CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant: Lincoln Glen Manor for Senior Citizens, Inc. ("LGM")
2671 Plummer Ave
San Jose, CA 95125
(Santa Clara County)

Amount Requested: $13,000,000
Requested Loan Term: Up to 22 years
Authority Meeting Date: December 4, 2014
Resolution Number: 399

Project Location: 2671 Plummer Ave, San Jose, CA 95125
Facility Type: Residential Care Elderly and Skilled Nursing Facility
Eligibility: Government Code 15432(d)(3) and (9)
Prior Borrower: No

Background: Established in 1965, LGM is an independent living facility primarily servicing elderly members. LGM operates three facilities on a single campus located on a 6.6 acre parcel in the Willow Glen neighborhood of San Jose, California. The three facilities include Lincoln Glen Manor, which offers 74 independent living units, Lincoln Glen Assisted Living Center, which offers 31 assisted living units and Lincoln Manor Glen Skilled Nursing Facility, which offers 59 skilled nursing beds. In FY 2013, LGM serviced approximately 274 clients. Please see Exhibit 2 for more particular utilization statistics.

Use of Proceeds: Bond proceeds will be used to refinance California Municipal Finance Authority (CMFA) Series 2011 Revenue Bonds. Based on market conditions, LGM expects this refunding may result in an estimated present value savings of $1.2 million or 11% over the life of the bonds.

Type of Issue: Negotiated public offering with fixed rate bonds (Expected minimum denominations of $5,000)
Credit Enhancement: Cal-Mortgage Insurance (contingent on Cal-Mortgage approval, expected January 2015)
Expected Credit Rating: A+ (S&P) based on Cal-Mortgage Insurance
Financing Team: *Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: Although LGM continues to experience operating challenges over the review period, the organization has a strategic plan in place to improve its operating performance. With the proposed financing, LGM's proforma debt service coverage ratio improved slightly at 0.89x. The current refunding is one of several cost savings measures that LGM is undertaking to improve its financial performance.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
Bond proceeds	$	13,000,000	Refund	$	12,369,567
Other funds*		1,251,222	Debt service reserve fund		1,077,495
			Bond insurance		403,408
			Financing costs		400,752
Total Estimated Sources	$	14,251,222	**Total Estimated Uses**	$	14,251,222

*Other funds include debt service reserve deposits and LGM's equity contribution.

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 399 in an amount not to exceed $13,000,000 subject to the conditions in the resolution, contingent upon Cal-Mortgage Insurance approval. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Fieldman, Rolapp & Associates, Inc., the Authority's financial advisor, concur with the Authority's staff recommendations.

I. PURPOSE OF FINANCING:

LGM is embarking on a strategic plan to improve its financial position and take advantage of the favorable market interest rates. Based on the current market conditions, the refunding of the Series 2011 Revenue Bonds may result in a net present value savings of approximately $1.2 million or 11% over the life of the bonds.

Refunding CMFA's Series 2011 Revenue Bonds	***$12,369,567***

LGM intends to use the bond proceeds to refund CMFA Series 2011 Revenue Bonds in the aggregate principal amount of approximately $14 million. The 2011 Series Bonds were used to (1) finance the complete renovation, expansion, and construction of a new Central Manor Complex including a completely new kitchen to serve the needs of all residents, dining room, activity rooms and offices as well as the conversion of the eight independent living units into 11 memory care beds for patients suffering from Alzheimer's disease and dementia and; (2) refund all of the outstanding Association of Bay Area Governments (ABAG) 2000 Certificates of Participation (COPs) that were used for the design costs and construction of a 31 unit residential care facility for the elderly (assisted living) in the center of the campus and the remodeling of 32 skilled nursing beds (16 rooms, bathrooms, shower rooms and whirlpool bathing facilities of the skilled nursing facilities).

Debt Service Reserve Fund		***1,077,495***
Cal-Mortgage Insurance Premium and Fees		***403,408***
Financing Costs		***400,752***
Cost of Issuance	$335,200	
Underwriter Discount	62,627	
Others	2,925	
Total Uses of Funds		**$14,251,222**

II. 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 the preparation of this Executive Summary, staff will report it at the meeting.

After reviewing LGM's credit profile, including its current financial profile, the transactions for the 2011 Series Bonds (hereinafter collectively referred to as the "Existing Bonds"), and current market requirements, LGM, LGM's financial advisor, the Authority’s financial advisor (Fieldman, Rolapp & Associates, Inc. ("Fieldman"), and the underwriter of the proposed Bonds have concluded that the covenants listed below should be applicable to this transaction. LGM, LGM's financial advisor and Fieldman note that the current financial situation of LGM does not suggest that additional covenants should be required by the Authority.

