

**CHFFA REVENUE BOND FINANCING PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> HOPE Services (“HOPE”) 30 Las Colinas Lane San Jose, California 95119 (Santa Clara County)</p>	<p><b>Amount Requested:</b> \$3,500,000 <b>Requested Loan Term:</b> Up to 8.25 years <b>Authority Meeting Date:</b> August 30, 2012 <b>Resolution Number:</b> 382</p>																								
<p><b>Facility Type:</b> Adult Day Care - Government Code 15432(d)(7)(16) and (19) <b>Prior Borrower:</b> Yes (date of last issue, 2002)</p>																									
<p><b>Background:</b> Established in 1952, HOPE is a California nonprofit public benefit corporation that provides comprehensive services to more than 2,500 individuals with developmental disabilities, including autism spectrum disorder, mental retardation, Down’s syndrome and other related conditions. In FY 2011, HOPE served approximately 2,593 clients. (See Exhibits 2 and 4 for more detail).</p>																									
<p><b>Use of Proceeds:</b> Bond proceeds from the 2012 Bonds (the “Bonds”) will be used to refund all of CHFFA’s 2002 Series A Insured Health Facility Refunding Revenue Bonds (the “2002 Bonds”). Based on market conditions, HOPE expects this refunding to result in an estimated net present value savings of \$243,000 or 7% over the life of the Bonds (Please see page two for more detail).</p>																									
<p><b>Type of Issue:</b> Negotiated public offering with fixed rate bonds (Expected minimum denominations of \$5,000) <b>Credit Enhancement:</b> Cal-Mortgage Insurance (approved) <b>Expected Credit Rating:</b> A- (S&amp;P) based on Cal-Mortgage Insurance <b>Financing Team:</b> <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>																									
<p><b>Financial Overview:</b> Although HOPE continues to experience operating challenges over the review period, the organization has a new strategic plan in place to recover from the economic downturn to improve its operating performance and financial position. HOPE continues to rely on short-term financing to offset its losses. However, its balance sheet remains strong and highly liquid with a positive proforma debt service coverage ratio of 1.18x. The current refunding is one of several cost saving measures that HOPE is undertaking to improve its financial performance.</p>																									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th colspan="2" style="text-align: left;"><u>Estimated Uses of Funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Bond proceeds*</td> <td style="width: 20%; text-align: right;">\$ 3,500,000</td> <td style="width: 30%;">Refund CHFFA bonds</td> <td style="width: 20%; text-align: right;">\$ 3,853,000</td> </tr> <tr> <td>Other funds**</td> <td style="text-align: right;">921,000</td> <td>Debt service reserve fund</td> <td style="text-align: right;">350,000</td> </tr> <tr> <td></td> <td></td> <td>Financing costs</td> <td style="text-align: right;">131,000</td> </tr> <tr> <td></td> <td></td> <td>Cal-Mortgage premium and fees</td> <td style="text-align: right;">87,000</td> </tr> <tr> <td><b>Total Estimated Sources</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>\$ 4,421,000</b></td> <td><b>Total Estimated Uses</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>\$ 4,421,000</b></td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Bond proceeds*	\$ 3,500,000	Refund CHFFA bonds	\$ 3,853,000	Other funds**	921,000	Debt service reserve fund	350,000			Financing costs	131,000			Cal-Mortgage premium and fees	87,000	<b>Total Estimated Sources</b>	<b>\$ 4,421,000</b>	<b>Total Estimated Uses</b>	<b>\$ 4,421,000</b>
<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>																							
Bond proceeds*	\$ 3,500,000	Refund CHFFA bonds	\$ 3,853,000																						
Other funds**	921,000	Debt service reserve fund	350,000																						
		Financing costs	131,000																						
		Cal-Mortgage premium and fees	87,000																						
<b>Total Estimated Sources</b>	<b>\$ 4,421,000</b>	<b>Total Estimated Uses</b>	<b>\$ 4,421,000</b>																						
<p><small>*HOPE was approved in July 2012 for \$3,395,000 by Cal-Mortgage. According to Cal-Mortgage’s commitment letter, the amount can be adjusted up to 5% above the approval amount by the time of the final endorsement. **Includes 2002 Bonds debt service reserve fund and revenue fund deposits and HOPE’s equity contribution.</small></p>																									
<p><b>Due Diligence:</b> Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, and the Iran Contracting Act Certificate documentation. All documentation satisfies the Authority’s requirements.</p>																									
<p><b>Staff Recommendation:</b> Staff recommends the Authority approve Resolution Number 382 in an amount not to exceed \$3,500,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini &amp; O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management (“PFM”), Inc., the Authority’s financial advisor, concur with the Authority’s staff recommendations.</p>																									

