Paper Rates. During each Commercial Paper Rate Period with respect to Bonds of either Subseries, each such Bond shall bear interest during each Commercial Paper Rate Period for such Bond at the Commercial Paper Rate for such Bond. The Commercial Paper Rate Period and the Commercial Paper Rate for each Bond need not be the same for any two Bonds, even if determined on the same date. Each of such Commercial Paper Rate Periods and Commercial Paper Rates for each Bond shall be determined by the applicable Remarketing Agent no later than the first day of each Commercial Paper Rate Period. Each Commercial Paper Rate shall be in effect for a period of days within the range or ranges announced as possible Commercial Paper Rates no later than 12:30 p.m. (New York City Time) on the first day of each Commercial Paper Rate Period by the applicable Remarketing Agent. Each Commercial Paper Rate Period for each Bond shall be a period of not more than two hundred seventy (270) days, determined by the applicable Remarketing Agent to be the period which, together with all other Commercial Paper Rates for all Bonds then Outstanding, will result in the lowest overall interest expense on the Bonds under Prevailing Market Conditions over the next succeeding twelve month period or as otherwise directed by the Corporation. Each Commercial Paper Rate Period shall end on either a day which immediately precedes a Business Day or on the day immediately preceding the maturity date.

The Commercial Paper Rate for each Bond in a Commercial Paper Rate Period shall be the rate of interest per annum determined by the applicable Remarketing Agent to be the minimum interest rate that, if borne by such Bond, would enable the applicable Remarketing Agent to sell such Bond on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. If, for any reason, a Commercial Paper Rate for any Bond in a Commercial Paper Rate Period is not so established by the applicable Remarketing Agent for any Commercial Paper Rate, or if such Commercial Paper Rate is determined by a court of law to be invalid or unenforceable, then the Commercial Paper Rate for such Commercial Paper Rate shall be the rate per annum equal to the SIFMA Municipal Swap Index on the first day of such Commercial Paper Rate.

During the Commercial Paper Mode, the “Interest Payment Date” for each Bond will be the first Business Day following the last day of each Commercial Paper Rate Period for such Bond.

Conversion to a Different Mode; Mandatory Tender Upon Conversion or After End of Commercial Paper Mode

Change in Modes. Subject to the provisions of the Indenture, the Corporation may, at any time, convert either Subseries of the Bonds from the Commercial Paper Mode to the Daily Mode, Weekly Mode, Long Term Rate Mode or Auction Mode (a “Conversion”). In order to effect a Conversion, the Corporation is required to provide a written notice (a “Conversion Notice”) to the Authority, the Trustee, and the applicable Remarketing Agent stating the proposed “Conversion Date,” which shall be (1) a Business Day not earlier than the 20th day following receipt by the Trustee of such direction and (2) the day immediately following the last day of the then-current Commercial Paper Rate Period.

Favorable Opinion of Bond Counsel. The direction from the Corporation must be accompanied by a letter from Bond Counsel that it expects to deliver, on the Conversion Date, a Favorable Opinion of Bond Counsel, addressed to the Trustee, to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not, in and of itself, adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Such Favorable Opinion of Bond Counsel must be delivered on the Conversion Date.

Conditions Precedent to Conversion. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel, or any other condition precedent to a Conversion is not met on the proposed Conversion Date, then the Interest Rate Mode for such Bonds shall not be adjusted and the Bonds shall continue to bear interest at the Commercial Paper Rates as in effect immediately prior to such proposed Conversion Date. In any event, if notice of a proposed Conversion has been mailed to Bondholders as described herein, and any conditions precedent to a Conversion have not been met, such Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the proposed effective date of such Conversion.

Mandatory Tender for Purchase. The Bonds are subject to mandatory tender for purchase on (1) a Conversion Date and (2) the Business Day following the end of each Commercial Paper Rate Period for such Bond, at a purchase price (the “Purchase Price”) equal to the principal amount thereof plus accrued interest, if any, to the date of purchase. The owner of any Bond subject to mandatory tender for purchase may not elect to retain such Bond and is required to tender such Bond on the applicable date of purchase.