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

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

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

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

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

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

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

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

Debt Service Coverage Requirement. The Loan Agreement and the Regulatory Agreement will contain a debt service coverage requirement based on not less than 1.25 times annual debt service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments. This ratio can be based either on annual debt service for the next 12-months or maximum annual debt over the life of the Bonds. If debt service coverage decreases below 1.25 times, LGM will employ a management consultant to recommend revisions to rates, fees and charges of LGM or methods of operation of LGM.

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

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

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

Cash Requirements. LGM promises to annually measure the balance of its cash and cash equivalent assets and maintain them at a minimum level of 30 days Cash on Hand (meaning LGM’s operating expenses, less depreciation, amortization, allowance for bad debts and other non-cash expenses, divided by the number of days in the fiscal year).

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

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

III. FINANCIAL STATEMENTS AND ANALYSIS:

Lincoln Glen Manor
Statements of Operations
(Unrestricted)

	As of September 30,		
	2013	**2012**	**2011**
Revenue and Support:			
Elderly and congregate services income	$ 6,119,632	$ 5,822,960	$ 5,693,550
Rent	3,364,895	3,286,860	3,432,190
Contributions and grants received	29,172	20,032	29,376
Laundry and meals	6,800	6,941	8,237
Other	97,661	70,510	117,251
Total revenue	9,618,160	9,207,303	9,280,604
Expenses:			
Administrative	1,288,044	1,400,208	1,412,273
Utilities	225,080	214,042	218,550
Operating and maintenance	594,241	654,287	602,044
Property taxes and insurance	895,754	700,163	847,230
Financial	709,539	561,836	528,178
Bad debt expense	51,422	113,989	126,371
Dietary expense	1,322,000	1,280,470	1,233,592
Elderly and congregate service expense	3,465,169	2,896,816	2,866,112
Housekeeping expense	207,808	190,257	220,049
Linens and laundry	72,180	73,372	111,482
Activities and social services expense	356,325	305,640	271,155
Depreciation	658,827	453,306	478,741
Ancillary nursing services	356,542	363,180	297,147
Total expenses	10,202,931	9,207,566	9,212,924
Change in net assets from operation	**(584,771)**	**(263)**	**67,680**
Other income (expense)			
Investment income	99,000	95,780	76,395
Loss on extinguishment of debt	-	-	(314,096)
Change in net assets	(485,771)	95,517	(170,021)
Unrestricted net assets - beginning of year	5,587,015	5,491,498	5,661,519
Unrestricted net assets - end of year	$ 5,101,244	$ 5,587,015	$ 5,491,498

Lincoln Glen Manor
Balance Sheet

ASSETS	As of September 30, 2013	2012	2011
Current assets:			
Cash and cash equivalents	$ 715,801	$ 1,737,606	$ 2,453,730
Investments	515,348	450,032	370,265
Investments in captive insurance company	137,864	137,864	137,864
Receivables	845,479	662,229	635,176
Prepaid expense	809,320	841,374	894,048
Inventory	5,516	7,358	5,579
Total current assets	3,029,328	3,836,463	4,496,662
Non-current assets:			
Bond issuance costs, net	414,396	432,814	451,231
Assets whose use is limited	1,748,960	2,937,389	7,953,822
Property, plant and equipment	14,531,983	13,145,741	7,655,911
Total non-current assets	16,695,339	16,515,944	16,060,964
Total assets	19,724,667	20,352,407	20,557,626
Current Liabilities			
Account payable	92,566	114,213	96,959
Accrued liabilities			
Interest	375,710	381,910	330,916
Wages and payroll taxes	627,471	479,262	486,890
Other accrued expense	176,813	128,833	162,865
Application and other deposits payable	14,024	13,041	10,922
Total current liabilities	1,286,584	1,117,259	1,088,552
Long term debt	13,336,839	13,648,133	13,977,576
Total liabilities	14,623,423	14,765,392	15,066,128
		-	-
Net assets - unrestricted	5,101,244	5,587,015	5,491,498
Total liabilities and net assets	$19,724,667	$ 20,352,407	$20,557,626

Financial Ratios:	Proforma [(a)] FYE September 30, 2013			
Debt Service Coverage - Operating	0.89	0.82	1.6	3.1
Debt Service Coverage - Net	0.99	0.91	1.8	2.2
Debt to Unrestricted Net Assets	0.00	2.7	2.5	2.5
Margin (%)		(5.1)	(0.0)	0.7
Current Ratio		2.4	3.4	4.1

[(a)] Recalculates FY 2013 audited results to include the impact of this proposed financing.