**I. PURPOSE OF FINANCING:**

HOPE is embarking on an overall strategic plan to restore itself into a profitable organization. As part of the restoration plan, HOPE plans to refund its 2002 Bonds to take advantage of the current market’s historic low level of tax-exempt interest rates which is expected to result in a net present value savings of approximately \$243,000 over the life of the Bonds. This savings will be one of its first steps to improve its financial position.

***Refunding CHFFA’s 2002 Bonds .....* **\$3,853,000****

HOPE intends to use bond proceeds to refund the 2002 Bonds. The current outstanding balance of the 2002 Bonds is approximately \$3.5 million and matures on November 1, 2020. The 2002 Bonds were used to refund CHFFA’s 1990 Bonds, which were used to purchase an administrative office center located at 4351 Lafayette Street (Lafayette), Santa Clara, California, construct and purchase equipment for a rehabilitation services facility located at 1555 Parkmoor Avenue (Parkmoor), San Jose, California, and purchase a rehabilitation services facility located at 2380 South 10<sup>th</sup> Street (South), San Jose, California.

The Lafayette property has since been sold. Proceeds from the sale of the Lafayette property were used to acquire and improve HOPE’s main facility located at 30 Las Colinas Lane, San Jose, California. The main facility is used for administrative services and provides adult day care services as well.

HOPE owns the building on the Parkmoor property and leases the land. HOPE is in negotiations to purchase the land. In order to purchase the land, it placed its South property in escrow and HOPE anticipates closing the sale at the end of September 2012. In the event HOPE is not successful in purchasing the land, the proceeds from the sale of the South property will be used to pay down the 2012 Bonds.

***Debt Service Reserve Fund .....* **350,000****

***Cal-Mortgage Insurance Premium and Fees .....* **87,000****

***Financing Costs .....* **131,000****

Cost of Issuance..... \$106,000

Underwriter’s Discount ..... 25,000

**Total Uses of Funds ..... **\$4,421,000****

## II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

**Cal-Mortgage Insurance.** The Authority's approval of the issuance of the Bonds will be subject to the requirement that the Bonds are insured by the Office of Statewide Health Planning and Development ("Cal-Mortgage"). As the insurer for the Bonds, Cal-Mortgage will take the responsibility for negotiating the covenants with HOPE that it decides are necessary for this transaction. These covenants will be incorporated into the Regulatory Agreement which the Authority will be a party to; however, Cal-Mortgage is granted the power to amend, modify or terminate the terms of the Regulatory Agreement (including the covenants) without the Authority's consent.

Because of the role of Cal-Mortgage as the insurer of the Bonds, the covenants described below (other than the unconditional promise to pay) may be subject to change and further negotiation after the Authority's Board takes action on the Resolution relating to the Bonds.

**Unconditional Promise to Pay.** HOPE agrees to pay the Trustee all amounts required for principal, interest or reserve deposits and other payments and expenses designated in the Loan Agreement. The primary source of payment for HOPE's obligations under the Loan Agreement will be the gross revenues of HOPE.

**Mortgage or Deed of Trust.** HOPE's obligations under its Loan Agreement will be secured by deeds of trust on all of its facilities. The Authority should note that the lien of the deeds of trust can be released with the consent of Cal-Mortgage but without the consent of the Authority.

**Pledge of Gross Revenues.** HOPE pledges to deposit all revenues, income, receipts and money received into a Gross Revenues Fund over which the Trustee will have control if HOPE defaults on its payments.

