CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Casa Colina, Inc. (the "Corporation") 255 East Bonita Avenue Pomona, CA 91767 Los Angeles County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$50,000,000 August 25, 2011 Up to 40 years 366
Borrower:	The Corporation and Casa Colina Hospital for Rehabilitative Medicine (the "Hospital")		
Project Sites:	See Exhibit 1		
Facility Types:	General acute and outpatient care		
Prior Borrower:	Yes (date of last CHFFA issue, 2001)		
Obligated Group:	The Casa Colina Obligated Group (the "Obligated Group") is comprised of the Corporation, the Hospital and four other nonprofit affiliates that are identified in Exhibit 5.		

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

Use of Proceeds: Bond proceeds will be used to finance and refinance the construction, renovation, expansion and equipping of the acute care hospital facility owned and operated by the Hospital which is located in Pomona, California and a portion of the costs of an electronic medical records system that will be utilized by the Hospital and the other Members of the Obligated Group. The project site is listed in Exhibit 1.

Type of Issue: Private Placement (Qualified Institutional Buyer ("QIB"))
Credit Enhancement: N/A
Expected Credit Rating: N/A (please see Staff Recommendation below and Guidelines Discussion, page 3)
Financing Team: *Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The consolidated income statement appears to exhibit improved operating results over the review period with strong operating margins and continued revenue growth. The Corporation and the Hospital appear to have a solid financial position with a proforma debt service coverage ratio of 2.25x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Par amount of bonds	$ 50,000,000	Project fund	$ 51,098,000
Borrower Funds	11,888,578	Refinance Line of Credit	8,400,000
		Capitalized Interest	1,646,078
		Cost of Issuance	744,500
Total Estimated Sources	$ 61,888,578	**Total Estimated Uses**	$ 61,888,578

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 366 for the Corporation and the Hospital in an amount not to exceed $50,000,000 as a non-rated private placement bond with a QIB (as defined by SEC Rule 144A, promulgated under the Securities Act of 1933) secured on a parity with rated bonds issued by the Authority for the benefit of the Obligated Group in 2001 (the "Series 2001 Bonds"), by a gross revenue pledge under the Obligated Group's Master Indenture, and deeds of trust on certain properties of the Obligated Group for so long as the bonds are held by the initial QIB purchaser or any other QIB which is an assignee of the initial QIB purchaser and subject to an ongoing requirement that the Corporation use its best efforts to obtain a bond rating by a nationally recognized rating agency in the event that there are no other outstanding bonds or other obligations secured by Obligations (as defined herein) issued under the Master Indenture which are rated by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management ("PFM"), the Authority's financial advisor, concur with the Authority's staff recommendation.

(PD/MT)

I. PURPOSE OF FINANCING:

The overall strategic plan is to (1) finance and refinance the construction, renovation, expansion and equipping of the existing acute care hospital and an electronic medical records system to be utilized by the Obligated Group, (2) fund interest during construction, and (3) pay certain expenses incurred in connection with the issuance of bonds. These projects will enable the Corporation and Hospital to optimize the health care facilities of the Obligated Group and meet growing demand for the medical services provided by the Obligated Group.

Project Costs $51,098,000
The Corporation and the Hospital plan to construct and equip a 31 bed addition to the existing hospital facility owned and operated by the Hospital, which will include special care beds and operating rooms, at a cost of approximately $44.9 million, and to acquire an electronic medical records system to be utilized by all members of the Obligated Group, at a cost of approximately $6.2 million.

Refinance Line of Credit (LOC) $8,400,000
The Corporation and the Hospital plan to refinance the amount outstanding (approximately $8.4 million) under a line of credit incurred by the Hospital which was used to complete the existing hospital, financed in part by the Series 2001 Bonds.

Capitalized Interest $1,646,078
The Corporation and the Hospital plan to fund capitalized interest during the anticipated three year construction period.

Estimated Cost of Issuance .... $ 744,500

Total Estimated Uses of Funds* .... <u>$61,888,578</u>

Draw Down Structure

The Bonds are being issued as drawdown Bonds in an amount not to exceed $50,000,000. The amount of bonds privately placed with the purchaser pursuant to the purchase contract and issued pursuant to the bond indenture will not exceed the amount to be authorized pursuant to the Authority resolution, $50,000,000. However, pursuant to the purchase contract and the bond indenture, the purchase price of the Bonds will be funded in installments. For tax purposes, bonds, such as the Bonds issued pursuant to a drawdown loan are treated as part of a single issue of obligations, the issue date of which is the first date on which the aggregate draws under the loan exceed the lesser of $50,000 or 5% of the issue price. Funds to repay the line of credit, to reimburse for prior payment of the costs of the Project, and to pay costs of issuance will comprise the initial purchase price installment to be funded at closing. The amount of the initial purchase price installment to be funded at closing will exceed the lesser of $50,000 or 5% of the issue price. The Bonds will also be treated as a single issue for purposes for California state law, the issue date of which will be the date of closing. The entire amount of the Bonds (comprising the total amount of all purchase price installments) is expected to be drawn down within three (3) years from the date the Bonds are issued.

