

**CHFFA REVENUE BOND FINANCING PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Tarzana Treatment Centers, Inc. ("Tarzana") 18646 Oxnard Street Tarzana, CA 91356 Los Angeles County</p> <p><b>Project Sites:</b> See Exhibit 1</p> <p><b>Facility Type:</b> Acute Psychiatric Hospital and Community Clinics</p> <p><b>Eligibility:</b> Health Facility pursuant to Government Code Section 15432(d)(2)(6)</p> <p><b>Prior Borrower:</b> No</p>	<p><b>Amount Requested:</b> \$13,500,000</p> <p><b>Requested Loan Term:</b> Up to 25 years</p> <p><b>Authority Meeting Date:</b> January 31, 2019</p> <p><b>Resolution Number:</b> 434</p>
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**Background:** Tarzana is a non-profit full-service behavioral healthcare organization founded in 1972 located in Los Angeles County. Tarzana provides high quality, cost-effective substance abuse and mental health treatment to adults and youths. Additionally, Tarzana operates a psychiatric hospital, residential and outpatient alcohol and drug treatment centers, and family medical clinics.

**Use of Proceeds:** Proceeds of taxable and tax-exempt bonds will be used to fund the construction of multiple projects and renovations at multiple sites owned or leased by Tarzana, reimburse previously expended construction costs, and refinance existing debt. Additionally, funds will be used for capitalized interest and costs of issuance.

**Type of Issue:** Tax-exempt and taxable bonds, Private Placement  
**Expected Credit Rating:** Unrated (please see Guidelines discussion, Page 3)  
**Financing Team:** *Please see Exhibit 2 to identify possible conflicts of interest*

**Financial Overview:** Tarzana's income statement appears to exhibit positive operating results during the review period. Tarzana appears to have a solid financial position with a pro-forma debt service coverage ratio from net income of 3.55x.

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
Par amount of bonds	\$	Project Fund	\$ 11,335,000
	13,500,000	Refinance Loans	1,385,627
		Financing Costs	401,017
		Capitalized Interest Fund	378,356
<b>Total Estimated Sources</b>	<u>\$ 13,500,000</u>	<b>Total Estimated Uses</b>	<u>\$ 13,500,000</u>

**Due Diligence:** Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, and CEQA documentation, Community Service Obligation, and the Iran Contracting Act Certification documentation. All documentation satisfies the Authority's requirements.

**Staff Recommendation:** Staff recommends the Authority approve Resolution No. 434 for Tarzana Treatment Centers, Inc. in an amount not to exceed \$13,500,000 subject to the conditions in the resolution for unrated debt. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance LLC, the Authority's financial advisor, concur with the Authority's staff recommendation.

**STAFF SUMMARY AND RECOMMENDATION**

**Tarzana Treatment Centers, Inc. (“Tarzana”)**

January 31, 2019

Resolution No. 434

**I. PURPOSE OF FINANCING:**

Tarzana intends to use CHFFA Series 2019A and 2019B tax-exempt and taxable bonds to fund the construction of multiple projects and renovations at multiple sites owned or leased by Tarzana, reimburse itself for previously expended construction costs, and refinance existing debt. Additionally, funds will be used for capitalized interest and costs of issuance. The refinancing of existing debt will have minimal cost savings but will allow Tarzana to consolidate debt and have a fixed rate versus its current variable rate. Tarzana has been expanding its service capacity to meet the ever-growing demand from the community and government agencies that purchase its services. While Tarzana’s facilities are all Los Angeles County based, six other surrounding counties now contract with Tarzana to purchase services due to the lack of their own services and the complexity of services needed. To stay competitive and meet the growing service demands, Tarzana is in need of additional facilities and expansions.

***Project Fund* ..... \$11,335,000**

Tarzana will use project funds to renovate an existing facility and reimburse prior construction expenditures at two other facilities. The renovation project will consist of a 3,000 square foot expansion to an existing leased outpatient treatment facility. The new expansion will add a primary clinic and additional office spaces. One reimbursement project is a 5,000 square foot facility located in Palmdale, which Tarzana purchased and recently renovated to provide primary care services, outpatient treatment services, substance use disorder, and mental health services. The second reimbursement project added 5,200 square feet to a leased property located in Northridge. The added space will be used for substance abuse and mental health services. Other services provided at the facility include a primary care clinic.