**Negative Pledge Against Prior Liens.** HOPE agrees not to create or assume any Lien upon HOPE's Property other than the Permitted Encumbrances.

**Limited Permitted Encumbrances.** HOPE is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Loan Agreement.

**Debt Service Reserve.** The Bonds shall be secured by a Bond Reserve Fund that will be funded at the time of issuance of the Bonds in an amount equal to maximum annual debt service on the Bonds or such lesser amount as shall be required to comply with applicable federal tax rules. The Bond Reserve Fund is available to make principal and interest payments if HOPE fails to timely deposit loan payments.

**Debt Service Coverage Requirement.** The Loan Agreement and the Regulatory Agreement will contain a debt service coverage requirement based on not less than 1.25 times annual debt service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments. This ratio can be based either on annual debt service for the next 12-months or maximum annual debt over the life of the Bonds.

*HOPE's most recent financial statements indicate that it will have difficulty meeting the debt service coverage requirement of 1.25x. Therefore, the Loan Agreement requires that if the debt service coverage requirement is less than 1.25x for any fiscal year, HOPE must provide unaudited quarterly financial statements to the Authority for the next three fiscal years. The Authority also has the power, pursuant to the loan agreement, to audit the records and books of HOPE Services at any time, including if HOPE were ever to fall below appropriate debt service coverage levels.*

**Additional Debt Limitation.** HOPE agrees not to incur additional Indebtedness unless authorized by the Loan Agreement.

**Disposition of Cash and Property Limitations.** HOPE agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by the Loan Agreement.

**Comply with SEC Rule 15c2-12.** HOPE will take such action as is necessary to comply with SEC Rule 15c2-12. The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or HOPE contractually agrees to disclose designated financial and operating information to the marketplace during the life of the Bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.

**Cash Requirements.** HOPE promises to annually measure the balance of its cash and cash equivalent assets and maintain them at a 30 days cash on hand level.

**Current Ratio Requirement.** HOPE promises to annually measure the current ratio and maintain such at 1.50x.

**Staff has reviewed the entirety of this financing package and finds it to be acceptable.**

**(INTENTIONALLY LEFT BLANK)**

### III. FINANCIAL STATEMENTS AND ANALYSIS:

**HOPE Services and  
the Foundation for HOPE  
Combined Statements of Activities  
(Unrestricted)**

	As of June 30,		
	2011	2010	2009
<b>Revenues, gains and other support</b>			
State & county funding	\$ 23,982,992	\$ 23,976,905	\$ 23,981,396
Commercial contract services	7,597,444	7,441,865	7,624,944
In-kind donations of salvage	5,460,632	5,660,512	5,153,088
Wholesale sales of salvage	4,676,643	4,929,471	4,361,486
In-kind donations of professional services	962,739	1,295,628	1,636,861
Retail sales of salvage	783,989	731,041	791,602
Contributions and pledges	554,376	579,580	440,397
Contributed use of facilities	285,996	285,996	285,996
Rental	207,458	187,367	176,708
Net assets released from restrictions	132,975	234,318	264,982
Special events	95,366	126,819	119,636
United Way allocations & designations	27,850	16,112	73,436
Other	64,030	99,410	88,324
Revenues, gains and other support*	<u>44,832,490</u>	<u>45,565,024</u>	<u>44,998,856</u>
<b>Expenses:</b>			
Salaries & wages	20,867,697	20,855,531	21,010,200
Benefits	5,530,099	5,238,893	4,713,429
Costs of goods sold (salvage)	5,460,632	5,660,512	5,153,088
Purchased services	3,243,543	2,798,981	2,381,229
Occupancy	2,859,959	2,910,164	2,939,302
Payroll taxes	1,521,903	1,531,840	1,529,441
Operating supplies	1,477,141	1,436,976	1,332,053
Travel & transportation	1,269,965	1,165,499	1,100,635
Donated services	962,736	1,295,628	1,636,861
Depreciation & amortization	914,303	927,264	985,730
Communication	396,434	415,281	395,162
Insurance	337,982	383,089	389,891
Interest	319,472	303,717	352,007
Equipment rental	210,523	210,542	189,706
Printing & publications	189,298	163,849	136,873
Bond expenses	36,412	36,470	36,524
Bad debt expense	5,594	(49,436)	297,348
Other	133,126	116,581	163,328
Total expenses	<u>45,736,819</u>	<u>45,401,381</u>	<u>44,742,807</u>
Increase (decrease) in net assets from operations	(904,329)	163,643	256,049
Investment income	715,952	393,881	(1,126,101)
<b>Change in unrestricted net assets</b>	<b>(188,377)</b>	<b>557,524</b>	<b>(870,052)</b>
Unrestricted net assets, beginning of year	14,757,476	14,199,952	15,070,004
Unrestricted net assets, end of year	<u>\$ 14,569,099</u>	<u>\$ 14,757,476</u>	<u>\$ 14,199,952</u>

