CHFFA REVENUE NOTE 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:**	$36,400,000 August 4, 2016 Up to 40 years 416

Project Sites: See Exhibit 1
Facility Types: General acute, post-acute and outpatient care
Eligibility: Government Code 15432(d) (1), (d)(7), (d)(13), (d)(14)
Prior Borrower: Yes (date of last CHFFA issue, 2013)
Obligated Group: CCI's Obligated Group (the "Obligated Group") is comprised of CCI, the Hospital and four 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 healthcare 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 healthcare, residential and community services. In FY 2016, CCI had approximately 83,000 outpatient treatment visits.

Use of Proceeds: CCI is seeking to refinance CHFFA Variable Rate Revenue Bonds, Series 2011 with an interest rate fixed for a term of 10 years. The refinance is for risk avoidance and to take advantage of the historically low interest rates being offered in the marketplace. The initial 2011 variable rate bonds were utilized to finance the construction and equipment for a 31-bed medical/surgical addition including six intensive care rooms, three operating rooms and one procedure room. The construction project was completed and the facility opened effectively April 1, 2016.

Type of Issue: Private placement (Qualified Institutional Buyer ("QIB"))
Purchaser: MUFG Union Bank, N.A. ($36.4 million)
Expected Credit Rating: Unrated – *Please see Guideline discussion on page 3*
Financing Team: *Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: CCI's income statement exhibits improving financials with total revenue increasing during the review period, and CCI's financial strength appears stable with an operating pro-forma debt service coverage ratio of 2.68x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Note proceeds	$ 36,400,000	Refinance Series 2011 Notes	$ 36,171,119
		Financing Costs	228,881
Total Estimated Sources	$ 36,400,000	**Total Estimated Uses**	$ 36,400,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 416 for Casa Colina, Inc. in an amount not to exceed $36,400,000 subject to the conditions in the resolution for unrated debt. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and KNN Public Finance LLC, the Authority's financial advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

CCI seeks to refinance the CHFFA Series 2011 Variable Rate Revenue Bonds for the sole purpose of risk avoidance and to take advantage of the historically low interest rates being offered in the marketplace by receiving a fixed interest rate of 2.04% for 10 years. The notes will be directly purchased by MUFG Union Bank, N.A. in the amount of $36,400,000. CCI estimates the refinancing will result in savings of approximately $4.5 million over the first 10 years that are guaranteed.

Refinancing**..** ***$36,171,119***

CCI is refinancing the initial 2011 Variable Rate Bonds which were utilized to finance the construction and equipment for a 31-bed medical/surgical addition including six intensive care rooms, three operating rooms and one procedure room. The construction project was completed and the facility opened effective April 1, 2016.

Financing Cost **...** ***228,881***

Estimated cost of issuance.................................. $ 228,881

Total Estimated Uses of Funds **...** ***$36,400,000***

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II. GUIDELINES DISCUSSION:

CCI 2016 Notes will be an unrated, purchase by MUFG Union Bank, N.A. (the "Purchaser") in a private transaction. The following requirements apply to the issuance of the Notes:

- Must be privately placed with and transferred only to a "Qualified Institutional Buyer" ("QIB") as defined by SEC Rule 144A, promulgated under the Securities Act of 1933;
- Minimum denomination of $250,000;
- Unconditional Promise to Pay from CCI, as borrower;
- Investor Letter required at issuance;
- Notes transfer restrictions must be noted conspicuously on the Notes themselves; and
- Notes must be physically delivered.

All of the foregoing requirements are designed to maximize the likelihood that the unrated Notes will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The Notes are not rated at this time because the Purchaser does not require the Notes to be rated. The Purchaser is required to be a QIB under SEC Rule 144A and will make an independent credit determination with respect to its purchase of the Notes. The foregoing will be reflected in the investor letter to be delivered by the Purchaser.