After the issuance of the bonds, Tarzana will identify new construction projects to be financed with bond proceeds, and after Tarzana provides CEQA documentation to the Authority, staff will present the projects to the Authority board for approval.

***Refinance Loans* ..... 1,385,627**

Bond funds will also be used to refinance three Citi National Bank loans. One loan was used to purchase property located in Lancaster. The two other loans were used to fund renovations at a property in Long Beach that is owned by Tarzana and a property in Tarzana that is leased by Tarzana.

***Financing Costs* ..... 401,017**

- Estimated Cost of Issuance..... \$252,517
- Placement Agent Fee..... 148,500

***Capitalized Interest Fund*..... 378,356**

***Total Estimated Uses of Funds* ..... \$13,500,000**

## **II. GUIDELINES DISCUSSION:**

The CHFFA Series 2019A & 2019B (the “2019 Bonds”) Bonds will be unrated and privately placed with Anthem, Inc. or a Subsidiary and United Healthcare of California or a Subsidiary (the “Purchasers”). The following are the Authority’s guidelines for unrated debt:

- Must be privately placed with and transferred only to a “Qualified Institutional Buyer” (“QIB”) as defined by SEC Rule 144A, promulgated under the Securities Act of 1933;
- Minimum denomination of \$250,000;
- Unconditional Promise to Pay from Borrower;
- Investor Letter required at issuance;
- Bond transfer restrictions must be noted conspicuously on the bond itself\*; and
- Bonds must be physically delivered\*

All of the foregoing requirements are designed to maximize the likelihood that the unrated 2019 Bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The 2019 Bonds are not rated at this time because the Purchasers do not require the 2019 Bonds to be rated. The Purchasers have indicated they are QIBs under SEC Rule 144A and will make an independent credit determination to purchase the 2019 Bonds.

\* Tarzana has requested the following exceptions to the Authority’s Bond Issuance Guidelines for Unrated Debt for this transaction:

Tarzana and the Purchasers request delivery of the Series 2019 Bonds electronically through DTC’s book-entry system. KNN, the Authorities Financial Advisor considers that the minimum denomination of \$250,000, along with the representations provided by the initial Purchasers in the Bond Purchase Agreement(s) and the assurances provided in the Indenture with regard to transferability in the form of an Investor Letter, provide adequate surety that only a QIB would hold the 2019 Bonds – both at purchase and in the event the Bonds are transferred. Additionally, a traveling investor letter would also be required of subsequent purchasers of the 2019 Bonds.

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

The Executive Summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff. These covenants cannot be diluted or removed without subsequent review. If there has been modification to the covenants proposal following preparation of this Executive Summary, staff will report it at the meeting.

After reviewing Tarzana's credit profile, including its current financial profile and current market precedent, Tarzana and KNN have concluded that the covenants listed below should be applicable to this transaction.

The covenants listed below are applicable to this transaction.

**Unconditional Promise to Pay.** *Borrower agrees to pay Trustee all amounts required for principal and interest and other payments and expenses designated in the Loan Agreement. All Revenues and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the bonds.*

**Pledge of Gross Revenues.** *Borrower pledges all revenues, income, receipts and money received.*

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

**Debt Service Coverage Requirement.** *Each fiscal year, Borrower agrees to produce net income available for debt service equal to at least 1.25 times maximum aggregate annual debt service. This ratio measures the Borrower's ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments.*

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

**Disposition of Cash and Property Limitations.** *Borrower agrees not to sell, lease or dispose of substantially all assets unless authorized by the Loan Agreement.*

**Deed of Trust.** *In order to further secure the payment and performance of all obligations of the Corporation under the Loan Agreement, the Corporation agrees to execute and deliver a deed of trust to grant the Trustee a first priority lien upon certain property owned by the Corporation.*

**Staff has completed its due diligence, and KNN has reviewed the draft Loan Agreement, Indenture, and Bond Purchase Agreement(s) associated with this financing package and found these documents and proposed guidelines to be acceptable.**

