CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Episcopal Communities & Services for Seniors (ECS) 2212 El Molino Avenue Altadena, CA 91001 Los Angeles County	**Amount Requested:**	$128,040,000
		Requested Loan Term:	Up to 40 years
		Authority Meeting Date:	December 7, 2023
		Resolution Number:	455

Project Site: *See Exhibit 1*
Facility Type: Residential care facility for the elderly
Eligibility: Government Code Section 15432(d)(20), please see page 2.
Prior Borrower: No
Obligated Group: ECS is the sole member of the Obligated Group

Background: ECS is a 501(c)(3) nonprofit organization that has been providing communities and services for seniors in Southern California since 1923. ECS operates three continuing care retirement communities, known as Life Plan Communities, consisting of residential, assisted living, and memory care facilities: MonteCedro in Altadena, The Canterbury in Rancho Palos Verdes, and The Covington in Aliso Viejo. ECS' Life Plan Communities offer independent living for older active adults and provide a continuum of care, including assisted living and memory care with several styles of accommodation and various amenities.

Use of Proceeds: Bond proceeds will be used for the expansion, construction, remodeling, renovation, furnishing and equipping of MonteCedro, The Canterbury, and The Covington campuses and to fund capitalized interest. Bond proceeds also will be used to fund capitalized interest and certain costs of issuance.

Type of Issue: Negotiated public offering, tax-exempt fixed rate bonds
Expected Credit Rating: A- (Fitch)
Financing Team: *See Exhibit 2 to identify possible Conflicts of Interest*

Financial Overview: ECS' income statement appears to show fluctuating total operating revenues and other support during the review period from FY 2021 to FY 2023. ECS' balance sheet appears to have an adequate financial position with a pro-forma FY 2023 net debt service coverage ratio of 1.2x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$128,040,000	Project Cost	$126,840,000
		Financing costs	1,200,000
Total Estimated Sources	$128,040,000	Total Estimated Uses	$128,040,000

Due Diligence: Staff has confirmed the following documentation provided by ECS satisfies the California Health Facilities Financing Authority's (CHFFA or the Authority) requirements: Eligibility, Legal Review, the California Environmental Quality Act, and the certifications for Pass-Through Savings, Iran Contracting Act, and Community Service Obligation.

Staff Recommendation: Staff recommends the Authority approve Resolution No. 455 in an amount not to exceed $128,040,000 for Episcopal Communities & Services for Seniors, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC (KNN), the Authority's municipal advisor, concur with the Authority's staff recommendation.

Disclaimer: *Any information related to the borrower, including any data or analysis related to the borrower's financial condition or ability to repay the financing, described in this staff report was prepared solely for members of CHFFA's Board and to satisfy certain provisions of the California Health Facilities Financing Authority Act (Gov. Code, §15430 et seq.). Prospective investors should not rely on information in this staff report and must read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision.*

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

Assembly Bill No. 839, Addis (AB 839) was chaptered into law on October 10, 2023, with an effective date of January 1, 2024. AB 839 will amend the CHFFA Act to include, among other things, the addition of stand-alone residential care facilities for the elderly (RCFE) to the definition of a "health facility" (Section 15432 (d)). Under the CHFFA Act, an RCFE will be, as it is defined in Section 1569.2 of the Health and Safety Code, as a housing arrangement chosen voluntarily by persons 60 years of age or over, or their authorized representative, where varying levels and intensities of care and supervision, protective supervision, or personal care are provided, based upon a person's specific and varying needs, as determined in order to be admitted and to remain in the facility. Persons under 60 years of age with compatible needs may be allowed to be admitted or retained in an RCFE.

A standalone RCFE is not considered an eligible health facility under the current language of the CHFFA Act; however, currently and without the passing of AB 839, an RCFE must operate as a part of, or in conjunction with, an intermediate care facility, skilled nursing facility, or a general acute care hospital.

While the Authority has approved numerous RCFEs under the existing version of the CHFFA Act, ECS is the first borrower to request Authority approval under the stand-alone RCFE provision that will be enacted with the passing of AB 839 as Government Code Section 15432(d)(20)

ECS intends to price and close the bonds in mid-January 2024, subsequent to AB 839's effective date of January 1, 2024.