*Total Estimated Uses of Funds includes Bond Proceeds, ($50,000,000, and Borrower Funds, $11,888,578)

II. GUIDELINES DISCUSSION

The board will recall that the Authority relatively recently modified its bond issuance guidelines relating to investment grade rated transactions, but has not yet modified its guidelines relating to unrated transactions. Instead, the Authority continues to apply its existing unrated debt guidelines to unrated transactions, with such modifications as are approved by the Authority on a case-by-case basis. In this particular transaction, the bonds will be privately placed and will not be rated. Given these facts, the Authority's unrated debt guidelines have relevance and serve as the basis of staff's recommendation to apply these guidelines to this transaction, with certain modifications described in the below paragraphs.

The Authority's existing guidelines for unrated debt (attached as Exhibit 6) require various loan security provisions, including without limitation, private placement of the debt in both primary and secondary markets with QIBs, minimum denominations of $250,000, maintenance of a debt service reserve account, and a requirement that bonds (the "Bonds") not be split by selling participatory shares. The guidelines also require various financial and reporting covenants in the bond documents. All of the foregoing requirements are designed to maximize the likelihood that the unrated bonds will be placed with more sophisticated investors given the higher risk typically thought to be associated with unrated debt. In general, these guidelines were formulated working under the assumption that the borrower could not secure an investment grade credit rating.

As of March 31, 2011, the amount of the Corporation's Series 2001 Bonds outstanding was $35,600,000. The Series 2001 Bonds are currently rated "BBB+" by Standard & Poor's Ratings Group. The Series 2001 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. 1") issued under the Master Indenture. The Bonds currently requested by the Borrower would be secured on parity with the Series 2001 Bonds by the following: (1) the gross revenue pledge under the Master Indenture; (2) an Obligation ("Obligation No. 2") issued under the Master Indenture; and (3) deeds of trust on three properties owned by certain members of the Obligated Group which will secure the Obligations issued under the Master Indenture (including Obligation No. 2) for so long as the Bonds are held by the initial QIB purchaser or any other QIB which is an assignee of the initial QIB purchaser. The Bonds will not be secured by the debt service reserve account that secures the Series 2001 Bonds or any other debt service reserve account.

In this transaction, staff generally recommends applying the Authority's existing unrated debt guidelines to this transaction, with the following modifications: (1) no requirement for the establishment of a debt service reserve account because sufficient additional security in the form of the mortgages is being provided ; and (2) require the appropriate rates and charges be maintained at a minimum an historical coverage ratio of at least 1.25 times annual debt service consistent with the Obligated Group's Master Indenture

requirement[1]. Staff also recommends that some additional provisions restricting the transfer of the Bonds be included in the bond indenture for so long as the Bonds are not rated at least BBB+ and that a "springing rating requirement" be included in the transaction, as described below.

Specifically, staff recommends (1) applying the Authority's existing bond issuance guidelines for unrated debt to this transaction, including requiring each of the proposed covenants and security provisions set forth below in section III, with the exception of (i) not requiring the establishment of a debt service reserve account for the Bonds and (ii) requiring appropriate rates and charges to be maintained at a minimum coverage ratio of at least 1.25 times annual debt service coverage (rather than at 1.25 maximum annual debt service); (2) requiring for so long as the Bonds are not rated at least BBB+ that (i) the Bonds be placed with a QIB both in the primary and secondary markets, (ii) requiring the bond indenture to include the following provisions restricting transfer of the Bonds: (a) minimum authorized denominations of the Bonds of $250,000; (b) buyers of the Bonds limited to QIBs; and (c) require that the bond must contain a legend on it which notes that any transfer in violation of the restrictions on transfer render the bond void; (3) requiring that deeds of trust be maintained on the three properties owned by certain members of the Obligated Group and secure all Obligations issued under the Master Indenture (including Obligation No. 2 which secures the Bonds) for so long as the Bonds are held by the initial QIB purchaser or any other QIB which is an assignee of the initial QIB purchaser; and (4) imposing a "springing rating requirement" which would require the Corporation and the Hospital to use their best efforts to obtain a bond rating on the Bonds from a nationally recognized rating agency in the event that there are no other outstanding bonds or other obligations secured by Obligations issued under the Master Indenture which are rated by a nationally recognized rating agency. If, despite its efforts to obtain a rating on the Bonds, the Corporation and the Hospital are unable to obtain a rating, the Corporation and the Hospital will covenant, for so long as the Bonds 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 2001 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 bonds.