Bondholder Notice and Other Provisions Concerning Conversions and Mandatory Tender for Purchase. At least 15 days prior to a proposed Conversion Date, the Trustee shall give written notice by first class mail, postage prepaid, to the Authority and the Holders of the applicable Subseries of the Bonds to the effect that the Corporation has chosen to convert such Subseries of the Bonds to a new Interest Rate Mode. Such notice (hereinafter referred to as a “Conversion Notice”) shall state: (i) that the Interest Rate Mode on such Bonds shall be adjusted to the applicable interest rate for the proposed Mode unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee on the Conversion Date; (ii) the proposed Conversion Date for such Mode; and (iii) that such Bonds are subject to mandatory tender for purchase on such proposed Conversion Date and shall set forth the applicable Purchase Price and the place of delivery for purchase of such Bonds, (iv) that the Purchase Price of any Bond so subject to mandatory tender for purchase shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder’s duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (v) that all Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date which shall be explicitly stated; and (vi) that in the event that any Holder of a Bond so subject to mandatory tender for purchase shall not surrender such Bond to the Tender Agent for purchase on such mandatory purchase date, then such Bond shall be deemed to be an Undelivered Bond, and that no interest shall accrue thereon on and after such mandatory purchase date and that the Holder thereof shall have no rights under the Indenture other than to receive payment of the Purchase Price thereof.

No notice of mandatory tender following the end of a Commercial Paper Rate Period shall be required to be given to Bondholders.

Prior to a Conversion Date, the Corporation may cancel its election to adjust the Interest Rate Mode on the Bonds of either Subseries on any date prior to the date on which notice of such Conversion has been mailed to the Holders of the applicable Subseries of Bonds upon notice to the Trustee, the Authority and the Remarketing Agent. In such event, such Bonds shall remain in the current Interest Rate Mode and the interest rate on such Bonds shall continue to be determined as provided in the Indenture.

No Conversion from one Interest Rate Mode to another shall take effect under the Indenture for either Subseries of Bonds on the proposed Conversion Date if the remarketing proceeds available on the proposed Conversion Date shall be less than the amount required to purchase all of the Bonds of such Subseries at the Purchase Price.

Purchase of the Bonds

Book-Entry Tender Procedures. Notwithstanding anything to the contrary described herein, all tenders for purchase during any period in which the Bonds are registered in the name of any Securities Depository or its nominee shall be made pursuant to the applicable Securities Depository's procedures in effect from time to time.

Effect of Mandatory Tender for Purchase of Bonds. If any Holder of a Bond subject to mandatory tender for purchase shall fail to deliver such Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Bond properly endorsed, such Bond shall constitute an Undelivered Bond. If funds in the amount of the Purchase Price of the Undelivered Bond are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (a) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under this Indenture; (b) interest shall no longer accrue thereon; and (c) funds in the amount of the Purchase Price of the Undelivered Bond shall be held by the Tender Agent for such Bond for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office. Any funds held by the Tender Agent as described in clause (c) of the preceding sentence shall be held uninvested.

Inadequate Funds for Tenders. If sufficient funds are not available for the purchase of all Bonds of either Subseries tendered or deemed tendered and required to be purchased on any Purchase Date, the failure to pay the Purchase Price of all tendered Bonds when due and payable shall constitute an Event of Default and all tendered Bonds shall be returned to their respective Holders and shall bear interest at the Maximum Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with the Indenture. Thereafter, the Tender Agent shall continue to take all such action available to it to obtain remarketing proceeds from the applicable Remarketing Agent and sufficient other funds from the Corporation.

Disclosure Concerning Sales of the Bonds by Remarketing Agents

Each Remarketing Agent is Paid by the Corporation. Each Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds of the applicable Subseries that are mandatorily tendered by the owners thereof (subject, in each case to the terms of the applicable Remarketing Agreement), all as further described in this Reoffering Circular and provided in the Indenture. Each Remarketing Agent is appointed by and is paid by the Corporation for its services. As a result, the interests of each Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