ECS anticipates issuing tax-exempt bonds to provide financing for the expansion, construction, remodeling, renovation, furnishing and equipping of MonteCedro, The Canterbury, and The Covington campuses. Bond proceeds will primarily be spent on the MonteCedro campus expansion, which was acquired by ECS in 2022 with the merger of ECS and MonteCedro Inc. A modest amount of bond proceeds will also be used on capital expenditures for The Canterbury and The Covington redevelopment as well. Bond proceeds will also be used to fund capitalized interest and costs of issuance.

Project Costs **$126,840,000**

<u>MonteCedro</u>
ECS will use bond proceeds to expand its footprint, which will be located on the undeveloped portion of the campus. The MonteCedro expansion project will consist of four separate villa buildings with a total of 40 new residences. The project will also include a new dining venue and 38 underground parking spaces under two of the villa buildings.

The Canterbury
ECS will use bond proceeds to include extensive renovation and revitalization of existing facilities that includes converting the existing Skilled Nursing beds into Life Plan Community units. ECS discontinued Skilled Nursing beds at both The Canterbury and The Covington in FY 2024. The renovation project also includes expanding dining options and repositioning outdoor spaces.

The Covington
ECS will use bond proceeds to extensively renovate its existing facility. Renovations include expanding its casual dining area, renovating its interior common spaces, repositioning the entrance area and some amenity spaces as well as renovating its Assisted Living and Memory Care units. The redesign will include converting discontinued Skilled Nursing beds into Memory Care units.

Financing Costs..........		**1,200,000**
Estimated cost of issuance	$1,200,000	
Total Estimated Uses of Funds		**$128,040,000**

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II. PROPOSED COVENANTS, SECURITY PROVISIONS, AND DISCLOSURES

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants and disclosures cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants and disclosures following the preparation of this executive summary, staff will report it at the Board meeting.

After reviewing the Obligated Group's (defined below) credit profile, including its current financial profile, prior bond transactions, and considering what the market will support, ECS, KNN, and the underwriter have all concluded the covenants listed below should be applicable to this transaction, are consistent with covenants that have applied to the Obligated Group's prior bond transactions, and the Obligated Group's current financial situation does not suggest additional covenants should be required.

Obligated Group: ECS is the sole member of an Obligated Group. ECS is the Obligated Group Representative, and, under the Master Indenture of Trust (Master Indenture), all Members are jointly and severally liable on obligations issued under the Master Indenture with respect to repayments of loan amounts relating to the Authority's bonds and other parity debt. ECS is the borrower under the loan agreement and is bound by all covenants below. There is also a transaction test to be satisfied in connection with Members being added to or withdrawing from the Obligated Group. ECS currently does not expect the addition of Members in the near future.

The following covenants are applicable for this transaction:

Unconditional Promise to Pay. *ECS agrees to pay the Bond Trustee all amounts required for principal, interest, redemption premium, if any, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all those payments under a Master Indenture Obligation. All Revenues*[1] *received by or on behalf of the Authority and any other amounts held in designated funds or accounts under any Bond Indenture are pledged to secure the full payment of the Bonds issued under the Bond Indenture.*

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all Gross Revenues (as defined in Master Indenture) received into a Gross Revenue Fund over which the Master Trustee has a deposit account agreement for the benefit of each bond trustee and parity lender.*

Negative Pledge Against Prior Liens. *Each Obligated Group Member agrees not to create, assume, or permit any Lien upon the Gross Revenues or its Property other than Permitted Encumbrances.*

Limited Permitted Liens. *Each Obligated Group Member is subject to a restrictive set of allowable liens or encumbrances it may incur pursuant to the Master Indenture.*

[1] Capitalized terms are defined in the Bond Indenture.

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.20 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 long-term debt service payments. There is an Event of Default if debt service coverage ratio is below 1.0 times for two consecutive years or if (a) the debt service coverage ratio is below 1.0 times for any fiscal year and (b) the Days Cash on Hand for such fiscal year is less than 120 days.*

Liquidity Covenant. *The Master Indenture contains a liquidity covenant that requires each Obligated Group Member to conduct its business so that on each testing date (occurring semi-annually), the Days Cash on Hand is no less than 120. However, it is not an Event of Default if Days Cash on Hand is less than 120 if the Obligated Group takes all action necessary under the Master Indenture to adopt a plan in consultation with an Independent Consultant.*

Additional Debt Limitation. *Each Obligated Group Member agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Master Indenture.*

Limitations on Mergers, Sales or Conveyances. *Each Obligated Group Member agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person outside of the Obligated Group unless authorized by various limiting measures set out in the Master Indenture.*