*Net Patient Service Revenues as of September 30, 2013

Payors Source	**Percent**
Medicare	40
Medi-Cal	8
Private	52
Total	100

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Financial Discussion - Statement of Activities

Although LGM continues to experience operating challenges over the review period, the organization has a strategic plan in place to improve its financial position.

Overall, LGM's total operating revenue appears to fluctuate from a positive $67,680 in FY 2011 to a negative $584,771 in FY 2013. According to LGM, the primary reasons for the decreasing trend were attributed to construction delays for remodeling its' independent living units, memory care and the Central Manor Complex that affected its occupancy rates. LGM experienced challenges of keeping units occupied during construction process. This delay also impacted the independent living units because fewer potential residents had interest in moving into a facility that was under major construction in the center of the campus. There were more units needed to be remodeled than anticipated and it took longer to accomplish the project due to the rising costs according to LGM. The higher than expected vacancy rates drastically affected LGM bottom line resulting in larger than expected losses for longer period. For instance, the construction for the memory care units started in June 2011 and they opened in December 2012 with only 36% occupancy. The units did not reach full capacity until March 2014. However, LGM needed to complete the remodeling to remain competitive in the field. LGM began outlining numerous steps focusing on several key areas to reduce costs and improve occupancy rate by advertising in local publications to increase its occupancy rates. This proposed refunding is also part of the strategic plan.

Particular Facts to Note:

- In FY 2011, according to LGM, the loss of approximately $314,096 for extinguishment of debt was primarily due to unamortized loan costs associated with refunding prior bonds. When the prior bonds were refinanced, the remaining costs from the original financing had to be written off because it did not get fully expensed.

- According to LGM, interest expense was reclassified as "Financial" in the income statement. The increase from $528,178 in FY 2011 to $709,539 in FY 2013 was due to additional debt from CMFA Series 2011 Revenue Bonds.

- Staff reviewed LGM's interim financial (unaudited) ending September 30, 2014 and it appears to exhibit an operating loss of approximately $444,000. The proposed refinancing is expected to, improve LGM's financial performance with a cash flow savings of approximately $1.2 million over the life of the Bonds.

Financial Discussion - Statement of Financial Position

LGM's balance sheet remains inadequate with proforma debt service coverage ratio of 0.89x. This refunding is one of the several cost savings measures LGM is undertaking to improve its financial position.

LGM's balance sheet appears to exhibit a slight decrease in unrestricted net assets from $5.5 million in FY 2011 to $5.1 million in FY 2013, a decrease of 7.1%. LGM attributes the decrease primary to the decrease of cash and cash equivalent from $2.45 million in FY 2011 down to $715,801 in FY 2013. Cash and cash equivalent were used for equipment, appliance and fixtures to remodel the independent living units, memory care units and the Central Manor Complex.

LGM appears to be highly leveraged with debt-to-unrestricted net assets of 2.70x as well as decreasing margins from a positive 0.73% in FY 2011 to a negative 5.05% in FY 2013. With this proposed bond financing, the proforma operating debt service coverage ratio will slightly improve from at 0.82x to 0.89x.

Particular Facts to Note:

- Account receivable increased from $635,176 in FY 2011 to $845,479 in FY 2013, primarily due to the new increased services from memory care units. Currently, LGM is working with an attorney to help collect several large overdue payments and is experiencing reasonable success, according to LGM.

- Assets whose use is limited decreased from $7.9 million in FY 2011 to $1.7 million in FY 2013, primarily attributed to the construction and remodeling of the existing independent living units, memory care units, and the Central Manor Complex. The construction and remodeling also increased property, plant and equipment from $7.65 million in FY 2011 to $14.5 million in FY 2013.

- Wages and payroll taxes increased from $486,890 in FY 2011 to $627,471 in FY 2013 due to an increase of staffing and training to operate the new memory care units, according to LGM.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** LGM properly completed and submitted the "Pass-Through Savings Certification" in addition to a narrative explaining how it intends to pass along savings**.** Please see Exhibit 5 for more information.

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

- **Compliance with Seismic Regulations:** LGM properly submitted a description of how it is complying with OSHPD seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** LGM properly submitted relevant documentation addressing CEQA.

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

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

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

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EXHIBIT 1

FINANCING TEAM

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.