Each Remarketing Agent Routinely Purchases Bonds for its Own Account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds of the applicable Subseries for its own account. Each Remarketing Agent, in its sole discretion, routinely acquires tendered Bonds of the applicable Subseries for its own inventory in order to achieve a successful remarketing of such Subseries of Bonds (i.e., because there otherwise are not enough buyers to purchase such Subseries of Bonds) or for other reasons. However, no Remarketing Agent is obligated to purchase bonds, including the Bonds, and may cease doing so at any time without notice. Each Remarketing Agent may also make a market in the Subseries of Bonds for which it serves as Remarketing Agent by routinely purchasing and selling such Subseries of Bonds other than in connection with a remarketing. Such purchases and sales may be at or below par. However, no Remarketing Agent is required to make a market in the Bonds. If any Remarketing Agent purchases Bonds for its own account, it may offer those Bonds at a discount to par to some investors. Each Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates

or others in order to reduce its exposure to the Bonds. The purchase of Bonds by any Remarketing Agent may create the appearance that there is greater third-party demand for the Bonds in the market than is actually the case. The practices described above also may reduce the supply of Bonds that may be tendered in a remarketing.

Under Certain Circumstances, Any or All Remarketing Agents May Be Removed, Resign or Cease Remarketing the Applicable Subseries of Bonds, Without a Successor Being Named. Under certain circumstances a Remarketing Agent may resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the applicable Remarketing Agreement. In the event no appointment is made within 30 days, the Tender Agent shall apply to a court of competent jurisdiction for such appointment.

Redemption

Optional Redemption. The Bonds of each Subseries are subject to redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon Request of the Corporation, a copy of which Request shall be delivered to the Trustee not less than twenty (20) days prior to the date fixed for such redemption, or such shorter period as agreed to in writing by the Trustee in its sole discretion), in whole or in part (and, if in part, in such amounts as may be specified by the Corporation and in Authorized Denominations), by lot on any Interest Payment Date for each Commercial Paper Rate Period for each Bond of such Subseries, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, plus accrued interest, if any, to the date fixed for redemption, without premium.

Sinking Account Redemption. Effective June 15, 2011, the Bonds of each Subseries are subject to redemption prior to their stated maturity in part from Mandatory Sinking Account Payments on November 15 in the years and in the principal amounts set forth below, plus accrued interest to the date of redemption, without premium.

2008 B-2 Subseries 1

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments
2041	\$7,762,500
2042	8,025,000
2043	8,412,500
2044	8,737,500
2045 [†]	9,112,500

[†] Final Maturity.

2008 B-2 Subseries 2

Mandatory Sinking Account Payment Dates (November 15)	Mandatory Sinking Account Payments
2041	\$7,762,500
2042	8,025,000
2043	8,412,500
2044	8,737,500
2045 [†]	9,112,500

[†] Final Maturity.

Special Redemption. The Bonds are subject to special redemption prior to their respective stated maturities as described in “THE BONDS—Redemption” in the 2008 A-2/A-3 Reoffering Circular.

Mandatory Purchase in Lieu of Redemption. The Bonds are subject to mandatory purchase in lieu of redemption as described in “THE BONDS—Redemption” in the 2008 A-2/A-3 Reoffering Circular.

TAX MATTERS

On June 2, 2008, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), delivered its opinion that, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel’s opinion also stated that interest on the 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included when adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

In the opinion of Bond Counsel, the reoffering of the Bonds in a Commercial Paper Mode will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2008 Bonds. A complete copy of the opinion of Bond Counsel delivered on June 2, 2008 in connection with the issuance of the 2008 Bonds is set forth in APPENDIX B hereto, and the opinion of Bond Counsel, to be dated June 15, 2011, that the reoffering will not, in and of itself, adversely affect the exclusion of interest on the 2008 Bonds from gross income for purposes of federal income taxation, is set forth in APPENDIX A hereto. Bond Counsel is not rendering any opinion on the current tax status of the 2008 Bonds.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Corporation have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2008 Bonds being included in gross income for federal income tax purposes,

possibly from the date of original issuance of the 2008 Bonds. The opinion of Bond Counsel rendered on June 2, 2008 in connection with the issuance of the 2008 Bonds assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2008 Bonds may adversely affect the value of, or the tax status of interest on, the 2008 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, in its opinion rendered on June 2, 2008 in connection with the issuance of the Bonds, Bond Counsel relied, among other things, on the opinion of Ropes & Gray LLP, Counsel to the Corporation, regarding the qualification of the Corporation as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel also relied upon representations of the Corporation concerning the Corporation's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the Corporation has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the Corporation can give or has given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service (the "IRS"). Failure of the Corporation to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities refinanced by the 2008 Bonds in a manner that is substantially related to the Corporation's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the 2008 Bonds being included in federal gross income, possibly from the date of the original issuance of the 2008 Bonds.