**\*Program Service Fees for FYE June 30, 2011**

<b><u>Payor Source</u></b>	<b><u>Percent</u></b>
Public Fund	
Regional Center/ Department of Development Services	54
County Mental Health/Medi-cal	7
Private Fund	
Work for Industry	19
Salvage Solicitation/Collection	14
Donation/Special Events	2
Miscellaneous/In-Kind Services and Facilities	4
	<hr/>
	100

**(INTENTIONALLY LEFT BLANK)**

**HOPE Services and  
the Foundation for HOPE  
Combined Statement of Financial Position**

	<b>As of June 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>			
Current assets:			
Cash & cash equivalents	\$ 482,149	\$ 660,674	\$ 371,870
Accounts receivable	3,847,292	4,037,983	3,520,272
Pledges receivable	38,566	28,321	1,994,048
Investments	4,781,480	3,962,922	2,469,124
Prepaid expenses and other current assets	122,089	166,233	63,497
Total current assets	9,271,576	8,856,133	8,418,811
Assets limited as to use:			
Cash restricted for debt service	728,126	722,737	715,555
Investments restricted for endowment	940,943	289,776	708,866
Cash restricted for endowment	156,484	802,551	383,461
Total assets limited as to use	1,825,553	1,815,064	1,807,882
Pledge receivable	87,093	87,093	87,093
Property and equipment, net	14,344,253	14,790,750	15,035,986
Bond issuance costs	289,857	320,913	351,969
Other assets	129,401	112,469	171,855
Total assets	\$ 25,947,733	\$ 25,982,422	\$ 25,873,596
<b>LIABILITIES AND NET ASSETS:</b>			
Current liabilities:			
Bank overdraft	\$ 256,661	\$ 522,861	\$ 311,003
Line of credit	1,606,513	762,337	1,180,006
Accounts payable	1,207,110	1,002,190	869,428
Accrued liabilities	2,341,219	2,419,877	2,418,460
Notes payable, current maturities	196,468	272,090	217,223
Serial bonds, current maturities	300,000	290,000	275,000
Total current liabilities	5,907,971	5,269,355	5,271,120
Long-Term Liabilities			
Notes payable	675,855	873,798	891,525
Serial bonds	1,350,000	1,650,000	1,940,000
Term bonds due 2020	2,115,000	2,115,000	2,115,000
Total long-term liabilities	4,140,855	4,638,798	4,946,525
Total liabilities	10,048,826	9,908,153	10,217,645

(continued)

**HOPE Services and  
the Foundation for HOPE  
Combined Statement of Financial Position**

	<b>As of June 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net Assets:			
Unrestricted			
Designated	2,501,601	2,496,212	2,489,030
Undesignated	12,067,498	12,261,264	11,710,922
Temporarily restricted	232,381	224,466	363,672
Permanently restricted	1,097,427	1,092,327	1,092,327
Total net assets	15,898,907	16,074,269	15,655,951
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,947,733</b>	<b>\$ 25,982,422</b>	<b>\$ 25,873,596</b>

Financial Ratios:	<b>Proforma <sup>(a)</sup></b>			
	<b><u>FYE June, 2011</u></b>			
Debt service coverage - Operating (x)	0.37	0.37	1.75	1.97
Debt service coverage - Unrestricted Net Assets (x) <sup>(b)</sup>	1.18	1.19	2.25	0.58
Debt-to-Unrestricted Net Assets	0.32	0.32	0.35	0.38
Margin (%)		(2.02)	0.36	0.57
Current Ratio (x)		1.57	1.68	1.60

(a) Recalculates FY 2011 audited results to include the impact of this proposed financing.