In addition, the California Health Facilities Financing Authority Refunding Revenue Bonds (Casa Colina), Series 2013 (the "Series 2013 Bonds ") issued by the Authority for the benefit of CCI and the other members of the Obligated Group are currently rated "BBB+" by S & P Global Ratings. The Series 2013 Bonds are secured by a debt service reserve account, a gross revenue pledge of the Obligated Group under the Master Indenture and an Obligation ("Obligation No. 4") issued under the Master Indenture. The Notes currently requested by CCI would be secured on parity with the Series 2013 Bonds by the following: (1) the gross revenue pledge under the Master Indenture; and (2) an Obligation ("Obligation No. 5") issued under the Master Indenture. The Notes will not be secured by the debt service reserve account that secures the Series 2013 Bonds or any other debt service reserve account because the Purchaser does not require a debt service reserve account.

This transaction complies with the Authority's existing unrated debt guidelines. In addition, the bond documents will include a "springing rating requirement" which requires CCI to use its best efforts to obtain a credit rating on the Notes in the event that (i) the Notes are publicly offered in connection with a conversion from one interest rate period to another interest rate period and (ii) there are no other outstanding notes or other obligations secured by the Master Indenture rated by a nationally recognized rating agency. If CCI is unable to obtain a rating, CCI will covenant, for so long as the Notes remain outstanding: (a) to continue to prepare continuing disclosure reports with substantially the same content and at the same frequency as required by the continuing disclosure undertaking pursuant to SEC rule 15c2-12(a)(5) (or successor) (the "Rule") in connection with the Series 2013 Bonds or any subsequent continuing disclosure undertaking entered into pursuant to the Rule, and (b) publicly disseminate such continuing disclosure reports in such a manner as would be otherwise required under the Rule for publicly sold notes.

III. PROPOSED COVENANTS AND SECURITY PROVISIONS:

In December 2001, CCI entered into a master indenture of trust (as supplemented, the "Master Indenture") with the affiliates listed in Exhibit 5 (each, a "Member of the Obligated Group") 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.

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

CCI will be the borrower under the loan agreement (the "Loan Agreement") to be entered into by CCI with the Authority in connection with the issuance of the 2016 Notes. Acting on behalf of itself and the other Members of the Obligated Group, CCI will issue a joint and several obligation ("Obligation No. 5") to secure the obligations of CCI under the Loan Agreement. CCI was the borrower under the loan agreement (the "Series 2013 Loan Agreement") entered into with the Authority in connection with the Series 2013 Bonds and issued a joint and several obligation, Obligation No. 4 under the Master Indenture, to secure the payments under the Series 2013 Loan Agreement. The Series 2013 Bonds will be the only other bonds outstanding upon the issuance of the proposed Notes.

After reviewing the current finances of the Obligated Group and the Series 2013 Bond transaction and considering the requirements of the purchaser of the Notes, CCI and KNN Public Finance LLC ("KNN") concluded the covenants listed below should be applicable to this transaction. CCI and KNN note that the covenants set forth below are consistent with covenants applicable to the Series 2013 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 the Trustee all amounts required for payment of the principal, interest and redemption premium, if applicable, with respect to the proposed Notes 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. 5 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. 5) and amounts held in the funds and account established under the Indenture (excluding the Note Purchase Fund and the Rebate Fund) will be pledged to secure the full payment of the proposed Notes. The purchaser of the proposed Notes is not requiring a reserve fund and no reserve fund will be established for the proposed Notes.

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 2013 Bonds and the Trustee, which will be the holder of Obligation No. 5.

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 such encumbrances as are permitted under the Master Indenture.

Long-Term Debt Service Coverage Requirement. The Master Indenture requires that the Obligated Group maintain a 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.

No Reserve Fund. The purchaser of the proposed Notes is not requiring a reserve fund and no reserve fund will be established for the proposed Notes.

No Deeds of Trust. The purchaser of the proposed Notes is not requiring any real property security and no deeds of trust nor any other real property security will be provided.

Staff and KNN Public Finance LLC have reviewed the entirety of this financing package and find it to be acceptable.