Although the opinion of Bond Counsel rendered on June 2, 2008 in connection with the issuance of the 2008 Bonds stated that interest on the 2008 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the 2008 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel rendered on June 2, 2008 in connection with the issuance of the 2008 Bonds was based on current legal authority, covered certain matters not directly addressed by such authorities, and represented Bond Counsel's judgment as to the proper treatment of the 2008 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Corporation have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2008 Bonds ended with the issuance of the 2008 Bonds on June 2, 2008, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Corporation or the beneficial owners regarding the tax-exempt status of the 2008 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Corporation and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Corporation legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2008 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2008 Bonds, and may cause the Authority, the Corporation or the beneficial owners to incur significant expense.

LEGAL MATTERS

Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Reoffering Circular. Certain legal matters will be passed upon for the Corporation by its counsel, Ropes & Gray LLP, San Francisco, California and for the Remarketing Agents by their counsel, Sidley Austin LLP, San Francisco, California.

LITIGATION

There is no controversy or litigation of any nature now pending against the Corporation or, to the knowledge of the officers of the Corporation, threatened, restraining or enjoining the reoffering, sale or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, any proceedings of the Corporation taken concerning the reoffering or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds.

The Corporation, like similar institutions, is subject to a variety of suits and proceedings arising in the ordinary course of business. For further discussion, see APPENDIX A – “INFORMATION CONCERNING STANFORD HOSPITAL AND CLINICS—LITIGATION AND REGULATORY MATTERS” in the 2008 A-2/A-3 Reoffering Circular.

RATINGS

Moody's Investors Service, Inc. (“Moody's”), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) and Fitch Ratings (“Fitch”), have assigned municipal bond ratings of “Aa3,” “A+” and “AA-”, respectively, to the Bonds. Moody's, S&P and Fitch have assigned short-term ratings of “VMIG1,” “A-1” and “F1+,” respectively, to the Bonds. The ratings reflect the current assessment of each rating agency of the creditworthiness of the Corporation. Such ratings reflect only the view of each organization and any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. The Corporation has furnished to such rating agencies certain information and materials concerning the Bonds and itself. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that any of the ratings mentioned above will remain in effect for any given period of time or that the ratings might not be lowered or withdrawn entirely by the rating agency that assigned any such rating, if in its judgment circumstances so warrant. Any downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

THE REMARKETING

The 2008 B-2 Bonds initially will be remarketed by Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and J.P. Morgan Securities LLC (individually, a “Remarketing Agent,” and collectively, the “Remarketing Agents”) upon their reoffering on June 15, 2011. Thereafter, the 2008 B-2 Subseries 1 Bonds will be remarketed by Goldman, Sachs & Co. and the 2008 B-2 Subseries 2 Bonds will be remarketed by J.P. Morgan Securities LLC. The Corporation has entered into a separate remarketing agreement with each Remarketing Agent (each, a “Remarketing Agreement” and, collectively, the “Remarketing Agreements”). Pursuant to the Remarketing Agreements, as compensation for their services in connection with the initial remarketing of the 2008 B-2 Bonds on June 15, 2011, the Remarketing Agents will be paid a fee of \$63,075 by the Corporation, and thereafter Goldman, Sachs & Co. and J.P. Morgan Securities LLC will be paid by the Corporation an ongoing fee for each Bond remarketed. Also pursuant to the Remarketing Agreements, the Corporation has agreed to pay the fees of counsel to the Remarketing Agents. The Remarketing Agreements provide that each Remarketing Agent will purchase all of the Bonds for which it is acting as Remarketing Agent, if any are purchased, and contain the agreement of the Corporation to indemnify the Remarketing Agents against certain liabilities to the extent permitted by law.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, as an initial Remarketing Agent of certain 2008 B-2 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its reoffering efforts with respect to the 2008 B-2 Bonds.

Goldman, Sachs & Co., as a Remarketing Agent for certain of the 2008 B-2 Bonds, has entered into a master dealer agreement (the “Master Dealer Agreement”) with Incapital LLC (“Incapital”) for the distribution of certain municipal securities offerings, including the 2008 B-2 Bonds, to Incapital’s retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase the 2008 B-2 Bonds from Goldman Sachs & Co. at the initial public reoffering price less a negotiated portion of the selling concession applicable to any 2008 B-2 Bonds that Incapital sells.