## **Financial Discussion - Statement of Activities (Income Statement)**

**Although HOPE continues to experience operating challenges over the review period, the organization has a new strategic plan in place to recover from the economic downturn to improve its financial position.**

Overall, total revenues decreased slightly from approximately \$45.6 million in FY 2010 to \$44.8 million in FY 2011, while expenses remained relatively stable from \$45.4 million in FY 2010 to \$45.7 million in FY 2011. In FY 2011, HOPE experienced an operating loss of \$904,329 which was offset by investment income of \$715,952. According to HOPE, the primary reasons for the FY 2011 loss are attributed to declined salvage and retail business, as well as a reduced reimbursement rate which ultimately caused HOPE to reduce some of the services it has historically offered. In addition, HOPE experienced an increase in competition for donations and collections from other non-profit and for-profit organizations along with various costs increases, including mailing and transportation costs. To address these challenges, HOPE changed its retail location to take advantage of lower lease costs, resulting in an estimated savings of \$100,000 annually, and HOPE developed several cost saving measures to reduce costs and increase collection products of used clothing and housewares. HOPE also adopted a new strategic plan in March 2012, outlining numerous steps focusing on several key areas to reduce costs and increase collection products. This proposed refunding is part of the plan. In addition, some of the additional plans, now in process for implementation, are described as follows:

### **Retail/Salvage**

1. HOPE renegotiated a new three year contract with TVI, Inc. (dba Savers) effective July 2012. Savers/TVI intends to purchase all of HOPE's salvage collection of used clothing and housewares, which may provide approximately \$700,000 in additional revenue.
2. HOPE plans to rebuild its customer base and support from its community, which the retail store relies heavily on for as a source of donations. HOPE also plans to increase its collection efforts through advertisement and pick-up services. Additionally, HOPE developed new collection methods by increasing its clothing drive and placing bins at various businesses and organizations. Also, HOPE established a relationship with a school district in Santa Clara County for e-Waste collection drives along with various organizations such as Intel, Yahoo and Symantec to increase its collection efforts.

### **Programs and Services**

3. HOPE plans to close or downsize programs that are continuously operating at a loss and expand service areas that are currently profitable. A feasibility study is in progress to determine the impact of closing a day program located at Clove Drive on the campus of Santa Clara Valley Medical Center. The program serves 170 individuals who are the most disabled adults out of all of HOPE's clientele.

**Particular Facts to Note:**

- In FY 2011, HOPE reports it relied on approximately 16%-20% of its revenue sources from donations.
- According to HOPE, benefits increased from \$4.7 million to \$5.5 million due to the rise of health insurance premiums averaging 9% per year.
- According to HOPE, Purchased Services grew from \$2.4 million in FY 2009 to \$3.2 million in FY 2011 due to an increase in salvage mailer costs and an information technology contract.
- HOPE experienced a decrease in its investment income of approximately \$1.1 million in FY 2009 due to the overall market downturn, according to HOPE's management. However, the investment income improved to a positive gain from \$393,811 in FY 2010 to \$715,952 in FY 2011.
- HOPE was approved by Cal-Mortgage on July 17, 2012 to refund CHFPA's 2002 Bonds. The approval did not extend the original bond term, which is expected to mature on November 1, 2020.
- Please note that the audited financial statements provided by HOPE include financials from the Foundation for HOPE. The Foundation consists of approximately 5% of the overall combined financial statements. HOPE plans to dissolve the Foundation in the near future and to incorporate its operations into HOPE.
- HOPE experienced a reduction in reimbursement rates due to the State of California budget shortfall. According to HOPE, the reimbursement rates were reduced beginning in FY 2009 and continued through FY 2012. In March 2012, HOPE addressed the rates reduction through various cost cutting measures and developed a restoration plan to improve its operation. In addition, HOPE decreased staff, reduced programs and eliminated raises during the review period in order to maintain operations.
- HOPE's interim financial (unaudited) ending June 30, 2012 appears to exhibit an operating loss. However, its balance sheet appears to remain adequate indicating HOPE should be capable of making its debt service payments.