IV. FINANCIAL STATEMENTS AND ANALYSIS:

Casa Colina, Inc.
Statement of Activities
(Unrestricted)

	As of March 31,		
	2016	**2015**	**2014**
Revenue			
Net patient service revenues*	$ 71,802,571	$ 66,823,159	$ 64,639,587
Capitation revenue	1,296,280	1,280,317	1,192,700
Net assets released from restrictions for operations	774,974	996,578	530,659
Other income	7,078,530	12,093,986	8,798,863
Total Revenue	80,952,355	81,194,040	75,161,809
Expenses			
Salaries and wages	40,815,973	36,599,954	34,191,577
Services and supplies	11,831,436	11,451,644	11,945,251
Employee benefits	9,102,736	8,245,013	7,408,327
Other operating expenses	7,131,483	6,931,141	6,057,734
Depreciation and ammortization	4,189,568	4,382,153	3,828,469
Interest	1,150,167	1,174,915	1,424,982
Loss on extinguishment of debt	-	-	721,315
Total expenses	74,221,363	68,784,820	65,577,655
Excess of revenue over expenses	6,730,992	12,409,220	9,584,832
Change in net unrealized gains (losses) on other trading securities	(2,668,192)	(1,807,896)	2,852,989
Loss on purchase of remaining Imaging Center	-	(249,619)	-
Net assets released from restriction for capital assets	800,000	-	-
Increase in unrestricted net assets	4,862,800	10,351,705	12,437,821
Unrestricted net assets beginning of year	**143,576,654**	**133,224,949**	**120,787,128**
Unrestricted net assets end of year	**$ 148,439,454**	**$ 143,576,654**	**$ 133,224,949**

*Net Patient Service Revenues for FYE March 31, 2016	
Payor Source	**Percent**
Hospital Acute Inpatient Rehabilitation	
Medicare	56.9%
Medi-Cal	6.1
Managed Care (1)	27.3
Worker's Comp	9.2
Private-Pay (2)	0.5
Other	-
Hospital Outpatient	
Medicare	24.9
Medi-Cal	9.6
Managed Care (1)	45.7
Worker's Comp	3.4
Private-Pay (2)	10.4
Other	6.0
Transitional Living Center / Residential	
Medicare*	--
Medi-Cal*	--
Managed Care (1)	16.7
Worker's Comp	78.4
Private-Pay (2)	2.2
Other	2.7
Transitional Living Center / Outpatient	
Medicare*	--
Medi-Cal*	--
Managed Care (1)	29.7
Worker's Comp	64.7
Private-Pay (2)	5.6
Other	-
Padua Village / Residential	
Medicare*	--
Medi-Cal*	--
Managed Care (1)	2.0
Worker's Comp	43.3
Private-Pay (2)	19.0
Other	35.7
CORS - Adult Day Health	
Medicare	--
Medi-Cal	38.0
Managed Care (1)	40.7
Worker's Comp	3.4
Private-Pay (2)	12.2
Other	5.7
Diagnostic Imaging - Outpatient Imaging	
Medicare	28.7
Medi-Cal	5.6
Managed Care (1)	24.6
Worker's Comp	2.0
Private-Pay (2)	0.9
Capitated Managed Care	33.9
Other	4.3
Casa Colina - Combined	
Medicare	32.3
Medi-Cal	5.3
Managed Care Non-Capitated (1)	26.2
Worker's Comp	24.6
Private-Pay (2)	4.6
Capitated Managed Care	1.8
Other	5.2

Source: Casa Colina (Unaudited) (1) Includes all commercial insurers (2) Includes patient payments for deductibles and co-insurance * Medicare and Medi-Cal do not reimburse for these types of services

Casa Colina, Inc.
Statement of Financial Position
(Unrestricted)

