CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Casa Colina, Inc. (the "CCI") 255 East Bonita Avenue Pomona, CA 91767 Los Angeles County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$30,000,000 June 27, 2013 Up to 20 years 393

Project Sites: See Exhibit 1

Facility Type: General acute care hospital, adult day health center, rehabilitation clinic, community care facility (adult day program and adult day residential) and outpatient care (Government Code 15432(d)(1),(5),(7) and(13)

Prior Borrower: Yes (date of last issue, 2011)

Obligated Group: CCI's Obligated Group (the "Obligated Group") is comprised of CCI and five other nonprofit affiliates that are identified in Exhibit 5.

Background: Founded in 1936, CCI is the sole corporate member of each of the members of the Obligated Group, which together operate a health care system specializing in providing comprehensive rehabilitation services to persons with physical and cognitive disabilities through an array of diagnostic, therapeutic and residential services, including physical, occupational and speech therapies. The Obligated Group offers a comprehensive range of inpatient (acute and post-acute), outpatient, day health care, residential and community services. In FY 2013, CCI had approximately 75,203 outpatient treatment visits.

Use of Proceeds: Bond proceeds will be used to refund all of the outstanding CHFFA Series 2001 Bonds that were used to finance and/or refinance the construction, renovation, expansion, and equipping of certain portions of its health care and related facilities. Based on the current market conditions, which are in flux, CCI estimates a net present value savings of approximately $2.0 million over the life of the bonds. The project sites are listed in Exhibit 1.

Type of Issue: Negotiate public offering with fixed rate bonds (expected minimum denominations of $5,000)

Expected Credit Rating: BBB (S&P)

Financing Team: *Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The Obligated Group's consolidated income statement appears to exhibit positive operating results over the review period. The Obligated Group appears to exhibit a solid financial position with a proforma operating debt service coverage ratio of 2.78x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds*	$ 30,000,000	Refunding	$ 31,853,000
Other borrower funds	3,990,000	Debt service reserve fund	1,732,000
		Financing costs	405,000
Total Estimated Sources	$ 33,990,000	**Total Estimated Uses**	$ 33,990,000

*Subject to reduction based on amounts to be transferred from funds on deposit with the trustee for the Series 2001Bonds.

Legal Review: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, and CEQA documentation. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 393 for the CCI in an amount not to exceed $30,000,000, subject to the conditions in the resolution including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst and Fieldman, Rolapp & Associates, Inc. ("FRA"), the Authority's financial advisor, concur with the Authority's staff recommendation.

(MT/BMS)

I. PURPOSE OF FINANCING:

CCI plans to refund its CHFFA Series 2001 Bonds to take advantage of the current market's historic low level of tax-exempt interest rates, which based on the current market conditions, is expected to result in a net present value savings of approximately $2.0 million over the life of the bonds.

Refunding CHFFA's Series 2001 Bonds*... *$31,853,000

CCI intends to use bond proceeds to refund CHFFA's Series 2001 Bonds, originally issued in the aggregate principal amount of $40 million. The Series 2001 Bonds were originally used to:

- Construct a 68,900 square foot acute rehabilitation hospital located at CCI's main campus in Pomona, California and a 14,198 square foot adult residential program administered at Padua Village, Inc. In addition, funds were used to finance the renovation, expansion, and equipping of certain portions of CCI's 20-acre main campus located in Pomona, California to integrate the hospital services, outpatient services, adult day health care, transitional living facilities, children's services, a vocational rehabilitation center on the main campus, including short-term housing for visiting families, several therapeutic pools, teaching center and administration offices;

- Prepay approximately $6.7 million representing the outstanding portion of a loan made to CCI from CHFFA's 1989 Series A and 1989 Series B Revenue Bonds which was used for construction, renovation and equipping of certain existing facilities located in Pomona, California on the CCI main campus;

- Purchase furniture, fixtures and equipment for certain portions of the health care and related facilities located on the CCI main campus in Pomona and Apply Valley, California, including hospital beds, administrative furniture and general physical therapy equipment; and

- Fund a reserve fund and pay certain expenses incurred in connection with the projects describe above.