## **Financial Discussion - Statement of Financial Position (Balance Sheet)**

**Although HOPE continues to rely on short-term financing and investments, its balance sheet remains strong. HOPE appears to have a positive financial position with a proforma debt service coverage of 1.18x. This refunding is one of several cost savings measures that HOPE is undertaking to improve its financial position.**

HOPE's balance sheet appears to exhibit low leverage with debt-to-unrestricted net assets of 0.32x and moderate financial strength which grew with total unrestricted net assets increasing from \$14.2 million in FY 2009 to \$14.6 million in FY 2011, an increase of nearly 3%. However, HOPE currently has a revolving line of credit with Comerica Bank in the amount of \$1.6 million to finance its short-term liabilities. HOPE is currently relying on short-term financing and investment income to offset its losses. With this proposed refunding, HOPE anticipates a cost savings of approximately \$29,000 per year, which will slightly improve HOPE's proforma debt service coverage ratio to 1.18x.

### **Particular Facts to Note:**

- Cash and cash equivalent decreased from \$660,674 in FY 2010 to \$482,149 in FY 2011 due to equipment purchases and payments on long-term debt, funded by short-term borrowings from HOPE's line of credit.
- This refunding should yield interest savings and lower bond maintenance costs for HOPE, resulting in a reduction of risk for the Authority. In addition, the 2012 Bond will be insured by Cal-Mortgage.

#### IV. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- **Section 15438.5(a) of the Act (Savings Pass Through):** HOPE properly completed and submitted the “Pass-Through Savings Certification” in addition to a narrative explaining how it intends to pass along savings.
- **Section 15491.1 of the Act (Community Service Requirement):** HOPE properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** OSHPD seismic evaluation regulations do not apply to HOPE’s facilities.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** CEQA documentation is not required for this refunding.
- **Religious Affiliation Due Diligence.** HOPE properly completed and submitted related documentation to meet the religious due diligence requirement.
- **Legal Review.** HOPE properly completed and submitted related documentation addressing the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** HOPE and the underwriters properly submitted the certificate to the Authority.

(INTENTIONALLY LEFT BLANK)

**EXHIBIT 1**

**FINANCING TEAM**

**HOPE Services**

**Trustee's Counsel:** Dorsey & Whitney LLP

**Issuer's Counsel:** Office of the Attorney General

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

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

**Bond Counsel:** Quint & Thimmig LLP

**Borrower's Counsel:** Jennings, Strouss & Salmon P.L.C.

**Borrower's Financial Advisor:** G.L Hicks Financial LLC

**Underwriters:** Piper Jaffray & Co. and  
Edward D. Jones

**Disclosure Counsel:** Jennings, Strouss & Salmon P.L.C.

**Auditor:** Frank, Rimerman & Co. LLP

**Rating Agency:** Standard & Poor's Ratings Services

**Bond Insurance:** Office of Statewide Health Planning and  
Development (Cal-Mortgage)

## EXHIBIT 2

### UTILIZATION STATISTICS

The following table shows utilization statistics of HOPE for the fiscal years ended June 30, 2009, 2010 and 2011:

	As of December 31,		
	2009	2010	2011
Employment and Training	1,220	1,157	985
Developmental Activities	460	459	425
Children's Services	322	281	115
Independent and Support Living	229	236	195
Mental Health	700	796	786
Senior Activity Services	98	104	87
Total Clients	3,029	3,033	2,593

