

I. PURPOSE OF FINANCING:

CNMH intends to benefit from current low interest rates to refund the outstanding existing CHFFA 2006 Series Revenue Bonds. According to CNMH’s management, the refunding strategy is to provide cash flow relief to CNMH by lowering the annual debt service, which is achieved through a lower interest rate and an extended bond maturity.

Refund CHFFA Bonds..... \$31,500,000

CNMH plans to refund its Cal-Mortgage insured CHFFA tax-exempt bond series 2006 issue.

The funds from the CHFFA Series 2006 Series Bonds were used for the renovation and construction of facilities owned and operated by CNMH on the campuses at:

Forest Hill – 551 Gibson Avenue, Pacific Grove, California 93950; and

Lake Park – 1850 Alice Street, Oakland, California 94612.

The renovation of an existing skilled nursing facility, including the addition of approximately 5,000 square feet that allowed a nine-bed increase in skilled nursing capacity and extra space for restorative therapy for residents was financed at the Lake Park campus. At the Forest Hill campus, the bonds financed the demolition and removal of the assisted living wing, and the construction of a new four-story structure that included 24 residential living apartments, 18 assisted living units, 26 skilled nursing beds and the construction of eight additional cottage-style residential living units. The total original issue amount was \$42 million. The outstanding par amount to be refunded for the 2006 Series bonds is approximately \$31.5 million.

Debt Service Reserve Fund 2,200,000

Cal-Mortgage Insurance 2,200,000

Financing Costs 1,300,000

- *Estimated cost of issuance..... \$900,000*
- *Underwriter’s discount..... 400,000*

Total Estimated Uses of Funds \$37,200,000

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 CNMH's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, CNMH, Fieldman, Rolapp & Associates, Inc. (the Authority's financial advisor), and the underwriter have concluded the covenants listed below balance the interests of CNMH, the Authority, and the investors and are consistent with covenants that have applied to CNMH's prior bond transactions and that the CNMH's current financial situation does not suggest additional covenants should be required.

Cal Mortgage Insurance. *The primary security for this transaction is insurance from the Office of Statewide Health Planning and Development Cal Mortgage Insurance Program covering payment of principal and interest on the 2015 Bonds. Following completion of this proposed 2015 transaction, the only CNMH bonds that will be outstanding are the 2015 bonds.*

Deed of Trust (Construction Trust Deed and Fixture Filing). *As is required by the Insurance Law, CNMH will execute a Deed of Trust with Fixture Filing and Security Agreement covering all of its major revenue-producing properties, equipment and intangible assets which are pledged to the Trustee, as assignee of the Authority, and Cal Mortgage. Cal Mortgage can release properties or assets from either Deed of Trust without consent from the Authority or Bondholders.*

Bond Reserve Account. *There will be a bond reserve account for the 2015 Bonds funded at Maximum Annual Bond Service for the 2015 Bonds. If the reserve is ever tapped for a bond payment, CNMH is required to deposit amounts to the reserve to maintain it at the required level within 12 months.*

The following covenants are also applicable for this transaction (any covenants in the Regulatory Agreement may be amended or waived with consent of Cal Mortgage without consent from the Authority or the Bondholders):

Unconditional Promise to Pay. *CNMH agrees to pay the Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. All revenues (which will include payments under the Loan Agreement) and any other amounts held in one of the designated funds or accounts under the Bond Indenture are pledged to secure the full payment of the 2015 bonds. [Loan Ag. Sec. 3.1; Indenture. Sec. 5.1]*

Pledge of Gross Revenues. *CNMH pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund over which the Trustee has a deposit account agreement for the benefit of bondholders and Cal Mortgage. [Loan Ag. Sec. 3.3]*

Negative Pledge Against Prior Liens. *CNMH agrees not to create, assume or permit any lien or security interest upon the Facilities or the Gross Revenues other than Permitted Encumbrances.* [Loan Agreement Sec. 5.6; Regulatory Agreement Sec. VIII]

Debt Service Coverage Requirement. *The Regulatory Agreement contains a debt service coverage requirement based on 1.25 times maximum aggregate annual debt service.* [Regulatory Agreement Sec. VII.A]

Additional Debt Limitation. *CNMH agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Regulatory Agreement.* [Regulatory Agreement Sec. IX].