Debt Service Reserve Fund*.. *1,732,000

Financing Costs* *405,000

Cost of Issuance...	$294,000	
Underwriter's Discount	111,000	

Total Uses of Funds... **$33,990,000**

II. PROPOSED COVENANTS AND SECURITY PROVISIONS:

In December 2001, Casa Colina, Inc., ("CCI"), Casa Colina Hospital for Rehabilitative Medicine (the "Hospital"), Casa Colina Centers for Rehabilitation Foundation, Casa Colina Centers for Rehabilitation, Inc., Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc. and Padua Village, Inc. (each, a "Member of the Obligated Group") entered into a master indenture of trust (as supplemented, the "Master Indenture") in order to create an obligated group (the "Obligated Group"). CCI is the sole corporate member of each of the other Members of the Obligated Group and acts on behalf of itself and the other Members of the Obligated Group pursuant to the provisions of the Master Indenture.

To secure the obligations under the loan agreement (the "Series 2001 Loan Agreement") entered into by CCI with the Authority in connection with the California Health Facilities Financing Authority Revenue Bonds (Casa Colina), Series 2001 (the "Series 2001 Bonds"), CCI, acting on behalf of itself and the other Members of the Obligated Group, issued a joint and several obligation under the Master Indenture to secure the payments to be made under the Series 2001 Loan Agreement. To secure the obligations under the loan agreement (the "Series 2011 Loan Agreement") entered into by CCI and the Hospital with the Authority in connection with the California Health Facilities Financing Authority Variable Rated Revenue Bonds (Casa Colina), Series 2011 (the "Series 2011 Bonds"), CCI, acting on behalf of itself and the other Members of the Obligated Group, issued an additional joint and several obligation under the Master Indenture to secure the payments to be made under the Series 2011 Loan Agreement. Acting on behalf of itself and the other Members of the Obligated Group, CCI will issue an additional joint and several obligation ("Obligation No. 4") to secure the obligations of CCI under the loan agreement (the "Loan Agreement") to be entered into by CCI with the Authority in connection with the issuance of the proposed bonds to secure the payments to be made under the Loan Agreement.

All capitalized terms used and not otherwise defined herein will have the meanings assigned to such terms in the Master Indenture or if not defined therein will have the meanings assigned to such terms in the indenture pursuant to which the proposed bonds will be issued (the "Bond Indenture").

After reviewing the current finances of the Obligated Group and the Series 2011 Bond transaction, CCI and FRA concluded the covenants listed below should be applicable to this transaction. CCI note that the covenants set forth below are consistent with covenants applicable to the Series 2001 Bonds, which are being refunded and redeemed from the proceeds of the proposed bonds, and the Series 2011 Bonds and that the Obligated Group's current financial situation does not suggest that additional covenants should be required by the Authority.

The covenants listed below are applicable to this transaction.

Unconditional Promise to Pay; Pledge of Revenues. *CCI agrees to pay to the trustee for the proposed bonds (the "Trustee") all amounts required for payment of the principal, interest and redemption premium, if applicable, and reserve account deposits with respect to the proposed bonds and agrees to pay the additional payments and expenses specified in the Loan Agreement. In addition, CCI acting on behalf of itself and the other Members of the Obligated Group, will issue Obligation No. 4 to secure the obligation of CCI to make the payments under the Loan Agreement. All Revenues (which will include payments by CCI under the Loan Agreement and payments by the Obligated Group on Obligation No. 4) and amounts held in the funds and account established under the Bond Indenture (excluding the Rebate Fund) will be pledged to secure the full payment of the proposed bonds.*

Pledge of Gross Revenues. *Each Member of the Obligated Group has pledged to deposit all of its Gross Revenues into a Gross Revenue Fund. If there is a failure to make a Required Payment, the Master Trustee may exercise control over the Gross Revenue Fund for the benefit of the holders of each obligation issued under the Master Indenture, including the trustee for the Series 2011 Bonds and the Trustee, which will be the holder of Obligation No. 4.*