#### IV. FINANCIAL STATEMENTS AND ANALYSIS:

**Tarzana Treatment Centers, Inc.**  
**Statement of Activities**  
**Income Statement**  
**(Unrestricted)**

	As of June 30,		
	2018	2017	2016
<b>Revenues:</b>			
Grants and contracts	\$ 25,109,536	\$ 22,230,259	\$ 27,394,654
Federal funding	28,087,452	18,612,048	12,302,458
Private insurance and private pay	7,076,260	6,730,531	4,242,681
LA County two-plan model healthcare programs	2,106,111	2,728,906	1,801,833
Medicare	1,403,298	1,266,978	742,993
Medi-cal	2,234,969	1,687,464	1,364,423
Other program income	684,137	864,359	913,190
Contributed goods	-	-	54,673
Realized gain on sales of investments	(47,609)	2,107	5,678
Unrealized gains on investments	143,895	109,889	(49,450)
Interest and dividends	390,161	449,268	325,194
Total revenues	67,188,210	54,681,809	49,098,327
<b>Expenses:</b>			
Personnel costs	34,134,753	26,778,689	23,920,526
Payroll taxes and employee benefits	5,617,115	4,723,873	4,239,728
Auto mileage and travel	476,816	379,557	365,209
Computer supplies and maintenance	1,318,188	730,084	837,730
Consultants and home care nursing	4,170,579	3,450,018	3,154,819
Depreciation and amortization	792,736	730,802	715,524
Facility maintenance	560,285	434,173	302,924
Food costs	1,480,729	1,279,053	1,276,636
Insurance	712,478	644,126	604,722
Interest, bank charges, payroll processing and merchant fees	214,501	132,541	260,020
Laboratory, medication, medical supplies and radiology	2,163,348	1,933,218	2,602,583
Marketing	253,528	263,162	266,625
Office supplies	414,928	208,976	183,802

**Continued**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Printing and duplicating	82,466	95,369	77,006
Professional fees	724,579	679,708	576,618
Program supplies	828,031	622,232	493,620
Property and other taxes	321,430	311,881	282,618
Provision for contract allowances	981,746	997,623	352,777
Rent	5,515,475	5,191,228	4,919,033
Subcontract grants and allocations	485,453	900,886	543,372
Supplies	462,661	353,265	299,333
Telephone	613,869	531,834	466,084
Utilities and waste disposal	949,803	873,053	869,626
Other costs	1,194,516	1,125,794	886,965
Total expenses	<u>64,470,013</u>	<u>53,371,145</u>	<u>48,497,900</u>
Change in unrestricted net assets	<u>2,718,197</u>	<u>1,310,664</u>	<u>600,427</u>
Net assets, beginning of year	<u>20,847,448</u>	<u>19,536,784</u>	<u>18,936,357</u>
Net assets, end of year	<u>\$ 23,565,645</u>	<u>\$ 20,847,448</u>	<u>\$ 19,536,784</u>

**For fiscal year end June 30,**

Payer Source	% Patient Service Revenue		Patient Days*			
	2018	2017	2018		2017	
			Total	%	Total	%
Medi-Cal	75	24	-	0.0	-	0.0
Medicare	4	12	-	0.0	-	0.0
Private pay	4	8	-	0.0	-	0.0
Insurance & other third party	17	56	-	0.0	-	0.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>

\*Patient Days are not applicable for Tarzana as they are a network of community care clinics, not an acute care hospital.

**Tarzana Treatment Centers, Inc.**  
**Statement of Financial Position**  
**Balance Sheet**

	As of June 30,		
	2018	2017	2016
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,987,989	\$ 3,368,099	\$ 3,219,951
Accounts receivable, net	8,323,757	8,538,528	7,124,586
U.S. Treasury Bills	-	-	779,323
Investments in marketable securities	8,459,348	7,501,826	6,654,658
Investments in private mortgage pools	2,700,000	3,500,000	2,800,000
Prepaid expenses	575,377	545,542	344,605
Other current assets	17,781	71,529	128,009
Total current assets	<u>25,064,252</u>	<u>23,525,524</u>	<u>21,051,132</u>
Property and equipment, net	<u>7,928,063</u>	<u>6,397,239</u>	<u>5,040,333</u>
Other assets	<u>944,902</u>	<u>920,997</u>	<u>846,698</u>
Total assets	<u>\$ 33,937,217</u>	<u>\$ 30,843,760</u>	<u>\$ 26,938,163</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Revolving note	\$ 137,500	\$ 137,500	\$ -
Current portion of debt	153,216	147,898	126,592
Current portion of capital lease obligation	238,567	246,001	123,315
Accounts payable	3,192,867	2,846,123	2,208,803
Accrued expenses	4,367,105	3,976,755	3,541,696
Deferred revenue	19,108	51,527	31,527
Total current liabilities	<u>8,108,363</u>	<u>7,405,804</u>	<u>6,031,933</u>
Long-term liabilities, net of current portion			
Long-term debt	1,282,892	1,436,292	1,223,287
Capital lease obligation	666,459	918,522	20,886
Deferred compensation liability	313,858	235,694	125,273
Total long-term liabilities	<u>2,263,209</u>	<u>2,590,508</u>	<u>1,369,446</u>
Total liabilities	<u>10,371,572</u>	<u>9,996,312</u>	<u>7,401,379</u>
Net assets:			
Unrestricted, general	17,707,825	17,214,644	15,608,904
Investment in property and equipment, net of related debt	5,857,820	3,632,804	3,927,880
Total unrestricted net assets	<u>23,565,645</u>	<u>20,847,448</u>	<u>19,536,784</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 33,937,217</b></u>	<u><b>\$ 30,843,760</b></u>	<u><b>\$ 26,938,163</b></u>