Limitations on Disposition of Operating Assets. *Each Obligated Group Member agrees not to sell, lease, or dispose of any operating assets unless authorized by various limiting measures set out in the Master Indenture.*

Staff has completed its due diligence, and KNN has reviewed the bond documents associated with the proposed financing and found these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS

Episcopal Communities & Services for Seniors
Consolidated Statement of Operations and Changes in Net Assets
Statement of Activities
(In thousands of dollars)

	ECS OBLIGATED GROUP Year Ended June 30, 2023	2022	2021
Revenues and Support without Donor Restriction			
Resident care fees, net	$ 44,352	$ 26,191	$ 23,516
Ancillary services	4,041	2,997	1,967
Amortization of entrance fees	5,105	2,420	2,260
Service revenue	7,084	4,908	4,931
Contributions	155	126	135
Miscellaneous income	227	493	479
Total operating revenue and other support	60,964	37,135	33,288
Investment returns (losses) available for current operations			
Dividends and interest	3,343	5,655	2,486
Net realized gains	1,540	423	11,143
Unrealized gains (losses)	7,394	(16,208)	3,360
Investment expenses	(163)	(131)	(108)
Total investment returns (losses) available for current operations	12,114	(10,261)	16,881
Total operating revenue, other support, and investment returns	73,078	26,874	50,169
Operating Expenses			
General and administrative	13,991	9,135	7,847
Dining service	10,350	6,608	6,077
Nursing service, routine	19,570	12,647	11,724
Residential services	3,056	1,788	1,520
Environmental services	9,668	5,797	5,591
COVID-19 direct expenses	574	654	2,283
Other expenses	1,378	707	618
Total operating expenses before depreciation	58,587	37,336	35,660
Depreciation	13,248	7,425	7,104
Excess (deficit) of revenues & support over operating expenses	1,243	(17,887) #	7,405
Other Expenses (Income)			
Gain on bond refinancing	(557)	(3,632)	-
PPP loan forgiveness	-	-	(2,675)
Interest expense	3,066	2,384	2,751
Amortization expense	70	32	35
Loss on disposal of property and equipment	470	241	114
Total other expenses (income), net	3,049	(975)	225
(Deficiency) excess of revenue over expenses	(1,806)	(16,912)	7,180
OPERATING NET INCOME. Op. Rev. - Op Exp. - Deprec. - Other Exp. (Income)	(13,920)	(6,651)	(9,701)
Change In Net Assets Without Donor Restriction			
Accretion of losses during phase-out period of discontinued operations	(312)	(286)	(238)
Change in interest in related parties' net assets	190	(228)	905
Total change in net assets without donor restriction	(1,928)	(17,426)	7,847
Change In Net Assets with Donor Restriction			
Contributions	50	67	-
Change in interest in related parties' net assets	155	(243)	(112)
Total change in net assets with donor restriction	205	(176)	(112)
Change in Net Assets	(1,723)	(17,602)	7,735
Transfer of Net assets, net			
Without donor restriction	334	260	(281)
With donor restriction	(348)	(514)	25
Total transfers of net assets (net)	(14)	(254)	(256)
Total change in net assets	(1,737)	(17,856)	7,479
Net Assets			
Net assets, beginning of year [a]	(13,755)	(302)	(7,781)
Net assets, end of year	$ (15,492)	$ (18,158)	$ (302)

[a] Beginning balance in FY 2023 different because ECS included MonteCedro, Inc. into obligated group

Episcopal Communities & Services for Seniors
Statement of Financial Position
(In thousands of dollars)