Limitation on Liens; Permitted Encumbrances. *Each Member of the Obligated Group has agreed not to create, assume or suffer to exist any Lien upon its Property other than such encumbrances as are permitted under the Master Indenture.*

Debt Service Reserve. *The proposed bonds will be secured by a bond reserve account that will be funded at the time of issuance of the proposed bonds in such amount as shall be specified in the bond indenture pursuant to which such proposed bonds are issued, which amount is contemplated to be equal to the least of: (i) ten percent (10%) of the stated principal amount of the proposed bonds; (ii) one hundred twenty-five percent (125%) of average annual debt service on the proposed bonds; and (iii) maximum annual bond service (as such term is defined in the bond indenture pursuant to which such proposed bonds are issued).*

Long-Term Debt Service Coverage Requirement. *The Master Indenture requires that the Obligated Group maintain an Historical Debt Service Coverage Ratio of 1.25.*

Limitations on Additional Indebtedness and Guaranties. *Each Member of the Obligated Group has agreed not to incur Additional Indebtedness or enter into any Guaranty unless authorized by various provisions set out in the Master Indenture.*

Limitations on Disposition of Property, Plant and Equipment and Disposition of Liquid Assets. *Each Member of the Obligated Group has agreed not to sell, lease or otherwise dispose of Property, Plant and Equipment or Liquid Assets in any consecutive 12 month period other than as authorized by various provisions set out in the Master Indenture.*

Limitations on Consolidation, Merger, Acquisition, Sale or Conveyance. *Each Member of the Obligated Group has agreed not to consolidate or merge with any corporation which is not a Member of the Obligated Group or acquire substantially all of the assets of an entity not a Member of the Obligated Group or sell or convey all or substantially all of its assets to an entity not a Member of the Obligated Group other than as authorized by the various provisions set out in the Master Indenture.*

Limitations on Withdrawal from the Obligated Group and Entrance into the Obligated Group. *The Master Indenture sets forth certain requirements, including certain financial tests, which must be met for withdrawal from, or entry into, the Obligated Group.*

Compliance with SEC Rule 15c2-12. *CCI will take such action as is necessary to assist the underwriter to comply with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). CCI will contractually agree to disclose designated financial and operating information to the designated website (EMMA) during the life of the proposed bonds and to report designated "material events" as specified in Rule 15c2-12.*

Staff and FRA have reviewed the entirety of this financing package and find it to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Casa Colina, Inc. and Affiliates
Consolidated Statements of Operations
(Unrestricted)

	As of March 31,		
	2012	**2011**	**2010**
Revenue			
Net patient service revenue*	$ 59,195,705	$ 57,831,176	$ 57,334,803
Capitation revenue	-	641,944	962,530
Net assets released from restrictions	912,286	1,002,530	1,173,907
Other income	7,576,291	4,543,300	5,640,026
Total revenue	67,684,282	64,018,950	65,111,266
Expenses			
Salaries and wages	31,109,823	29,465,843	27,751,955
Employee benefits	6,087,715	6,093,696	5,765,545
Services and supplies	9,829,143	9,946,260	9,885,802
Other operating expenses	5,923,594	5,719,868	6,960,235
Interest	2,317,742	2,284,771	2,333,481
Depreciation and amortization	3,299,774	3,069,395	3,112,923
Provision for bad debts	96,572	221,185	344,712
Write-down of carrying amount of investments	186,540	62,931	1,119,424
Total expenses	58,850,903	56,863,949	57,274,077
Excess of revenue over expenses before non-controlling interest	**8,833,379**	**7,155,001**	**7,837,189**
Allocation of loss to non-controlling interest	(18,023)	(5,892)	(1,638)
Excess of revenue over expenses	8,815,356	7,149,109	7,835,551
Change in net unrealized gains	795,887	5,757,091	12,664,324
Donated capital assets	-	-	22,475
Increase in unrestricted net assets	9,611,243	12,906,200	20,522,350
Unrestricted net assets at beginning of year	98,071,182	85,164,982	64,642,632
Unrestricted net assets end of year	$ 107,682,425	$ 98,071,182	$ 85,164,982