**EXHIBIT 3**

**OUTSTANDING DEBT**

**HOPE Services**

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding <sup>(a)</sup> As of June 30, 2011</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>-EXISTING LONG-TERM DEBT:</b>			
CHFFA 2002 A Bond	\$ 5,845,000	\$ 3,765,000	\$ -
Mortgage Note Payable, 2004	310,290	113,220	113,220
Vehicle Note Payable, 2006	801,485	316,011	316,011
Mortgage Note Payable, 2007	248,000	218,618	218,618
Mortgage Note Payable, 2007	120,500	106,224	106,224
Mortgage Note Payable, 2006	125,541	106,675	106,675
 <b>- PROPOSED NEW DEBT:</b>			
<i>CHFFA 2012 Series A</i>			<b>3,500,000</b>
 <b>- TOTAL DEBT</b>			
		<u><b>\$ 4,625,748</b></u>	<u><b>\$ 4,360,748</b></u>

(a) Includes current portion of long-term debt.

## **EXHIBIT 4**

### **BACKGROUND, GOVERNANCE AND LICENSURE**

#### **Background**

HOPE Services, (“HOPE”) is a California nonprofit public benefit corporation established in 1952 by a small group of parents with mentally retarded children. Founded under the name, HOPE for Retarded Children and Adults, HOPE began as a preschool for disabled children. At that time, public education did not provide such services.

HOPE provides services to more than 2,500 individuals with developmental and other disabilities and their families through a multitude of services including adult vocational and prevocational training, job development, training and placement services, supported living services, mobility training, psychotherapy, early intervention counseling and other services for parents of developmentally disabled children from birth at age three, and specialized training in independent living plus other knowledge and skill areas for individuals with severe/profound retardation and multiple disabilities. HOPE provides services to its clients who run the spectrum of ages from infants to seniors in five Northern California counties.

HOPE’s mission is to further the general welfare of, and to provide services primarily for, people with developmental disabilities and to other people with disabilities who may benefit. HOPE provides its services through programs run at ten owned properties, three of which are HUD financed housing facilities, and 14 leased properties. HOPE owned six facilities located in Santa Clara County, another three are located in Santa Cruz, and one is located in Monterey County.

In 1979, HOPE established the Foundation for HOPE (the “Foundation”), a separately incorporated nonprofit corporation whose mission is to help support HOPE’s activities, in the form of planned giving, endowments and major capital campaigns. HOPE intends to merge the Foundation’s assets and operations into HOPE within the next year or two in order to create operating efficiencies and improve fundraising activities.

#### **Corporate Governance**

HOPE is governed by a board of directors (the “Board”), which consist of up to 30 voting members. The Board currently consists of 16 voting members and one nonvoting ex officio member. The term of each elected director is three years. Directors may serve for no more than two successive terms without leaving the Board for a period of at least one year.

#### **Licensure, Certification and Accreditation**

HOPE’s programs are accredited by the Commission on Accreditation of Rehabilitation Facilities and are licensed as adult day program and community care facilities by the Community Care Licensing Division of the State of California Department of Social Services. HOPE is also certified to provide Medi-Cal services by the Department of Health of the State of California in order to participate in the Short-Dolyle/Medi-Cal programs administered by the State and County Departments of Mental Health.



**RESOLUTION NO. 382**

**RESOLUTION OF THE  
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
RELATING TO THE ISSUANCE OF BONDS FOR  
HOPE SERVICES**

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds to finance the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities operated by participating health institutions (including by reimbursing expenditures made or refinancing indebtedness incurred for such purpose);