	ECS OBLIGATED GROUP As of June 30, 2023	2022	2021
Assets			
Current Assets			
Cash and cash equivalents	$ 8,178	$ 8,070	$ 4,325
Investments, short-term	25,132	12,801	18,946
Accounts receivable, net	1,425	983	840
Other receivables	66	93	64
Inventories	222	147	181
Prepaid expenses and other current assets	791	845	1,116
Current portion notes receivable	3,299	1,101	1,111
Assets limited as to use, required for current liabilities	2	329	327
Total current assets	39,115	24,369	26,910
Property and equipment, net	213,628	78,441	79,823
Other assets			
Investments, long-term	87,928	58,395	70,849
Notes receivable, net of current portion	587	587	587
Assets limited as to use, net of current portion	4,893	699	5,271
Other assets	150	115	111
Interest in related parties' net assets	3,475	3,465	4,456
Total other assets	97,033	63,261	81,274
Total assets	$ 349,776	$ 166,071	$ 188,007
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	$ 3,210	$ 1,420	$ 2,104
Accrued compensation, payroll taxes, and benefits	2,425	1,749	1,796
Interest payable	336	213	525
Entrance fee refunds upon reoccupancy payable	7,925	6,036	9,793
Other current liabilities	4,785	570	590
Due to related parties	472	611	507
Deferred revenue	1,143	-	-
Current portion of liability for losses during phase-out period of discontinued operations	86	114	152
Current portion of long-term debt	2,700	1,415	1,403
Total current liabilities	23,082	12,128	16,870
Other Liabilities			
Note payable to related parties	75	286	376
Deposits from residents	537	300	1,025
Liability for refundable and repayable entrance fees	229,284	108,652	101,171
Deferred revenue from entrance fees	26,887	12,393	9,422
Liability for losses during phase-out period of discontinued operations, net of current portion	229	316	430
Long-term debt, net of current maturities	85,174	50,154	59,015
Total other liabilities	342,186	172,101	171,439
Total liabilities	365,268	184,229	188,309
Net assets (deficit)			
Without donor restrictions	(17,420)	(20,086)	(2,920)
With donor restrictions	1,928	1,928	2,618
Total net deficit	(15,492)	(18,158)	(302)
Total liabilities and net assets	$ 349,776	$ 166,071	$ 188,007

	Proforma[(a)] FYE 12/31/2023	2023	2022	2021
Debt Service Coverage - Operating (x)	0.2	0.5	0.8	0.0
Debt Service Coverage - Net (x)	1.2	3.2	(2.0)	4.3
Debt to Unrestricted Net Assets (x)	(12.4)	(5.0)	(2.6)	(20.7)
Margin (%)		(22.8)	(17.9)	(29.1)
Current Ratio (x)		1.7	2.0	1.6

[(a)] Recalculates FY 2023 audited results to include the impact of this proposed financing.

The audited, consolidated financial statements of ECS were analyzed in this section. The Obligated Group is jointly and severally obligated for the payments of ECS' debts. The Obligated Group comprises approximately 96.6% of the total revenues and approximately 87.9% of the total assets of the consolidated financials.

Financial Discussion

ECS' income statement appears to show fluctuating total operating revenues and other support during the review period from FY 2021 to FY 2023.

ECS' total operating revenues and other support increased over the review period from approximately $33.3 million in FY 2021 to approximately $61 million in FY 2023 driven primarily by Resident care fees, net. Resident care fees, net revenue increased from approximately $23.5 million in FY 2021 to $44.4 million in FY 2023. According to ECS' management, the increased revenue can be partially attributed to the merger between ECS and MonteCedro, Inc. in 2023 and by virtue of the merger, ECS now owns and operates the MonteCedro continuing care residential community. The merger resulted in increased occupancy and resident fees. Other factors of increased operating revenues include increased occupancy upon ECS' reopening of units post-COVID-19 pandemic and increased residential fees.

Total operating expenses for ECS increased from approximately $35.7 million in FY 2021 to nearly $58.6 million in FY 2023, an increase of 64.3%. Nursing service, routine was the main contributor to the increased expenses, growing from approximately $11.7 million in FY 2021 to approximately $19.6 million in FY 2023, a 66.9% increase. According to ECS' management, wage pressures in the healthcare sector and significant increases in the cost of food, insurance and utilities have driven increases in operating expenses over the last few years. Additionally, increases were due to the previously mentioned addition of the MonteCedro community, accounting for the largest portion of the increase.

ECS experienced impacts to both revenue and expenses due to the COVID-19 pandemic. According to ECS' management, the pandemic disrupted move-ins, reducing entrance fees received and resident care fees modestly. Additionally, ECS incurred increased costs for supplies, staffing, and precautionary efforts. In August 2020, ECS' management re-initiated move-ins with adapted precautionary protocols. To offset the financial impact of the COVID-19 pandemic, ECS received grant funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. ECS received Provider Relief Funds grants during FY 2020 and FY 2021, for approximately $490,000 and $637,000, respectively, to cover operational needs. ESC also received a Paycheck Protection Program loan in FY 2021 in the amount of $2.8 million and was subsequently forgiven in June 2021.

ECS' balance sheet appears to have an adequate financial position with a pro-forma FY 2023 net debt service coverage ratio of 1.2x.