***Net Patient Revenue for FYE March 31, 2012**

Payors Source	Percent
Medicare	24.0
Medi-cal	10.0
Contracted and Other	66.0
Total	100.0

Casa Colina, Inc and Affiliates
Consolidated Balance Sheets

	As of March 31, 2012	2011	2010
ASSETS			
Current assets			
Cash and cash equivalents	$ 7,701,404	$ 6,345,752	$ 15,182,832
Accounts receivable			
net of allowance for doubful accounts	9,959,092	8,460,055	8,567,461
Assets limited as to use, current portion	2,014,074	1,936,075	1,948,274
Prepaid expenses and other	1,416,160	1,284,063	1,231,603
Total current assets	21,090,730	18,025,945	26,930,170
Investments			
Marketable securities	72,663,179	68,623,138	46,094,140
Other investments	3,103,722	3,175,237	6,177,367
Total Investments	75,766,901	71,798,375	52,271,507
Assets limited as to use, less current portion	19,511,942	19,182,319	18,947,379
Property and equipment, net	58,925,148	57,412,319	56,133,101
Deferred financing costs, net of accumulated [a]	2,154,943	923,104	-
Other assets [a]	351,538	263,264	1,213,455
Total assets	$ 177,801,202	$ 167,605,326	$ 155,495,612
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	$ 560,974	$ 249,628	$ 335,213
Accrued expenses and other liabilities	9,780,269	9,953,034	9,973,470
Current portion of long-term debt	936,635	836,635	827,635
Total current liabilities	11,277,878	11,039,297	11,136,318
Long-term debt, less current portion	44,554,374	44,129,380	44,942,667
Other long-term liabilities	2,815,245	3,228,452	2,887,453
Total liabilities	58,647,497	58,397,129	58,966,438
Net assets			
Unrestricted	107,682,425	98,071,182	85,164,982
Temporarily restricted	5,711,180	5,358,892	5,591,962
Permanently restricted	5,757,724	5,757,724	5,757,724
Non-controlling interest	2,376	20,399	14,506
Total net assets	119,153,705	109,208,197	96,529,174
Total liabilities and net assets	$ 177,801,202	$ 167,605,326	$ 155,495,612

Financial Ratios:

	Proforma [b] FYE March 31, 2012	2012	2011	2010
Debt Service Coverage - Operating (x) [c]	2.78	4.29	3.70	3.64
Debt Service Coverage - Net (x) [c]	3.12	4.83	5.87	7.81
Debt to Unrestricted Net Assets (x)	0.66	0.42	0.46	0.54
Margin (%)		11.86	9.76	10.42
Current Ratio (x)		1.87	1.63	2.42

[a] In FY 2011 and FY 2012, CCI has separated Other Assets and Deferred financing costs instead of combining it as displayed for FY 2010 in Other Assets

[b] Recalculates FY 2012 audited results to include the impact of this proposed financing.

[c] The debt service coverage ratio is based on aggregate maximum annual debt service payment.

Please note, the Obligated Group's audited consolidated financial statements were analyzed in this section and found to be acceptable and consistent with the financial analysis noted for the CCI.

Financial Discussion – Statement of Activities (Consolidated Income Statement)

The Obligated Group's consolidated income statement appears to exhibit positive operating results over the review period.