	As of March 31, 2016	2015	2014
Assets			
Current Assets			
Cash and cash equivalents	$ 23,532,428	$ 15,460,055	$ 6,591,539
Patient accounts receivables	8,527,159	8,593,701	7,762,545
Assets limited as to use, current portion	1,338,525	1,315,029	1,020,388
Prepaid expenses and other current assets	1,447,145	1,316,970	1,224,084
Total Current Assets	34,845,257	26,685,755	16,598,556
Investments			
Marketable securities	65,787,894	66,732,263	79,008,826
Other investments	6,922,798	6,734,844	5,409,550
Total Investments	72,710,692	73,467,107	84,418,376
Assets limited to use, less current portion	16,428,750	17,863,543	17,841,174
Property and equipment, net of acculumated	111,177,982	88,973,298	69,892,469
Deferred financing costs, net of accumulated	1,750,289	1,871,021	1,987,775
Other Assets	1,076,013	1,293,270	612,662
Total Assets	$237,988,983	$210,153,994	$191,351,012
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	$ 12,684,793	$ 7,542,979	$ 5,803,890
Accrued compensation and related benefits	6,095,298	7,084,584	6,560,753
Current portion of long-term debt	1,631,635	1,591,696	483,036
Total Current Liabilities	20,411,726	16,219,259	12,847,679
Long -Term Debt less current portion	55,833,721	35,436,891	31,002,861
Other Long-Term Liabilities	2,684,408	3,324,197	2,749,037
Total Liabilities	78,929,855	54,980,347	46,599,577
Net Assets			
Unrestricted	148,439,454	143,576,654	133,224,949
Temporarily restricted	4,861,950	5,839,269	5,765,713
Permanently restricted	5,757,724	5,757,724	5,757,724
Non-controlling interest	-	-	3,049
Total Net Assets	159,059,128	155,173,647	144,751,435
Total Liabilities and Net Assets	$237,988,983	$210,153,994	$191,351,012

	Proforma [a] FYE March 31, 2016	**2016**	**2015**	**2014**
Debt Service Coverage - Operating (x)	3.18	4.40	10.84	6.28
Debt Service Coverage - Net (x)	2.68	3.72	9.60	7.49
Debt to Unrestricted Net Assets (x)	0.39	0.39	0.26	0.24
Margin (%)		8.31	15.28	12.75
Current Ratio (x)		1.71	1.65	1.29

(a) Recalculates FY 2015 audited results to include the impact of this proposed financing

Financial Discussion – Statement of Operations (Income Statement)

CCI's income statement exhibits solid financials with total revenue increasing during the review period, while expenses also rose from FY 2014 to FY 2016.

The total revenue displayed an over-all growth from FY 2014 to FY 2016 of approximately 7.7%, increasing from $75.1 million to $80.9 million. However, total revenue decreased year-over-year from FY 2015 to FY 2016 by 0.3%. Comparatively, total expenses grew at a faster rate of 13.2% from $65.5 million FY 2014 to $74.2 million in FY 2016. According to CCI management, fiscal years 2016 and 2017 will be affected by the ramping up of staffing and supplies for its new 31-bed medical facility, which opened April 1, 2016. During the latter months of FY 2016, CCI hired and began training staff for the new facility. Salaries and wages displayed an increase from FY 2014 to FY 2016, rising from $34.1 million to $40.8 million, a 19.4% adjustment. Thus, there were many added expenses in FY 2016 without any corresponding income. In FY 2017, CCI management expects salaries and expenses to continue to increase as they continue to ramp up the new facility, which is expected to be at full volume in six months. During this six month period, it is expected that expenses will exceed revenues for the new facility. However, once the new 31-beds are at full capacity, revenues should increase and exceed the expenses.

CCI experienced fluctuations in several revenue categories, including net patient service revenues, which grew 11.1% from $64.6 million in FY 2014 to $71.8 million in FY 2016, and other income which fell 19.6% from $8.7 million in FY 2014 to $7 million in FY 2016. According to CCI management, other income includes interest, dividends and realized gains and losses as well as other items such as rental income, management revenue, and revenue from performing services for local schools. The investment income, which decreased from $4.3 million in FY 2014 to $1.7 million in FY 2016, will fluctuate with the market.

Overall, CCI's excess of revenue over expenses fluctuated greatly, increasing 29.5% from $9.5 million in FY 2014 to $12.4 million in FY 2015 before decreasing 45.8% in FY 2016 to $6.7 million in FY 2016, or a total decrease of 29.8%. According to CCI management, fluctuations in its investment portfolio make up the majority of these variances. CCI utilizes an external investment management company named SEI, which provides market guidance and recommendations for change within the portfolio. SEI has been more conservative in their approach in order to avoid a significant decrease in CCI's portfolio.