ECS' total asset levels have increased by approximately 86% over the review period, from approximately $188 million in FY 2021 to approximately $349.8 million in FY 2023. The primary contributors to the increase in total assets were from Investments, long-term, which increased from just about $70.8 million in FY 2021 to approximately $87.9 million in FY 2023. According to ECS' management, this increase is due to MonteCedro, Inc. joining ECS in FY 2023 and modest equity returns.

Throughout the review period, ECS maintained a fluctuating net debt service coverage ratio of 4.3x in FY 2021, (2.0x) in FY 2022, and 3.2x in FY 2023. With the proposed new tax-exempt bond financing, the pro-forma FY 2023 net debt service coverage ratio continues to be sufficient at 1.2x, demonstrating ECS' ability to repay the additional debt.

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IV. DUE DILIGENCE

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

- **Government Code section 15438.5(a) (Pass-Through Savings):** ECS properly completed and submitted the Pass-Through Savings Certification.
- **Government Code section 15459.1 (Community Service Obligation):** ECS properly completed and submitted the Community Service Obligation certification.
- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.):** ECS properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Legal Review:** ECS properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter properly completed and submitted the Iran Contracting Act Certificate.

V. OUTSTANDING DEBT (000's)

Issue	Original Amount	Amount Outstanding as of June 30, 2022	Estimated Amount Outstanding after Proposed Financing
EXISTING LONG-TERM DEBT			
ECS, Series 2022A	$ 52,495	$ 51,080	$ 51,080
ECS, Series 2022A	37,790	37,790	37,790
PROPOSED NEW DEBT			
CHFFA Series 2024		-	112,000
TOTAL DEBT		**$ 88,870**	**$ 200,870**

*As of proposed issuance date of Series 2024 Bonds, principal balance remaining outstanding

VI. UTILIZATION STATISTICS

Residents Served	**Fiscal Year Ending June 30,**		
	2023	**2022**	**2021**
MonteCedro	236	227	218
The Canterbury	139	145	150
The Covington	198	198	182
Totals	**573**	**570**	**550**

VII. BACKGROUND AND LICENSURE

Background

ECS is a 501(c)(3) nonprofit organization that has been providing communities and services for seniors in Southern California since 1923. ECS owns and operates three Life Plan Communities, also known as continuing care retirement communities, in Los Angeles and Orange Counties, providing independent living, assisted living, and memory care: MonteCedro, located in Altadena, which opened in 2015; The Canterbury located in Rancho Palos Verdes, which opened in 1983; and The Covington, located in Aliso Viejo, which opened in 2004. The Life Plan Communities provide independent seniors a unique combination of benefits including health, wellness, lifestyle, and legacy. The Canterbury and The Covington communities offer independent living, assisted living, and memory care units. The MonteCedro community offers independent living and memory care units and provides assisted living services at home only.

ECS also owns and operates a 35-unit rental community, Twelve Oaks Senior Living, located in Glendale, which is not categorized as a Life Plan Community but does provide independent living, assisted living, and memory care.

Obligated Group

The Obligated Group was created under a Master Indenture and consists of ECS as the only member.

Licensure and Memberships

Each of ECS's facilities is licensed by the California Department of Social Services as an RCFE and as a Continuing Care Retirement Community.

STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. 455 in an amount not to exceed $128,040,000 for Episcopal Communities & Services for Seniors, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC, the Authority's municipal advisor, concur with the Authority's staff recommendations.

EXHIBIT 1

PROJECT SITES

- MonteCedro is located at 2212 El Molino Avenue (and associated addresses), Altadena, California, including all the buildings, structures, equipment and property thereon, bounded by El Molino Avenue on the west, Calaveras Street on the north, North Crawford Avenue on the east, and Alameda Street on the south.
- The Canterbury is located at and around 5801 Crestridge Road, Rancho Palos Verdes, California.
- The Covington is located at and around 3 Pursuit, Aliso Viejo, California.