The Obligated Group's total consolidated income from operations increased approximately from $7.8 million in FY 2010 to $8.8 million in FY 2012, or a 12.5% increase. According to CCI's management, the increase in revenue is primarily attributed to an increase of (1) net patient revenues due to managed care contracts, inpatient services and outpatient services, which grew approximately from $57.3 million in FY 2010 to $59.2 million in FY 2012 and; (2) other income due to an increase of investment income and gains, fundraising and rental income, which grew approximately from $5.6 million in FY 2010 to $7.6 million in FY 2012. The unrestricted net assets appear to have grown 52% from $65 million in FY 2010 to $98 million in FY 2012. According to the CCI's management, the increase in unrestricted net assets can be attributed to the information described above.

Particular Facts to Note:

- Unrealized net gains in investments have decreased from approximately $12.6 million in FY 2010 to $796,000 in FY 2012. According to CCI's management, the decrease is a reflection of the global financial markets. CCI management indicates for FY 2013 unrealized gains in investments has improved due to the financial market conditions.

- According to CCI's management, the write-down of carrying amount of investment loss has decreased 83.3% from $1.1 million in FY 2010 to $187,000 in FY 2012 due to the improvement of the financial market conditions.

- In FY 2012, State of California reduced payments to the Obligated Group's Adult Day Health Program by 10%. In response, CCI reduced hours of operation and staffing levels to State mandated requirements.

- The Obligated Group has been impacted by Healthcare Reform in several ways. According to CCI's management, the primary two impacts are the therapy caps limiting outpatient physical therapy to $3,700 per Medicare recipient per year; and the increased Recovery Audit Contractor audits (RAC Audits). To respond to therapy caps, CCI increased marketing efforts in order to attract a larger physical therapy patient base. In response to the RAC Audits, CCI developed an oversight committee that ensures that all clinical and documentation criteria are met for every patient.

- CCI management indicates for FY 2013 the Obligated Group's total consolidated income from operations appears to be consistent with a positive operating trend.

Financial Discussion – Statement of Financial Position (Consolidated Balance Sheet)

The Obligated Group appears to have a solid financial position with a proforma operating debt service coverage ratio of 2.78x.

The Obligated Group's total consolidated unrestricted net assets increased from $96.5 million in FY 2010 to $119 million in FY 2012, a 23.4% increase. CCI attributed the increase primarily to cash flow from increased net patient revenue and other income as well as marketable securities that increased from $52.2 million in FY 2010 to $75.8 million in FY 2012 due to the improvement of the overall market condition.

Particular Facts to Note:

- According to CCI's management, the decrease in cash of approximately from $15.1 million from FY 2010 to $7.7 million in FY 2011 is due to excess operating cash being invested in marketable securities.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** The CCI properly completed and submitted the "Pass-Through Savings Certification," in addition to a narrative explaining how it intends to pass through savings.

  CCI offers financial assistance to low-income uninsured and underinsured patients. In addition, in FY 2012, CCI provided community benefits valued at $2,171,138, which ranged from free sports injury screenings, health education for the public and for professionals, and internship opportunities for the next generation of nurses, therapists and physicians.

- **Section 15491.1 of the Act (Community Service Requirement):** The CCI properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.

- **Compliance with Seismic Regulations:** The CCI properly completed and submitted a description of its seismic requirements.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** The submission of CEQA documentation is not required for this refunding.

- **Religious Due Diligence:** CCI properly completed and submitted relevant documentation to meet the religious due diligence requirement.

- **Legal Review:** CCI properly completed and submitted relevant documentation for the Authority's Legal Questionnaire.

- **Iran Contracting Act Certificate:** CCI and the underwriters properly submitted the certificate to the Authority.

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EXHIBIT 1

PROJECT SITE

The project sites are located on the CCI main campus in Pomona, which is bounded by North Garey Avenue, Bonita Avenue, and East Harrison Streets and at the following addresses:

- 22200 Highway 18, Apple Valley, California 92307; and
- 11981 Midway Avenue, Lucerne Valley, California 92356.