Particular Facts to Note:

- Change in net unrealized gains on other trading securities during the review period decreased from $2.8 million in FY 2014 to negative $2.6 million in FY 2016, according to CCI management. The unrealized losses are comprised of negative market conditions, interest rate changes and changes in global growth projection. CCI expects to hold these assets until a market recovery.

According to CCI management, two percent of CCI's population served are Covered California patients, so the impact of the ACA has been minor. For internal reporting purposes CCI combines these patients with Medi-Cal patients. Overall, this combined group of patients rose from 3.3% in FY 2014 to 5.3% in FY 2016.

<u>Financial Discussion – Statement of Financial Position (Balance Sheet)</u>

CCI's financial strength appears strong with an operating pro-forma debt service coverage ratio of 2.68x.

CCI appears to have demonstrated an ability to service its debt with a debt service coverage ratio from operating income of 7.49x, 9.60x, and 3.72x in fiscal years 2014, 2015, and 2016, respectively. With the issuance of the new notes, CCI maintains a solid ability to repay its debt obligations with a pro-forma debt service coverage ratio of 2.68x. CCI's debt to unrestricted net assets increased from 0.24x in FY 2014 to 0.26x in FY 2015, and 0.39x in FY 2016. According to CCI management, the reason for the increase in debt to unrestricted net assets was due to CCI borrowing against its CHFFA Series 2011 Variable Rate Draw Down Bonds. During FY 2015, CCI borrowed $6 million and during FY 2016 they borrowed an additional $22 million to pay for construction and equipment costs related to the building of the 31-bed medical facility. With this refinancing, CCI will continue to display a solid ability to repay its debt obligations.

<u>Particular Facts to Note:</u>

- Cash and cash equivalents grew during the review period, increasing 134.5% from $6.5 million in FY 2014 to $15.4 million in FY 2015, and again improved by 52.2% in FY 2016 to $23.5 million. According to CCI management, they liquidated approximately $10 million of investments near the end of the FY 2015, which was used to pay construction costs. Additionally, in FY 2016, there was a deadline of drawing down the 2011 variable rate bond and thus a large drawdown occurred prior to year's end.
- Total current assets increase from $16.5 million in FY 2014 to $34.8 million in FY 2016, a growth of 109.9 %. Overall, total assets increased 24.4% from $191.3 million in FY 2014 to $237.9 million in FY 2016. The increase was primarily due to a 59.1% increase in property and equipment, net of accumulated, which rose from $69.8 million in FY 2014 to $111.1 million in FY 2016. This increase was reflected by property and equipment, net of accumulated, comprising 46.7% of total assets in FY 2016, compared to only 36.5% in FY 2014. According to CCI management, the increase in property and equipment was primarily due to the construction and equipping of its new 31-bed medical facility.
- Accounts payable and accrued expenses grew significantly throughout the review period. The balance increased 30% from $5.8 million in FY 2014 to $7.5 million in FY 2015, and rose again by 68.2% to $12.6 million in FY 2016, or 118.6% overall. According to CCI management, the small increase in FY 2015 and large increase in FY 2016 was due to retention on construction contracts and equipment purchased but not paid for as of the end of FY 2016. CCI management does not expect any further retention on contracts and equipment to continue.

V. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** CCI properly completed and submitted the "Pass-Through Savings Certification."

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

- In the Fiscal Year Ending (FYE) 2016, CCI provided $1,382,817 of direct free care to persons who are uninsured or underinsured and/or low income, and unreimbursed MediCare/Medi-Cal services. It provided total community benefits valued at $5,613,998 in FYE 2016 which ranged from free sports injury screenings and health education for the public and for professionals, to the support of other community organizations and providing internship opportunities for the next generation of nurses, therapists and physicians. This year, the continuum of care will be extended further with the opening of a medical/surgical unit of 31 beds, three operating rooms and one procedure room. It will initiate a major change in CCI's scope of activities and ability to serve the community.

  http://www.casacolina.org/documents/Casa-Colina-2015-Community-Benefits-Report.pdf

- **Compliance with Seismic Regulations:** CCI 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):** CCI properly submitted relevant documentation addressing CEQA.