**Financial Ratios:**

**Proforma <sup>(a)</sup>**  
**FYE June 30, 2018**

Debt Service Coverage - Net (x)	3.55	6.90	6.28	4.09
Debt/Unrestricted Net Assets (x)	0.61	0.10	0.13	0.08
Margin (%)		4.05	2.40	1.22
Current Ratio (x)		3.09	3.18	3.49

<sup>(a)</sup> Recalculates FY 2018 audited results to include the impact of this proposed financing.

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

**Tarzana’s income statement appears to exhibit positive results over the review period from FY 2016 to FY 2018.**

Tarzana’s income statement appears to exhibit increased earnings as unrestricted net assets grew from approximately \$600,000 in FY 2016 to approximately \$2.7 million in FY 2018. According to Tarzana’s management, the increase in unrestricted net assets was primarily due to increased revenues and effective cost controls.

Tarzana’s total revenue increased from approximately \$49.1 million in FY 2016 to approximately \$67.2 million in FY 2018 with grants and contracts and federal funding revenue representing approximately 79% of total revenues in FY 2018. Grants and contracts revenue fluctuated from approximately \$27.4 million in FY 2016 to approximately \$22.2 million in FY 2017 and to approximately \$25.1 million in FY 2018. According to Tarzana’s management, the fluctuation was primarily due to changes in government funding. It is common for government funding to fluctuate in this manner and Tarzana has diversified its grants and contracts over the years to cushion against such fluctuations. Federal funding increased from approximately \$12.3 million in FY 2016 to \$28.1 million in FY 2018. According to Tarzana’s management, the increase in federal funding was primarily due to participation in the State of California’s 1115 Medicaid Waiver and the Affordable Care Act, which has provided 90% to 100% federal share for many services Tarzana provides.

Total expenses increased by 33% from approximately \$48.5 million in FY 2016 to approximately \$64.5 million in FY 2018. According to Tarzana’s management, the increase in total expenses was driven by increases in personnel and operating costs associated with the large growth in services.

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

**Tarzana appears to have a solid financial position with a pro-forma debt service coverage ratio from net income of 3.55x.**

Tarzana’s debt service coverage ratio appears to be a solid 6.90x in FY 2018. With the proposed financing, the pro-forma debt service coverage ratio for FY 2018 remains solid at 3.55x, which appears to exhibit Tarzana’s strong ability to repay its debt. Tarzana has displayed conservative use of debt with an average debt to unrestricted net assets ratio of 0.1x over the review period. As would be expected from a relatively large new financing, Tarzana’s debt load greatly increases with a pro-forma FY 2018 debt to unrestricted net assets ratio of 0.61x.

Tarzana appears to display increasing short-term assets and liquidity with growing cash and cash equivalents along with marketable securities. Tarzana’s cash and cash equivalents increased from approximately \$3.2 million in FY 2017 to approximately \$5 million in FY 2018. According to Tarzana’s management, the increase in cash and equivalents was primarily due to effectively managing its growth and controlling its costs. Investments in marketable securities increased from approximately \$6.6 million in FY 2016 to approximately \$8.5 million in FY 2018. Property and equipment net increased from approximately \$5 million in FY 2016 to \$7.9 in FY 2018. According to Tarzana’s management, the increase in property and equipment was primarily due to meeting the growing needs of its facilities as well as equipment upgrades such as computers, beds, and other patient care items to properly operate the facilities.