EXHIBIT 2

FINANCING TEAM

Trustee and Master Trustee:	The Bank of New York Mellon Trust Company, N.A.
Trustee's and Master Trustee's Counsel:	Law Office of Samuel D. Waldman
Agent for Sale:	California State Treasurer
Issuer's Financial Advisor:	Fieldman, Rolapp & Associates, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Office of the Attorney General
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Underwriter:	U.S. Bancorp Investments, Inc.
Underwriter's Counsel:	Hawkins Delafield & Wood, LLP
Borrower's Financial Advisor:	Ponder & Co.
Borrower's Counsel:	McDermott Will & Emery, LLP
Auditor:	Moss Adams, LLP
Rating Agency:	Standard & Poor's

EXHIBIT 3

UTILIZATION STATISTICS

CASA COLINA, INC

	As of March 31,			
	2013	**2012**	**2011**	**2010**
Hospital				
Acute Patient Days	21,714	21,710	21,696	21,994
Outpatient Treatment Visits	75,203	80,630	83,435	79,160
Transitional Living Center				
Residential Program Days	8,857	8,816	8,661	9,675
Long Term Care Days	3,507	3,521	3,068	1,691
Outpatient Visits	2,923	1,729	2,040	3,758
Padula Village				
Claremont and Pomona Days	5,475	5,475	5,628	5,810
Rancho Pino Days (1)	13,116	12,215	11,687	12,173
Apply Valley Days (1)	15,121	15,236	15,280	15,373
Children's Service Center				
Outpatient Per Day	46	54	53	52
Adult Day Health Care Center				
Patient Per Day	58	59	61	66

(1) Numbers indicate bed days sold not occupied

EXHIBIT 4

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding (a) As of March 31, 2012	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
CHFFA, Series 2001 Revenue Bonds	$ 40,000,000	$ 35,600,000	$ -
CHFFA, Series 2011 Revenue Bonds	50,000,000	50,000,000	50,000,000
- PROPOSED NEW DEBT:			
CHFFA, Bond Series 2013			**30,000,000**
- TOTAL DEBT		**$ 85,600,000**	**$ 80,000,000**

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

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Founded in 1936, the CCI and the other members of the Obligated Group, identified below, operate a health care system specializing in providing comprehensive rehabilitation services to persons with physical and cognitive disabilities through an array of diagnostic, therapeutic and residential services, including physical, occupational and speech therapies. The CCI and the other members of the Obligated Group offer a comprehensive range of inpatient (acute and post-acute), outpatient, day health care, residential, and community services. The mission of the CCI and the other members of the Obligated Group is to provide individuals with the opportunity to maximize their rehabilitation potential efficiently and effectively in an environment that recognizes their uniqueness, dignity and self-esteem.

Obligated Group

The Obligated Group consists of the CCI, Casa Colina Hospital for Rehabilitation Medicine ("the Hospital") which is licensed as an acute care hospital, and four other affiliates of the CCI, each of which is a nonprofit public benefit corporation. All of the facilities owned and operated by the Obligated Group are located in California. The members of the Obligated Group are jointly and severally liable for all debt secured by an Obligation issued under the Master Indenture.

Casa Colina, Inc.

Obligated Group Members	Corporate Office Location
Casa Colina, Inc.	Pomona, CA
Casa Colina Hospital for Rehabilitation Medicine	Pomona, CA
Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc.	Pomona, CA
Casa Colina Centers for Rehabilitation, Inc.	Pomona, CA
Padua Village, Inc.	Pomona, CA
Casa Colina Centers for Rehabilitation Foundation	Pomona, CA

Corporate Governance

The CCI, the Hospital and each of the other members of the Obligated Group is governed by a Board of Directors (the "Board"). As a matter of practice, substantially the same individuals serve on the Board of each member of the Obligated Group. With the exception of the Directors that serve ex-officio, the CCI annually elects Directors for each Obligated Group Member based upon their standing in the community, professional skills, commitment to the mission of the CCI and its affiliates and relationships with various constituencies of importance to the CCI and its affiliates. Each elected Director serves for a three-year term or until his or her successor is elected and qualified. With the exception of the President of the CCI and the occupants of ex officio offices, no person may serve on the Board for more than eighteen consecutive years. The Boards meet four times per year for regularly scheduled meetings.