- **Religious Affiliation 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:** MUFG Union Bank, N.A. properly submitted the certificate to the Authority.

EXHIBIT 1

PROJECT SITES

Casa Colina, Inc.

- 255 East Bonita Avenue, Pomona, California 91767

Casa Colina Hospital and Centers for Healthcare

- 255 East Bonita Avenue, Pomona, California 91767

Casa Colina Centers for Rehabilitation, Inc.

- 255 East Bonita Avenue, Pomona, California 91767

Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc.

- 255 East Bonita Avenue, Pomona, California 91767

Casa Colina Centers for Rehabilitation Foundation

- 255 East Bonita Avenue, Pomona, California 91767

EXHIBIT 2

FINANCING TEAM

Borrower:	Casa Colina, Inc.
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Borrower's Counsel:	Best Best & Krieger LLP
Note Counsel:	Orrick, Herrington & Sutcliffe LLP
Purchasers:	MUFG Union Bank, N.A.
Purchasers' Counsel:	Chapman and Cutler, LLP
Trustee:	The Bank of New York Mellon Trust Company, N.A.
Trustee Counsel:	Law Office of Samuel D. Waldman
Master Trustee:	The Bank of New York Mellon Trust Company, N.A.
Master Trustee Counsel:	Law Office of Samuel D. Waldman
Auditor:	Moss Adams LLP

EXHIBIT 3

UTILIZATION STATISTICS

The following table summarizes the Casa Colina's utilization data for the fiscal years below:

Casa Colina, Inc
UTILIZATION STATISTICS

Service Statistics/Patient Days
for Fiscal Year End March 31,

	2016	**2015**	**2014**
Hospital			
Acute Patient Days	22,122	21,840	21,678
Outpatient Visits	82,939	76,666	77,089
Transitional Living Center			
Residential Program Days	11,066	9,501	9,548
Long Term Care Days	2,492	3,631	3,522
Outpatient Visits	3,358	4,134	2,870
Padua Village			
Claremont and Pomona Days	5,124	5,316	5,475
Rancho Pino Verde Days(1)	12,890	12,976	12,155
Apple Valley Days(1)	15,604	15,656	15,675
Children's Services Center			
Outpatients Per Day	46	46	43
Adult Day Healthcare Center			
Patients Per Day	54	56	53

(1) Numbers indicate bed days sold, not occupied. If a patient has a private room as opposed to a semi-private room, such private room accounts for two beds and is reimbursed at a higher rate than a semi-private room.

EXHIBIT 4

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding [(a)] As of March 31, 2016	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
CHFFA Variable Rate Revenue Bond (2011)*	$50,000,000	$ 36,971,119	
CHFFA Fixed Rate Revenue Bond (2013)	21,190,000	20,015,000	20,015,000
Gift Annuities	233,322	159,196	159,196
- PROPOSED NEW DEBT:			
CHFFA Variable Rate Revenue Note (2016)		-	**36,400,000**
- TOTAL DEBT		**$ 57,145,315**	**$ 56,574,196**

* On 4/1/2016 (the day after FY end), there was princple payment of $800,000, bringing the balance to $36,171,119. The original amount represents the maximum drawdown that was available for the CHFFA Variable Rate Revenue Bonds (2011). The actual amount borrowed was $36,971,119.

EXHIBIT 5

BACKGROUND AND LICENSURE

Background

Founded in 1936, CCI and the other members of the Obligated Group operate a healthcare 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. CCI and the other Members of the Obligated Group offer a comprehensive range of inpatient (acute and post-acute), outpatient, day healthcare, residential, and community services. The mission of 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. Effective April 1, 2016, the CCI opened a new 31-bed medical/surgical facility attached to the 68-bed inpatient rehabilitation facility.