Limitations on Mergers, Sales or Conveyances. *CNMH agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person unless authorized by various limiting measures in the Regulatory Agreement.* [Regulatory Agreement Sec. VI]

Disposition of Cash and Property Limitations. *The Regulatory Agreement does not permit CNMH to sell, lease or dispose of any property, plant or equipment or cash or cash equivalents unless authorized by various limiting measures.* [Regulatory Agreement Sec. X]

Limitations on Acquisition of Plant, Property and Equipment (PPE). *The Regulatory Agreement requires CNMH to deliver certain certifications and obtain the consent of the Office before it acquires PP&E with certain defined exceptions.* [Regulatory Agreement Sec. XI].

Comply with SEC Rule 15c2-12. *Under the continuing disclosure agreement and in order to assist the underwriter in complying with SEC Rule 15c2-12, CNMH will contractually agree to disclose designated financial and operating information to the SEC web site Electronic Municipal Market Access during the life of the 2015 bonds on an annual/quarterly basis and to report designated “material events” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff and Fieldman, Rolapp & Associates, Inc. have reviewed the entirety of this financing package and find it to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

California-Nevada Methodist Homes
Statement of activities
(Unrestricted)

	<u>For the Year Ended June 30</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue			
Resident fees	\$ 11,796,010	\$ 11,141,142	\$ 11,207,616
Patient fees*	3,891,701	3,353,689	3,193,701
Amortization of entrance subscriptions	2,698,475	3,061,549	2,151,797
Interest and dividend income	126,478	129,158	211,511
Rental income	44,584	34,004	37,399
Gifts, bequests and grants	-	51,910	-
Change in present value of charitable remainder trust	(2,600)	(2,000)	(2,558)
Unrealized gains (losses) on investments	232,921	(25,436)	(95,948)
Realized gains on sales of investments	33,971	65,012	23,678
Realized gains on sale of equipment	263	1,400	-
Realized loss on sale of note receivable	-	-	(277,325)
Miscellaneous	76,378	430,951	83,704
Net assets released from restrictions	83,518	9,490	583,534
Total revenue	<u>18,981,699</u>	<u>18,250,869</u>	<u>17,117,109</u>
Expenses			
Food and food services	4,136,286	3,964,908	3,819,397
Administration	2,861,298	2,930,652	3,629,723
Medical services	2,640,465	2,528,692	2,605,094
Assisted living	1,237,326	1,125,368	1,072,373
Marketing	1,044,360	1,157,727	-
Maintenance and operations	1,038,447	961,497	890,307
Housekeeping	972,875	902,281	882,718
Utilities	932,446	872,508	816,606
Medical care	817,277	705,732	800,611
Activities	518,376	507,360	456,243
Property taxes and insurance	282,595	261,745	266,665
Social services	35,565	45,286	33,950
Laundry	34,695	33,741	33,062
Fundraising	19,319	18,000	19,727
Total other expenses	<u>16,571,330</u>	<u>16,015,497</u>	<u>15,326,476</u>
Other expenses			
Depreciation	2,224,786	2,221,808	2,223,164
Interest	1,483,046	1,529,908	1,581,862
Amortization of bond issuance costs	94,342	101,121	108,519
Investment expense	9,440	-	-
Bad debt	59,907	27,041	50,619
Total expenses	<u>20,442,851</u>	<u>19,895,375</u>	<u>19,290,640</u>
Decrease in unrestricted net assets	(1,461,152)	(1,644,506)	(2,173,531)
Unrestricted net assets, beginning of year	<u>(1,411,570)</u>	<u>232,936</u>	<u>2,406,467</u>
Unrestricted net assets, end of year	<u>\$ (2,872,722)</u>	<u>\$ (1,411,570)</u>	<u>\$ 232,936</u>

***Patient fees revenue for FY 2014**

<u>Payor Source</u>	<u>Percent</u>
Continuing Care	50.2
Medicare	33.5
Private Pay	16.3
Total	<u>100.0</u>