Borrower:	Lincoln Glen Manor for Senior Citizens, Inc.
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Attorney General's Office
Issuer's Financial Advisor:	Fieldman, Rolapp & Associates, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell LLP
Trustee:	The Bank of New York Mellon Trust Company, N.A.
Trustee Counsel:	Dorsey & Whitney LLP
Bond Counsel:	Quint & Thimmig LLP
Disclosure Counsel:	Wilson Law Group
Borrower's Financial Advisor:	H.G Wilson Municipal Finance, Inc.
Underwriters:	Piper Jaffray Edward D. Jones Southwest Securities
Auditor:	C. Rendell Bayless
Rating Agency:	Standard & Poor's Rating Services
Bond Insurance:	Office of Statewide Health Planning and Development (Cal-Mortgage)

EXHIBIT 2

UTILIZATION STATISTICS

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.

The following table shows utilization statistics of LGM for the fiscal years ended September 30, 2011, 2012 and 2013:

	As of September 30,		
	2011	**2012**	**2013**
Senior Housing (Independent Living):			
Units Available	72	55	62
Occupancy*	83%	77%	90%
Residential Care (Assisted Living):			
Licensed Beds	62.00	73.00	73.00
Available Beds	31.00	42.00	42.00
Occupancy*	84%	73%	84%
Skilled Nursing:			
Licensed Beds	59	59	59
Available Beds	59	59	59
Occupancy*	96%	95%	94%

*based upon available beds

EXHIBIT 3

OUTSTANDING DEBT

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.

Date Issued	Original Amount		Amount Outstanding [(a)] As of September 30, 2013		Estimated Amount Outstanding after Proposed Financing	
-EXISTING LONG-TERM DEBT:						
CFMA, Series 2011 Bonds	$	14,000,000	$	13,336,839	$	-
- PROPOSED NEW DEBT:						
CHFFA 2014 Series A						13,000,000
- TOTAL DEBT			**$**	**13,336,839**	**$**	**13,000,000**

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

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Established in 1965, Lincoln Glen Manor for Senior Citizen, Inc. (LGM) is an independent living facility primarily for the elderly members. LGM operates three facilities on a single campus located on a 6.6 acre parcel in the Willow Glen neighborhood of San Jose, California. The three facilities include Lincoln Glen Manor, which offers 74 independent living units, Lincoln Glen Assisted Living Center, which offers 31 assisted living units and Lincoln Manor Glen Skilled Nursing Facility, which offers 59 skilled nursing beds.

LGM provides a range of senior care services to meet the needs of the citizen over the age of 65 in its community identified below:

- *Independent Living* – Tenants maintain an independent lifestyle that primarily consist of meals as well as other convenience of recreational services, including transportation, planned and supervised recreational activities, on-site beauty salon, emergency health services, housekeeping, and maintenance.

- *Assisted Living* – The residential care program provides limited health care and personal support services for residents who experience difficulty in maintaining totally independent lifestyles. Residents in this level of care require assistance with daily living activities such as bathing, grooming and taking of medications.

- *Skilled Nursing* – Resident residing in the nursing facility requires 24-hour nursing care by licensed nurses and certified nursing assistances. In addition, many residents require physical, occupational and speech rehabilitation, special diet and socials services on ongoing basis.

Corporate Governance

LGM is governed by a board of trustees, whose number of trustees can range from five to nine members. Each board member must also be a member of LGM and is elected to a three-year term.

Licensure, Certification and Accreditation

LGM is licensed by the State of California Department of Social Services and State of California Department of Public Health. In addition, LGM is certified for participation in Medicaid and Medicare programs.

EXHIBIT 5

COMMUNITY CHARITY CARE

Lincoln Glen is committed to charitable care in a variety of ways. Lincoln Glen has operated on a belief that no senior ever needs to leave any of its facilities due to a lack of funds and the board has approved a budget that provides from 45%-50% of its Skilled Nursing beds be occupied by Medi-Cal residents. Listed Below are some examples of actual charity care provided by Lincoln Glen.