WHEREAS, HOPE Services, a California nonprofit, public benefit corporation (the "Corporation"), desires to provide for the refunding of the \$5,845,000 California Health Facilities Financing Authority Insured Health Facility Refunding Revenue Bonds (Hope Rehabilitation Services), 2002 Series A (the "2002 Bonds"), the proceeds of which were used to refund the Authority's Insured Health Facility Revenue Bonds (Hope Rehabilitation Services), 1990 Series A, issued for the benefit of the Corporation to (1) finance the acquisition of an administrative office center located at 4351 Lafayette Street, Santa Clara, California, since sold by the Corporation, the proceeds of which sale were used to finance the acquisition and improvement of the Corporation's facilities at 30 Las Colinas Lane, San Jose, California; (2) finance the construction and purchase of certain equipment for a rehabilitation services facility located at 1555 Parkmoor Avenue, San Jose, California; (3) refinance certain indebtedness of the Corporation originally used to purchase a rehabilitation services facility located at 2380 South 10th Street, San Jose, California, since sold by the Corporation, the proceeds of which sale will be used to finance the acquisition of land or the improvement of the Corporation's facilities or to redeem a portion of the Bonds; and (4) refinance certain other indebtedness of the Corporation, of which \$3,465,000 principal amount of the 2002 Bonds remains outstanding (the "Project");

WHEREAS, the Corporation has requested the financial assistance of the Authority for the issuance of its insured revenue bonds on behalf of the Corporation in a principal amount not to exceed \$3,500,000 to finance the Project, to fund a reserve fund for the bonds and to pay the costs of issuance with respect thereto, and the Authority has determined to issue its bonds for these purposes; and

WHEREAS, final approval of the terms of the issuance and sale of such bonds is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as the "California Health Facilities Financing Authority Insured Refunding Revenue Bonds (HOPE Services), Series 2012" (the "Bonds"), in an aggregate principal amount not to exceed \$3,500,000, are authorized to be issued, subject to (a) the final approval of bond insurance by the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development of the State of California (the "Office") for the Corporation, (b) receipt of a bond rating at least equal to the rating assigned to the State of California, and (c) minimum denominations of the Bonds of \$5,000. The proceeds of the Bonds shall be used for the purposes set forth in the second WHEREAS clause above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to sell the Bonds at any time within six (6) months of the adoption of this Resolution, at public or negotiated sale, in such aggregate amount and at such price and at such interest rate or rates as the Treasurer, with the consent of the Corporation, may determine, and upon such terms and conditions as the Treasurer, with the consent of the Corporation, may determine.

Section 3. The following documents:

(a) an indenture relating to the Bonds (the "Indenture"), by and between the Authority and U.S. Bank National Association, as bond trustee (the "Trustee");

(b) a loan agreement (the "Loan Agreement"), by and between the Authority and the Corporation;

(c) a regulatory agreement (the "Regulatory Agreement"), by and among the Authority, the Office and the Corporation;

(d) a contract of insurance (the "Contract of Insurance"), by and among the Authority, the Office, and the Corporation;

(e) a bond purchase agreement, including the appendices thereto (collectively, the "Bond Purchase Agreement"), by and between Piper Jaffray & Co. and Edward D. Jones & Co., L.P., as underwriters (the "Underwriters"), the Treasurer and the Authority and approved by the Corporation, so long as the Underwriters' discount for purchase of the Bonds (exclusive of any original issue discount) does not exceed 1.5% of the principal amount of the Bonds; and

(f) a preliminary official statement relating to the Bonds (the "Preliminary Official Statement");

are hereby approved in the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit or liquidity enhancement for any series of Bonds) as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Indenture, the Loan Agreement and the Bond Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement.

Section 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct.

Section 5. The date, maturity dates (not exceeding 40 years from the date of issue), interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in said Indenture as finally executed.

Section 6. The Underwriters are hereby authorized to distribute the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds. The Underwriters are hereby directed to deliver a copy of a final official statement (the "Official Statement") to all actual purchasers of the Bonds.

Section 7. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriters in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to the Underwriters upon payment of the purchase price thereof.

Section 8. Each officer of the Authority is hereby authorized and directed to do any and all things necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Contract of Insurance, the Regulatory Agreement, the Bond Purchase Agreement and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes: (a) certifications, including, a tax certificate, and assignment of the Authority's right title and interest in any deed of trust; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a surety bond and/or a liquidity facility for the Bonds.

Section 9. The provisions of the Authority's resolution No. 2011-15 apply to the documents and actions approved in this Resolution.

Section 10. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 11. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: \_\_\_\_\_