**California-Nevada Methodist Homes
Statement of Financial Position**

	As of June 30,		
	2014	2013	2012
Assets			
Current assets			
Cash and cash equivalents	\$ 2,272,041	\$ 1,289,276	\$ 2,436,843
Investments, at fair value	7,262,389	6,062,729	3,515,550
Accounts and notes receivable, net	498,049	310,302	639,927
Accrued interest	8,622	14,020	10,551
Prepaid expenses	380,005	357,975	345,105
Bond reserve funds	<u>3,695,842</u>	<u>3,643,343</u>	<u>3,635,686</u>
Total current assets	14,116,948	11,677,645	10,583,662
Property and equipment, net	51,307,270	52,145,087	53,308,818
Charitable remainder in trust, at present value	65,400	68,000	85,442
Bond issuance cost, net	<u>1,335,145</u>	<u>1,429,488</u>	<u>1,530,609</u>
Total assets	<u>\$ 66,824,763</u>	<u>\$ 65,320,220</u>	<u>\$ 65,508,531</u>
Liabilities and net assets			
Liabilities			
Current liabilities			
Account payable - trade	\$ 476,529	\$ 743,735	\$ 780,070
Payroll payable	187,060	230,153	141,481
Bond payable	720,000	685,000	650,000
Note payable	173,611	416,667	175,000
Line of credit	-	-	1,006,945
Accrued liabilities			
Salaries and wages	207,834	354,926	207,014
Compensated absences	805,785	755,244	789,450
Accrued interest	743,625	760,750	777,000
Other	<u>97,349</u>	<u>98,244</u>	<u>87,182</u>
Total current liabilities	3,411,793	4,044,719	4,614,142
Long term:			
Accrued severance pay	135,095	126,119	8,967
Entrance deposits	375,853	24,000	70,000
Deferred revenue from entrance subscription	36,252,866	32,138,685	29,485,163
Deferred compensation	110,129	110,129	218,645
Bonds payable	29,284,437	30,031,375	30,747,714
Note payable	-	173,611	-
Other	<u>59,119</u>	<u>23,253</u>	<u>74,947</u>
Total liabilities	<u>69,629,292</u>	<u>66,671,891</u>	<u>65,219,578</u>
Net assets	(2,804,529)	(1,351,671)	288,953
Total liabilities and net assets	<u>\$ 66,824,763</u>	<u>\$ 65,320,220</u>	<u>\$ 65,508,531</u>

Financial Ratios:

**Proforma (a)
FYE June 30, 2014**

Debt Service Coverage - Operating (x)	1.03	0.84	0.85	0.78
Debt Service Coverage - Net (x)	1.28	1.04	0.97	0.74
Debt to Unrestricted Net Assets (x)		(0.08)	(22.72)	108.66
Margin (%)		(0.08)	(0.09)	(0.13)
Current Ratio (x)		4.14	2.89	2.29

(a) Recalculates FY2014 audited results to include the impact of this proposed financing

Financial Discussion - Statement of Activities (Income Statement)

CNMH' income statement appears to exhibit improving results over the review period.

CNMH's revenues consist primarily of resident fees, amortization of entrance fees, patient fees and interest income accounting for approximately 98% of total revenues in FY 2014. Total revenue increased from approximately \$17.1 million in FY 2012 to approximately \$18.9 million in FY 2014. According to CNMH's management, this increase can be credited to an increase in the occupancy rate for residential living, assisted living, and skilled nursing, supported by an intense marketing campaign. Increases in revenue are also credited to progressive yearly monthly fee increases and increased outside admission to skilled nursing.

Particular Facts to Note:

- Total other expenses increased from approximately \$15.3 million in FY 2012 to \$16.5 million in FY 2014, an increase of 8%. According to CNMH's management, these increases in costs, related to occupancy, are attributed more to the utilization of skilled nursing services than to residential and assisted living occupancy increases. In addition, CNMH has progressively increased the marketing budget in an effort to increase residential occupancy at both communities.
- Administration expenses decreased by 21% from approximately \$3.6 million in FY 2012 to approximately \$2.8 million in FY 2014, primarily due to the replacement of contracted administrative staff at one of the facilities with permanent staff.
- According to CNMH's management, the increase in unrestricted net assets from a negative \$2.1 million in FY 2012 to a negative of approximately \$1.4 million in FY 2014 can be attributed mainly to a financial recovery from the 2009 economic downturn, which coincided with the opening of the Forest Hill expansion. A slower than expected level of occupancy at the Forest Hill retirement community during the economic downturn and the replacement of life care contracts with continuing care contracts, contributed to lower monthly fee revenue. Revenues are expected to increase, as continuing care residents begin to utilize assisted living and skilled nursing services.