- In 62 units of Independent Living, Lincoln Glen in the 2013- 2014 fiscal year provided $95,000 in rent, food and services to people who could not afford to pay for them.
- In 42 units of Assisted Living and Memory Care during the 2013-14 fiscal year, $61,000 of charity care was provided for residents who could not afford to pay for Assisted Living services.
- In Skilled Nursing, Lincoln Glen budgets and plans to accept 45%-50% (27-30 out of 59 total beds) of its residents through the Medi-Cal program. In the 2013-14 fiscal year, in excess of 9,000 Medi-Cal days were provided to Medi-Cal residents who could not afford the cost of Skilled Nursing care. In dollars and cents, Lincoln Glen provided $878,800 of reduced cost care for people unable to afford Skilled Nursing.
- In previous years like 2012-2013, 51.84% of our total Skilled Nursing residents were admitted on the Medi-Cal program and in 2011-2012, 47.6% were on Medi-Cal and in 2010-2011, 51.55% were a part of the Medi-Cal program. Lincoln Glen has a history of supporting the needs of seniors with its programs.

Lincoln Glen also works closely with resident families, both past and present, as well as interested local families who have questions or concerns about senior care, seeking to develop relationships that help us understand how to more effectively meet the needs of seniors in our area.

- At no cost, Lincoln Glen maintains a Resident Families quarterly meeting in Skilled Nursing that is open to all residents and family members (past and present) to discuss and better understand seniors and their needs related to long term care.
- We provide at no cost monthly opportunities in Independent Living and Assisted Living to openly discuss the needs of seniors living in those levels for residents their family and local people interested in seniors and their needs. We provide local resources and speakers that provide information and training such as Hospice experts, Healthcare professionals and Physicians to help answer questions and provide information to residents, their families and other local families that are interested.
- Lincoln Glen offers flu shots at cost or free for seniors in our area and to other disabled people who need them and cannot afford them (and their families).
- Lincoln Glen offers free local transportation to residents and their families within a 12 mile radius of the facility for doctors visits, special events and other needs.
- Lincoln Glen also serves as a training site for three (3) local nurse and certified nurse training programs located in nearby Junior Colleges at no cost, giving future nurses the opportunity to gain real life experience under the guidance of instructors and experienced Lincoln Glen staff members.
- Lincoln Glen also supports and provides thousands of dollars worth of food and other items to support local programs such as the Annual Easter Egg Hunt, 4th of July, Thanksgiving and Christmas Programs hosted for families and people living in the Willow Glen area of San Jose.

RESOLUTION NO. 399

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY RELATING TO THE ISSUANCE OF REVENUE BONDS TO REFINANCE PROJECTS FOR LINCOLN GLEN MANOR FOR SENIOR CITIZENS, 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 operated by participating health institutions (including by reimbursing expenditures made for such purposes) or refinance indebtedness in connection therewith;

WHEREAS, Lincoln Glen Manor for Senior Citizens, 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;

WHEREAS, the Corporation desires to provide for the advance refunding of a portion of the outstanding California Municipal Finance Authority Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens), Series 2011 (the "2011 Bonds"), the proceeds of which were used to (a) refund, on a current basis, all outstanding ABAG Finance Corporation for Nonprofit Corporations Insured Certificates of Participation (Lincoln Glen Manor for Senior Citizens), Series 2000, executed and delivered to (i) refinance certain existing indebtedness of the Corporation, (ii) finance the renovation of existing buildings, and (iii) finance the costs of construction of a 31 unit assisted living facility; (b) finance the conversion of 8 independent living units (from a 20 unit building) into 11 memory care beds for patients suffering from Alzheimer's disease and dementia; and (c) finance the expansion, remodeling and updating of the Corporation's Central Manor, all located at the Corporation's multi-level facility for the elderly at 2671 Plummer Avenue in the City of San Jose, California;

WHEREAS, the Corporation has requested that the Authority issue its insured revenue bonds on behalf of the Corporation in a principal amount not to exceed $13,000,000 to refund the 2011 Bonds, to fund a reserve fund for the bonds and to pay the costs of issuance with respect thereto; 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 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens, Inc.), Series 2015" (the "Bonds"), in an aggregate principal amount not to exceed $13,000,000, are authorized to be issued, subject to (a) the final approval of bond insurance by the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development of the State of California (the "Office") for the Corporation, (b) receipt of a bond rating at least equal to the rating assigned to the State of California, and (c) minimum denominations of the Bonds of $5,000. The proceeds of the Bonds shall be used for the purposes set forth in the fourth WHEREAS clause above.

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

Section 3. The following documents:

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

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

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

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

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

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

are hereby approved in 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 the form of credit or liquidity enhancement for any series of Bonds) as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Indenture, the Loan Agreement and the Bond Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement. 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 date, maturity dates (not exceeding 40 years from the date of issue), interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in said Indenture as finally executed.

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

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

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

Section 9. The provisions of the Authority's Resolution No. 2013-02, as amended, 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 ______________________________