Licensure and Memberships

Casa Colina Hospital for Rehabilitative Medicine, and Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc. are currently licensed by the California Department of Public Health as a general acute care hospital and as an adult day health center. Casa Colina Center for Rehabilitation, Inc. and Padua Village, Inc. are currently licensed by the California Department of Social Services as community care facilities (adult day program and adult residential) providing care to developmental disabled or mentally impaired persons.

RESOLUTION NO. 393

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REFUNDING REVENUE BONDS RELATED TO THE REFINANCING OF PROJECTS AT THE HEALTH FACILITIES OF CASA COLINA, INC. AND CERTAIN AFFILIATED CORPORATIONS OF CASA COLINA, 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 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, Casa Colina, Inc. is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower"), and is affiliated with Casa Colina Hospital for Rehabilitative Medicine, Casa Colina Centers for Rehabilitation Foundation, Casa Colina Centers for Rehabilitation, Inc., Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc. and Padua Village, Inc., which own and operate health care facilities in the State of California; and

WHEREAS, the Authority has previously issued the California Health Facilities Financing Authority Revenue Bonds (Casa Colina), Series 2001 (the "Prior Bonds"), in the aggregate principal amount of $40,000,000, of which $23,300,000 currently is outstanding, and loaned the proceeds thereof to the Borrower to finance and refinance indebtedness incurred thereby in connection with the construction, renovation, expansion and equipping of the health facilities, as more particularly described under the caption "Prior Project" in Exhibit A hereto (the "Prior Project"); and

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $30,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all of the outstanding Prior Bonds, (ii) pay costs of issuance of the Bonds (as defined below), and (iii) provide a bond reserve fund for the Bonds; and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Prior 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 such revenue 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 Refunding Revenue Bonds (Casa Colina), Series 2013" (the "Bonds"), in a total aggregate principal amount not to exceed $30,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture 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 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 prior to the first anniversary of the date of this Resolution, at public sale, in such aggregate principal amount (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long 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 Borrower, may determine. The Bonds shall, at issuance, be rated investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The following documents:

(i) a Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Borrower,

(ii) a Bond Indenture relating to the Bonds (the "Bond Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Trustee"),

(iii) a Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the "Purchase Contract"), among US Bancorp Investments, Inc. (the "Underwriter"), the Treasurer and the Authority, and approved by the Borrower, and

(iv) a preliminary official statement 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 other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of 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 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 40 years from the respective date of issue), interest 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 Bond Indenture, as finally executed.

SECTION 6. 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 Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such 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 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 8. 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 9. The provisions of the Authority's Resolution No. 2013-02 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: ________________________

EXHIBIT A

Prior Project:

Proceeds of the Prior Bonds were applied by Casa Colina, Inc. or one of its affiliates, which together operate a health care system which provides comprehensive rehabilitation services to persons with physical and cognitive disabilities through an array of diagnostic, therapeutic and residential services, including physical, occupational and speech therapies, to finance and refinance the cost of acquisition, construction, renovation, expansion and equipping of health care and related facilities (hereinafter referred to as the "Facilities"), including acute care rehabilitation hospital facilities, outpatient facilities, including outpatient facilities providing adult day programs, children's services, and physical therapy services, and residential services for persons with physical and cognitive disabilities, including a 20-bed residence providing long-term care for brain injured patients. The Facilities are located: (i) in Pomona, California on the Casa Colina health care campus, which is bounded by North Garey Avenue, Bonita Avenue and East Harrison Street, (ii) in Apple Valley, California at 22200 Highway 18, and (iii) and in Lucerne Valley, California at 11981 Midway Avenue. The Facilities were previously financed and refinanced from the proceeds of the California Health Facilities Financing Authority Revenue Bonds (Casa Colina), Series 2001 and from a portion of the proceeds of the California Health Facilities Financing Authority Revenue Bonds (SAVRS Program), 1989 Series A and 1989 Series B.