Financial Discussion - Statement of Financial Position (Balance Sheet)

CNMH appears to have an improving financial position with a proforma debt service coverage ratio of 1.28x over the review period.

CNMH appears to exhibit an improving financial position with good liquidity as cash and cash equivalents exceed \$2.3 million total in FY 2014. Cash and cash equivalents fluctuated over the review period due to investments into marketable securities. Net assets appear to decrease from approximately \$288,953 in FY 2012 to a negative \$2.8 million in FY 2014. CNMH's management attributes this condition primarily to lower than expected occupancy rate after the expansion of the Forest hill community, which coincided with the economic downturn in 2009. CNMH's substantial marketing efforts are expected to increase residential occupancy.

Particular Facts to Note:

- During FY 2014, CNMH has exhibited solid liquidity with a 4.14x current ratio, supported by significant cash and cash equivalents of approximately \$2.2 million, which represents 191 days cash on hand, well above the health industry accepted target amount of 30 days.
- CNMH's investments appear to exhibit a significant increase from approximately \$3.5 million in FY 2012 to \$7.2 million in FY 2014. CNMH's management considers the increase can be mainly attributed to the strong investment performance of the markets.
- CNMH's proforma debt service coverage appears to be 1.28x, indicating CNMH's likely ability to repay the proposed debt.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** CNMH properly completed and submitted the “Pass-Through Savings Certification” in addition to a narrative explaining how it intends to pass along savings.

As a true Continuing Care Retirement Community as designated by the State of California, services are ensured through a continuing care agreement. Beyond its independent living apartments, residents have priority access to a full continuum of services including assisted living apartments and Medicare-certified skilled nursing care in its health center. Residents can receive 30 lifetime days of skilled nursing services and 30 lifetime days of assisted living services at no additional cost to the resident.

Residents of CNMH’s facilities enjoy up to three chef-prepared meals a day in the well-appointed dining room and enjoy scheduled transportation for shopping, excursions and doctor’s appointments.

CNMH’s community service programs range from educational classes and seminars to recreational, social, cultural and spiritual activities that are offered to residents as well as to the public. (See Exhibit 6 for CNMH’s community service programs)

- **Section 15491.1 of the Act (Community Service Requirement):** As a continuing care retirement community, CNMH is exempt from Medi-Cal participation. CNMH’s both skilled nursing facilities are of small capacity and designed to accommodate the internal needs of their continuing care agreement residents. CNMH does take direct admissions to the skilled nursing facility on a space-availability basis.
- **Compliance with Seismic Regulations:** Compliance with seismic regulations is only required for acute care hospitals.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** The requirement to provide CEQA documentation does not apply to the refunding of prior CHFFA bonds.
- **Religious Affiliation Due Diligence:** CNMH properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review:** CNMH properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** CNMH properly submitted the certificate to the Authority.

EXHIBIT 1

FINANCING TEAM

California-Nevada Methodist Homes

Borrower: California-Nevada Methodist Homes

Issuer's Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Financial Advisor: Fieldman, Rolapp & Associates, Inc.

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

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP

Borrower's Counsel: Hanson, Bridgett, LLP

Underwriter: Cain Brothers & Company, LLC

Underwriter's Counsel: Squire Patton Boggs (US) LLP

Auditor: RINA Accountancy Corporation

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

Trustee: Wilmington Trust, N.A.

Trustee Counsel: Taboada Rochin Govier LLP

Appraiser: Senior Living Valuation Services

Rating Agencies: Standard & Poor's Financial Services, LLC
Fitch Ratings, Inc.