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J.P. Morgan Securities LLC, as a Remarketing Agent of certain of the 2008 B-2 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the 2008 B-2 Bonds, at the original reoffering prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2008 B-2 Bonds from J.P. Morgan Securities LLC at the original reoffering price less a negotiated portion of the selling concession applicable to any 2008 B-2 Bonds that such firm sells.

STANFORD HOSPITAL AND CLINICS

By: /s/ Daniel J. Morissette
Chief Financial Officer

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL UPON REOFFERING

[Commercial Paper Mode Conversion Date]

Wells Fargo Bank, National Association,
as Trustee
San Francisco, California

California Health Facilities Financing Authority
Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series B-2
(Adjustment to Commercial Paper Mode Opinion)

Ladies and Gentlemen:

California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series B-2 (the "2008 Series B-2 Bonds") in the aggregate principal amount of \$84,100,000 were issued by California Health Facilities Financing Authority (the "Issuer") on June 2, 2008 pursuant to an Indenture, dated as of June 1, 2008 (as amended and supplemented, the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Pursuant to the Indenture, concurrently with the issuance of the 2008 Series B-2 Bonds, the Issuer issued the California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series A-1 (the "2008 Series A-1 Bonds"), 2008 Series A-2 (the "2008 Series A-2 Bonds"), 2008 Series A-3 (the "2008 Series A-3 Bonds") and 2008 Series B-1 (the "2008 Series B-1 Bonds"). The 2008 Series A-1 Bonds, the 2008 Series A-2 Bonds, the 2008 Series A-3 Bonds, the 2008 Series B-1 Bonds and the 2008 Series B-2 Bonds (hereinafter collectively referred to as the "Bonds") were issued for the benefit of Stanford Hospital and Clinics (the "Corporation"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Pursuant to Section 2.08(b) of the Indenture, the Corporation has elected to adjust the Interest Rate Mode for the 2008 Series B-2 Bonds to the Commercial Paper Mode. In connection with such adjustment of the Interest Rate Mode for the 2008 Series B-2 Bonds (hereinafter referred to as the "Conversion"), as bond counsel to the Issuer, we have reviewed the Indenture and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, all parties. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including, without limitation, covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth below, we have not otherwise reviewed any

actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any prior opinion we rendered with respect to the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Reoffering Circular, dated June 9, 2011, or other offering material relating to the 2008 Series B-2 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the Conversion in accordance with the provisions of the Indenture is authorized or permitted by the Indenture and will not, in and of itself, adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

This opinion is furnished by us as bond counsel to the Issuer solely for purposes of Section 2.08(b) of the Indenture. No attorney-client relationship has existed or exists between our firm and the Trustee in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX B

2008 OPINION OF BOND COUNSEL

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June 2, 2008

California Health Facilities Financing Authority
Sacramento, California

California Health Facilities Financing Authority
Refunding Revenue Bonds (Stanford Hospital and Clinics),
2008 Series A-1, 2008 Series A-2, 2008 Series A-3, 2008 Series B-1 and 2008 Series B-2
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Health Facilities Financing Authority (the "Issuer") in connection with the issuance of \$428,500,000 aggregate principal amount of California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2008 Series A-1, 2008 Series A-2, 2008 Series A-3, 2008 Series B-1 and 2008 Series B-2 (the "Bonds"), issued pursuant to a Indenture, dated as of June 1, 2008 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Stanford Hospital and Clinics (the "Borrower") pursuant to a Loan Agreement, dated as of June 1, 2008 (the "Loan Agreement"), between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), between the Issuer and the Borrower, opinions of counsel to the Issuer, the Borrower and the Trustee, certificates of the Issuer, the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Ropes & Gray LLP, counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that the opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the Borrower regarding the use of the facilities refinanced with the proceeds of Bonds in activities that are not considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Borrower does not address Section 513 of the Code. Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.



ORRICK

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against authorities of the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statements or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, any Credit Facility Fund and any Purchase Fund, subject to the provisions of the



Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.

4. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per A handwritten signature in blue ink that reads "Roger L. Davis".

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