Obligated Group

The Obligated Group consists of CCI, the Hospital, which is licensed as an acute care hospital, and four other affiliates of CCI, each of which is a nonprofit public benefit corporation and licensed as other types of health facilities. 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 and Centers for Healthcare	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

Licensure and Memberships

Casa Colina Hospital and Centers for Healthcare is currently licensed by the CA Department of Public Health as a general acute care hospital. Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc. is currently licensed by the CA Department of Public Health as an adult day health care facility. Casa Colina Centers for Rehabilitation, Inc. is currently licensed by the CA Department of Social Services as an adult residential facility for mentally disabled. Padua Village, Inc. is currently licensed by the CA Department of Social Services as both an adult residential facility and an adult residential facility for developmental disabled.

RESOLUTION NO. 416

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REFUNDING REVENUE NOTES 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, which may be in the form of revenue notes ("revenue notes"), 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 and Centers for Healthcare, formerly known as 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., 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 Variable Rate Revenue Bonds (Casa Colina), Series 2011 (the "Prior Bonds"), in the aggregate principal amount of $50,000,000, of which $36,171,119 currently is outstanding, and loaned the proceeds thereof to the Borrower and the Hospital to finance and refinance indebtedness incurred thereby in connection with the acquisition, construction, equipping and improvement of 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 notes in an aggregate principal amount not to exceed $36,400,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all of the outstanding Prior Bonds and (ii) pay costs of issuance of the Notes (as defined below); 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 notes 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 notes of the Authority designated as the "California Health Facilities Financing Authority Variable Rate Refunding Revenue Notes (Casa Colina), Series 2016" (the "Notes"), in a total aggregate principal amount not to exceed $36,400,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Notes or series thereof as designated in the indenture pursuant to which the Notes will be issued. The proceeds of the Notes 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 Notes 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 private 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 Notes 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 Notes or any series of them may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, note 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 Notes (the "Loan Agreement"), between the Authority and the Borrower,

(ii) an Indenture relating to the Notes (the "Note Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as note trustee (the "Trustee"), and

(iii) a Purchase Contract, including the exhibits thereto, relating to the Notes (the "Purchase Contract"), executed by MUFG Union Bank, N.A. (the "Purchaser"), and accepted and agreed to by the Treasurer, Authority and the Borrower

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 note reserve fund, note insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Notes) 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 Note Indenture and the Purchase Contract. The Executive Director shall seek the advice of note 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), manner of determining 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 Notes, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in the Note Indenture, as finally executed.

SECTION 6. The Notes, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Notes by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Notes when duly executed and authenticated, to or upon direction of the Purchaser 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 Notes to or upon direction of the Purchaser, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 7. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Notes and otherwise to effectuate the purposes of this Resolution and the Note Indenture, the Loan Agreement and the Purchase Contract. 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 note insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Notes.

SECTION 8. The provisions of the Authority's Resolution No. 2014-05 apply to the documents and actions approved in this Resolution.

SECTION 9. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

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

Date of Adoption: ____________________________

EXHIBIT A

Prior Project:

Proceeds of the California Health Facilities Financing Authority Variable Rate Revenue Notes (Casa Colina), Series 2016 will be applied by Casa Colina, Inc. ("Casa Colina") to refinance the projects financed and refinanced from the proceeds of the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Casa Colina), Series 2011 (the "Prior Bonds") issued for the benefit of Casa Colina and the other members of the obligated group composed of Casa Colina and its tax-exempt affiliates, Casa Colina Hospital and Centers for Healthcare, formerly known as Casa Colina Hospital for Rehabilitative Medicine (the "Hospital"), Casa Colina Centers for Rehabilitation Foundation (the "Foundation"), Casa Colina Centers for Rehabilitation, Inc., Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc. and Padua Village, Inc.

Projects financed and refinanced from the proceeds of the Prior Bonds included the construction and equipping of a 31 bed addition to the hospital facilities owned and operated by the Hospital located on the 20 acre Casa Colina campus in Pomona, California, which is comprised of the area bound by North Garey Avenue and Bonita Avenue in Pomona (mailing address 255 East Bonita Avenue, Pomona, California 91769) and the acquisition of an electronic medical records system utilized by all of the above-identified tax-exempt affiliates of Casa Colina except the Foundation. Proceeds were also applied to repay a portion of a taxable line of credit which had been applied to finance expenditures incurred in connection with the projects described above prior to the issuance of the Prior Bonds.