EXHIBIT 2

FINANCING TEAM

Borrower:	Episcopal Communities & Services for Seniors
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Municipal Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	TAP International, Inc.
Borrower's Counsel:	Hooper, Lundy & Bookman, P.C.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriter:	Cain Brothers, a division of KeyBanc Capital Markets Inc.
Underwriter's Counsel:	Norton Rose Fulbright US LLP
Bond Trustee:	U.S. Bank Trust Company, National Association
Trustee Counsel:	Thompson Hine LLP
Rating Agency:	Fitch Ratings, Inc.
Auditor:	Moss Adams LLP

RESOLUTION NO. 455

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE PROJECTS AT THE HEALTH FACILITIES OF EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California (the "State"), is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority; and

WHEREAS, pursuant to Assembly Bill No. 839, approved by the Governor of the State and chaptered on October 10, 2023 ("AB 839"), Section 15432 of the Government Code will be amended effective January 1, 2024, to include a residential care facility for the elderly, as defined in Section 1569.2 of the Health and Safety Code ("RCFE"), in the definition of "health facility" for purposes of the Act; and

WHEREAS, Episcopal Communities & Services for Seniors (the "Corporation") is a nonprofit public benefit corporation duly organized and existing under the laws of the State, which owns and operates RCFEs in the State; and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $128,040,000 and make one or more loans of the proceeds thereof to the Corporation for any or all of the following purposes: (i) to finance (or reimburse for) the costs of the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain RCFEs, which are all owned and operated by the Corporation, as more particularly described under the caption "Project" in Exhibit A hereto (the "Project"); (ii) at the option of the Corporation, to fund a capitalized interest fund; and (iii) to pay costs of issuance of the Bonds (as defined below); and

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, approval of the terms of issuance and sale of the Bonds and various related matters is now sought;

NOW, THEREFORE, BE IT RESOLVED BY THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, AS FOLLOWS:

SECTION 2. Pursuant to the Act, revenue bonds of the Authority designated as the "California Health Facilities Financing Authority Revenue Bonds (Episcopal Communities & Services), Series 2024" (the "Bonds"), in a total aggregate principal amount not to exceed $128,040,000, are hereby authorized to be issued from time to time, on or after January 1, 2024, in one or more series, with such other name or names of the Bonds or series thereof as designated in any of the bond indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth recital above.

SECTION 3. The Treasurer of the State (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 prior to the first anniversary of the date of this Resolution (provided that such sale dates are on or after January 1, 2024), at public or private sales, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, 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 shall, at issuance, be rated at investment grade by an active nationally recognized rating agency. 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 4. The proposed forms of the following documents:

(i) one or more Loan Agreements relating to the Bonds (collectively, the "Loan Agreement"), each between the Authority and the Corporation,

(ii) one or more Bond Indentures relating to the Bonds (collectively, the "Bond Indenture"), each between the Authority and U.S. Bank Trust Company, National Association, as bond trustee (the "Bond Trustee"),

(iii) one or more Bond Purchase Contracts, including the exhibits thereto, relating to the Bonds (collectively, the "Purchase Contract"), each among Cain Brothers, a division of KeyBanc Capital Markets Inc. or its affiliate, as underwriter (the "Underwriter"), the Treasurer and the Authority, and approved by the Corporation, and

(iv) one or more preliminary official statements relating to the Bonds (the "Preliminary Official Statement"),

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 credit and/or liquidity facility and/or another security arrangement, at the sole option of the Corporation, for any series of the Bonds) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Bond Indenture and the Purchase Contract and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director or Deputy 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 5. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct.

SECTION 6. The dated dates, maturity dates not exceeding 40 years from the date of issue, interest rates, interest rate modes, manner of determining interest rates, interest payment dates, series designation, 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 Bond Indenture, as finally executed.

SECTION 7. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Corporation), a preliminary official statement may not be used with respect to the Bonds. The Underwriter is hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such Bonds.

SECTION 8. The Bonds, when executed, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Bond Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter thereof 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 Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 9. 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 Bond Indenture, Loan Agreement, Purchase Contract and Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

SECTION 10. The provisions of the Authority's Resolution No. 2022-05, or a superseding resolution subsequently adopted by the Authority, apply to the documents and actions approved in this Resolution.

SECTION 11. 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 12. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ________________________________

EXHIBIT A

PROJECT

The Project consists of the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of RCFEs, all owned and operated by the Corporation, located at the following locations:

- The property commonly known as MonteCedro and located at 2212 El Molino Avenue (and associated addresses), Altadena, California, including all the buildings, structures, equipment and property thereon, bounded by El Molino Avenue on the west, Calaveras Street on the north, North Crawford Avenue on the east, and Alameda Street on the south;
- The property commonly known as The Canterbury and located at and around 5801 Crestridge Road, Rancho Palos Verdes, California; and
- The property commonly known as The Covington and located at and around 3 Pursuit, Aliso Viejo, California.