EXHIBIT 2

OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding ^(a) As of June 30, 2014</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
-EXISTING LONG-TERM DEBT:			
CHFFA Revenue Bonds, 2006 Series	\$ 42,280,000	\$ 29,284,000	\$ -
 - PROPOSED NEW DEBT:			
<i>CHFFA Revenue Bonds, Series 2015</i>			35,000,000
- TOTAL DEBT		<u><u>\$ 29,284,000</u></u>	<u><u>\$ 35,000,000</u></u>

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

EXHIBIT 3

UTILIZATION STATISTICS

Average Annual Occupancy

Lake Park, Oakland

Fiscal Year Ending June 30	Residential Living	Assisted Living	Skilled Nursing
2012	81.46%	80.29%*	74.86%
2013	79.61%	77.14%	62.86%
2014	85.43%	79.14%	72.00%

* Lake Park reduced the number of assisted living units from 52 to 35, converting some of these units to independent living units

Forest Hill, Pacific Grove

Fiscal Year Ending June 30	Residential Living	Assisted Living	Skilled Nursing
2012	56.52%	79.83%	90.88%
2013	52.17%	83.33%	88.46%
2014	58.70%	80.00%	83.07%

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

California-Nevada Methodist Homes (CNMH) was incorporated as a non-profit public benefit corporation in 1954 to provide persons aged 60 years and older with accommodations, amenities, care and services specifically designed to meet their physical, social, recreational and psychological needs. CNMH currently owns and operates two continuing care retirement communities, Lake Park Retirement Residence, located in Oakland, California and Forest Hill Residence located in Pacific Grove, California. CNMH's mission is to provide the highest quality of retirement living to the elderly persons by promoting services, amenities and care that nurtures independence, promotes wellness and preserves dignity.

Governance

A 10-member Board of Trustees, one of which is the resident trustee, currently governs CNMH. The members live throughout northern California and serve without compensation. Pursuant to the by-laws, the board must consist of no more than 15 trustees. No less than five trustees must be either a ministerial member or a lay member of the California Nevada Annual Conference of the United Methodist Church. Except for the resident trustee, members hold office for an initial three-year term and are thereafter eligible to serve consecutive terms without limit. CNMH added in 2015 one resident trustee selected by the board from among candidates nominated by a resident-select committee of residents of the continuing care retirement community. The Resident Trustee serves a two-year term and is ineligible to serve consecutive terms.

Licensure and Memberships

CNMH holds the following licenses: (a) a license to operate residential care facilities for the elderly issued by the California Department of Social Services and (b) a license to operate skilled nursing facilities issued by the California Department Health Services.

CNMH is a member of LendingAge (formerly known as American Association of Homes and Services for the Aging) and Lending Age California (formerly known as California Association of Homes and Services for the Aging).

EXHIBIT 5

PROJECT SITES

The proposed project consists of the refunding of the outstanding CHFFA 2006 Series Revenue Bonds. The CHFFA 2006 Series are insured by Cal-Mortgage and were originally issued to finance construction and renovation projects at California Nevada Methodist Homes' continuing care retirement communities.

The facilities are located at the following addresses:

- Forest Hill – 551 Gibson Avenue, Pacific Grove, California 93950;
- Lake Park – 1850 Alice Street, Oakland, California 94612.

EXHIBIT 6

COMMUNITY SERVICE PROGRAMS

Services open to the community at Lake Park

Lake Park is an official polling place for both local and national elections

The League of Women voters hosts election-related events at Lake Park

Osher Lifelong Learning Institute (OLLI) programs are offered through an affiliation with UC Berkeley

Lake Park provides space for a community string quintet to practice

CNMH invites and drives Lake Park residents to volunteer at the Alameda County Food Bank

Lake Park hosts Bridge tournaments with several Bridge groups, including a competitor senior living community

Lake Park hosts Black Women Stirring the Waters group

Camp Fire Girls Association meets and holds their annual luncheon at Lake Park

Lake Park residents volunteer for **Resources for Oakland's Active Retirees** (ROAR) events and are featured in photographs on their website

Rightsizing Class on decluttering life is open to public

Upon occasion Lake Park hosts external groups such as book clubs and musical groups

Lake Park hosts an annual Arts & Crafts show that is open to the public

Services open to the community at Forest Hill

Open Chapel Services are offered at the Methodist Church located at Forest Hill - Methodist, Catholic services offered