## V. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** Tarzana properly completed and submitted the “Pass-Through Savings Certification”.
- **Section 15459 of the Act (Community Service Requirement):** Tarzana properly completed and submitted the Community Service Obligation certification.
- **Compliance with Seismic Regulations:** Not applicable as Tarzana is not an acute care hospital.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** Tarzana properly submitted relevant documentation addressing CEQA.
- **Religious Affiliation Due Diligence:** Tarzana properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review:** Tarzana properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** Tarzana properly submitted the certificate to the Authority.

## VI. OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding As of June 30, 2018</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>EXISTING LONG-TERM DEBT:</b>			
Citi National Bank (2015)	\$ 900,000	\$ 843,757	\$ -
Citi National Bank (2015)	550,000	248,100	-
Citi National Bank (2017)	362,500	344,251	-
<b>PROPOSED NEW DEBT:</b>			
<i>CHFA Series 2019A &amp; 2019B</i>		-	13,500,000
<b>TOTAL DEBT</b>		<b>\$ 1,436,108</b>	<b>\$ 13,500,000</b>

## VII. UTILIZATION STATISTICS

### Clients Served / (Patient Visits) Fiscal Year Ended June 30,

	2018	2017	2016
Substance Use Disorder	5,313 / (118,679)	4,830 / (98,503)	4,588 / (93,578)
Mental Illness	2,179 / (78,265)	1,981 / (71,480)	1,841 / (66,429)
Primary Care	6,872 / (26,397)	6,248 / (23,998)	7,075 / (26,765)
<b>Totals</b>	<b>14,364 / (223,701)</b>	<b>13,059 / (193,981)</b>	<b>13,504 / (186,772)</b>

## VIII. BACKGROUND AND LICENSURE

### Background

Tarzana provides integrated care for substance use for alcohol and drugs, mental health, primary medical care, and HIV/AIDS services in 10 locations in Los Angeles County. Since its founding in 1972, Tarzana has emerged as a cutting-edge provider in the field of integrated behavioral health care. Tarzana has combined typical alcohol and drug treatment services with medical care, mental health, housing, case management and HIV/AIDS services to form an integrated delivery system that has set the standard that other organizations emulate.

Throughout its history, Tarzana has maintained focus on two primary goals: improving the quality of care provided to patients and expanding the number of patients who receive that care. Pursuit of these goals requires consistent attention to effectiveness of patient care combined with removal of barriers to accessing services, broadening of services to enable comprehensive care, and providing staff with the infrastructure needed to provide excellent care.

### Licensure and Memberships

Tarzana's facilities are individually licensed by the State of California Department of Public Health or California Department of Health Care Services to operate and maintain each as a Community Clinic or Acute Psychiatric Hospital. Tarzana is also accredited by The Joint Commission, which is an independent, non-profit organization that accredits and certifies health care organizations and programs throughout the United States to reflect an organization's commitment to meeting certain performance standards.

**EXHIBIT 1**  
**PROJECT SITES**

**Tarzana Treatment Centers, Inc.**

- 44505 North 90<sup>th</sup> Street West, Lancaster, CA 93536
- 5190 Atlantic Boulevard, Long Beach, CA 90805
- 320 E Palmdale Boulevard, Palmdale, CA 93550
- 8330 Reseda Boulevard, Northridge, CA 91324
- 2101, 2133, and 2141 Magnolia Ave, Long Beach, CA 90806
- 18646 Oxnard Street, Tarzana, CA 91356

## EXHIBIT 2

### FINANCING TEAM

**Borrower:** Tarzana Treatment Centers, Inc.

**Agent for Sale:** California State Treasurer

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

**Issuer's Financial Advisor:** KNN Public Finance, LLC

**Issuer's Financial Analyst:** TAP International, Inc.

**Borrower's Counsel:** De Castro, West, Chodorow,  
Mender & Glickfeld, Inc.

**Municipal Advisor:** Wulff, Hansen, & Co.

**Bond Counsel:** Quint & Thimmig LLP

**Placement Agent:** Piper Jaffray & Co.

**Purchasers:** Anthem, Inc. or a Subsidiary  
UHC of California (UnitedHealthcare) or  
a Subsidiary

**Advisor to Purchasers:** McDonnell Investment Management LLC

**Counsel to Purchasers:** Nixon Peabody LLP

**Trustee:** U.S. Bank, National Association

**Trustee Counsel:** Dorsey & Whitney, LLP

**Auditor:** Armanino, LLP

**Title Insurer:** Stewart Title Guaranty

## RESOLUTION NO. 434

### RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND REFINANCE PROJECTS AT THE HEALTH FACILITIES OF TARZANA TREATMENT CENTERS, INC.

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 and loan the proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities operated by participating health institutions (including by reimbursing expenditures made for such purposes) or refinance indebtedness in connection therewith;

WHEREAS, Tarzana Treatment Centers, Inc., is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), which owns and operates health care facilities in the State of California providing primary care, residential and out-patient treatment, substance use disorder treatment and mental health treatment services;

WHEREAS, the Corporation has requested that the Authority issue one or more series of revenue bonds in an aggregate principal amount not to exceed \$13,500,000, and make one or more loans of the proceeds thereof to the Corporation to (i) finance or refinance the certain capital improvement projects, including the following (collectively, the "Project"), as follows:

1. *Lancaster Refinancing.* Refinance a City National Bank note incurred to finance the purchase of the real property at 44505 North 90th Street West, Lancaster, California;
2. *Long Beach Renovation.* Construction of a 3,000 square foot expansion to its existing Long Beach leased outpatient treatment facility at 5190 Atlantic Boulevard, Long Beach, California;
3. *Long Beach Refinancing.* Refinance a City National Bank loan incurred to finance improvements at 2101, 2133 and 2141 Magnolia Avenue, Long Beach, California;
4. *Palmdale Reimbursement.* Reimburse the Corporation for the renovation of a facility providing primary care, out-patient treatment services, substance use disorder and mental health treatment at 320 East Palmdale Avenue, Palmdale, California;
5. *Northridge Reimbursement.* Reimburse the Corporation for construction of an addition at 8330 Reseda Boulevard, Northridge, California, providing substance abuse and mental health services; and
6. *Tarzana Refinancing.* Refinance a City National Bank note incurred to finance improvements at 18646 Oxnard Street, Tarzana, California, providing substance abuse and mental health services;

(ii) pay costs of issuance of the Bonds, and (iii) fund capitalized interest; provide, however, that additional projects may be approved by the Authority by an amendment to this resolution or by adoption of an additional resolution at a future date;

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Corporation has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a "project" under such division; and

WHEREAS, final approval of the terms of the issuance and sale of such bonds and various related matters 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 Revenue Bonds (Tarzana Treatment Centers, Inc.) Series 2019A (the “2019A” Bonds”), and California Health Facilities Financing Authority Taxable Revenue Bonds (Tarzana Treatment Centers, Inc.) Series 2019B (the “2019B Bonds” and with the 2019A Bonds, the “Bonds”), in a total aggregate principal amount not to exceed \$13,500,000, are hereby authorized to be issued at one time, or from time to time, in one of more series with such other name or names of the Bonds or series thereof as designated in any of the indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for the purposes set forth in the third recital above.

Section 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time within six (6) months of the adoption of this Resolution, at public or negotiated sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, and at such prices (so long as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates, and upon such other terms and conditions as the Treasurer, with the advice and consent of the Corporation, may determine. The Bonds or any series of them may, at the sole option of the Corporation, be secured by deeds of trust, a bond reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

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; and

(c) separate bond purchase agreements, including the appendices thereto (collectively, the “Bond Purchase Agreements”), by and among each of Anthem Blue Cross Life and Health Insurance Company, Blue Cross of California and UHC of California (collectively, the “Purchasers”), the Treasurer, and the Authority, and approved by the Corporation, are hereby approved in substantially 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 provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other form of credit or liquidity enhancement, at the sole option of the Corporation, for any series of Bonds) as the officer(s) executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions, or changes therein.

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 dated dates, maturity dates (not exceeding 25 years from the date of issue), interest rate or rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in the Indenture as finally executed.

Section 6. 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 or upon direction of the Purchasers 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 or upon direction of the Purchasers, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 7. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem 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 and the Bond Purchase Agreement. 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 8. The provisions of the Authority's Resolution No. 2018-09 apply to the documents and actions approved in this Resolution.

Section 9. 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 10. This Resolution shall take effect from and after the date of adoption.

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