PEO Group Luncheons are hosted

American Association of University Women Scholarship Selection Committee Meeting and Awards Meeting is hosted

Red Hat Society Luncheon is hosted

Pacific Grove Chamber Mixers have been hosted Lecture Series

Gentrain Lifelong Learning Classes are offered to the public on-site through an affiliation with Monterey Peninsula College

Senior Nutrition Lectures are open to public

Walk thru History Lectures are open to public, recent examples include:

History of Cannery Row

History of Abalone Industry

History of Pacific Grove and Forest Hill Hotel

World Religions Discussion group hosted by local Pastor are open to outside attendance

Pre-Concert Symphony Lecture Series is open to public

Rightsizing Class on decluttering life is open to public

Fitness Programs with Natalia, Gina that are open to the public include:

Wake up and Walk- Early morning outdoor walking group hosted by facility Exercise

Physiologist is open to public

Balance Class is open to public

Tai Chi Class is open to public

Chef and food service staff participate in the "Taste of Pacific Grove" cooking competition and charity fundraiser

Therapy dog site for dogs to receive training in a health care venue and senior living site

City Emergency Response Communications Towers are provided space on roof of Main Building

Inter-agency Fire and Emergency Response training held at Forest Hill provides realistic experience in Multi-story structure for city and county personnel

DLI - military attached to Defense Language Institute have opportunity to visit/have programs with residents quarterly

Book/Reading Club is open to public participation

Below Market Rental Apartments (2) work in coordination with the city low income housing program

RESOLUTION NO. 404

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY AUTHORIZING THE ISSUANCE OF
INSURED REVENUE BONDS
RELATED TO THE REFINANCING OF
PROJECTS AT THE HEALTH FACILITIES OPERATED BY
CALIFORNIA-NEVADA METHODIST HOMES

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;

WHEREAS, California-Nevada Methodist Homes is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower"), which owns and/or operates health facilities in the State of California;

WHEREAS, the Authority has previously issued its Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2006 (the "2006 Bonds"), in the aggregate principal amount of \$42,280,000 of which \$28,270,000 currently is outstanding, and loaned the proceeds thereof to the Borrower to finance and refinance indebtedness incurred thereby in connection with the acquisition, construction, improvement, renovating and equipping and renovation of certain health facilities, as more particularly described under the caption "2006 Project" in Exhibit A hereto (the "2006 Project");

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 \$35,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all of the outstanding 2006 Bonds, (ii) pay an insurance premium and related fees to the Office of Statewide Health Planning and Development of the State of California (the "Office") and other costs of issuance of the Bonds (as defined below), and (iii) fund a bond reserve fund for the Bonds;

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 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 Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2015” (the “Bonds”), in an aggregate principal amount not to exceed \$35,000,000, 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 fifth 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 or private sale, 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 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; but only upon the condition that the State Treasurer’s Office (“STO”) approves the application of Cain Brothers for inclusion into the STO underwriter pool.

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 Wilmington Trust, N.A., as bond trustee (the “Trustee”),
- (iii) a Regulatory Agreement relating to the Bonds (the “Regulatory Agreement”), among the Borrower, the Office and the Authority,
- (iv) a Contract of Insurance (the “Contract of Insurance”), among the Borrower, the Office and the Authority.
- (v) a Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the “Purchase Contract”), among Cain Brothers, as underwriter (the “Underwriter”), the Treasurer and the Authority, and approved by the Borrower, and
- (vi) 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, if necessary, 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, the Regulatory Agreement, the Contract of Insurance 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, the Loan Agreement, the Regulatory Agreement, the Contract of Insurance, the Bond 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. 2015-05 apply to the documents and actions approved in this Resolution.

SECTION 10. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution may be executed and delivered until the Office has indicated its willingness to insure the Bonds.

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

2006 Project

Proceeds of the 2006 Bonds were used in the financing and refinancing of the acquisition, construction, improvement, renovating and equipping of the following continuing care retirement communities: the campus known as Forest Hill located at 551 Gibson Avenue, Pacific Grove, California 93950, and the campus known as Lake Park, bounded by 17th Street, 19th Street, Jackson Street and Alice Street, Oakland, California 94612.