[1] When calculating debt service coverage, the historical debt service is based on debt service coverage for the prior fiscal year compared to maximum debt service for the year in which debt service (principal and interest) is the highest dollar amount over the life of the bonds.

III. PROPOSED COVENANTS AND SECURITY PROVISIONS:

In December 2001, the Corporation, the Hospital, Casa Colina Centers for Rehabilitation Foundation, Casa Colina Centers for Rehabilitation, Inc., Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc. and Padua Village, Inc. (each, a "Member of the Obligated Group") entered into a master indenture of trust (as supplemented, the "Master Indenture") in order to create the Obligated Group. The Corporation 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. The Corporation was the borrower under the loan agreement (the "Series 2001 Loan Agreement") entered into with the Authority in connection with the Series 2001 Bonds and issued a joint and several obligation, Obligation No. 1, under the Master Indenture to secure the payments under the Series 2001 Loan Agreement. Likewise, the Corporation will be the borrower under the loan agreement (the "Loan Agreement") to be entered into with the Authority relating to the Bonds and will issue a joint and several obligation, Obligation No. 2, under the Master Indenture to secure the payments under the Loan Agreement. In addition, the Hospital will be a borrower under the Loan Agreement. All capitalized terms used and not otherwise defined herein will have the meanings assigned to such terms in the Master Indenture or if not defined therein will have the meanings assigned to such terms in the indenture pursuant to which the Bonds will be issued (the "Bond Indenture").

After reviewing the current finances of the Obligated Group and the Series 2001 Bond transaction and considering the requirements of the purchaser of the Bonds, the Corporation and PFM concluded the covenants listed below should be applicable to this transaction. The Corporation and PFM note that the covenants set forth below are consistent with covenants applicable to the Series 2001 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. *The Corporation and the Hospital agree to pay all amounts required for payment of the principal, interest and redemption premium, if applicable, with respect to the Bonds and agree to pay the additional payments and expenses specified in the Loan Agreement. The promise of the Corporation and the Hospital to pay pursuant to the Loan Agreement will be a joint and several obligation of the Corporation and the Hospital. In addition, the Corporation, acting on behalf of itself and the other Members of the Obligated Group, will issue Obligation No. 2 to secure the obligation of the Corporation and the Hospital to make the payments under the Loan Agreement. Obligation No. 2 will be a joint and several obligation of all Members of the Obligated Group. All Revenues (which will include payments by the Corporation and the Hospital under the Loan Agreement and payments by the Obligated Group on Obligation No. 2) and amounts held in the funds and account established under the Bond Indenture (excluding the Bonds Purchase Fund and the Rebate Fund) will be pledged to secure the full payment of the Bonds. As requested by the initial QIB purchaser, so long as the proposed bonds are held by the initial QIB purchaser or any other QIB which is an assignee of the initial QIB purchaser, all amounts required for payment of the principal, interest and redemption premium, if applicable, with respect to the Bonds will be made by the Corporation and the Hospital directly to the QIB purchaser.*

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 2001 Bonds, which is the holder of Obligation No. 1, and the Trustee for the proposed bonds, which will be the holder of Obligation No. 2.*

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 maintains an Historical Debt Service Coverage Ratio of 1.25.*

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

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

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

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

No Reserve Account. *There will not be a debt service reserve account pledged to the Bonds.*

Other Security. *Deeds of trust on three properties owned by certain members of the Obligated Group will secure the Obligations issued under the Master Indenture (including Obligation No. 1 which secures the Series 2001 Bonds and Obligation No. 2 which will secure the Bonds) for so long as the Bonds are held by the initial QIB purchaser or any other QIB which is an assignee of the initial QIB purchaser.*

IV. FINANCIAL STATEMENTS AND ANALYSIS:

Casa Colina Inc and Affiliates
Consolidated Income Statement of Operations

	As of March 31,		
	2011	**2010**	**2009**
Revenue			
Net patient services revenue*	$ 57,831,176	$ 57,334,803	$ 51,959,547
Capitation revenue	641,944	962,530	832,816
Net assets released from restriction	1,002,530	1,173,907	1,105,305
Other income	4,543,300	5,640,026	5,214,099
Total revenue	64,018,950	65,111,266	59,111,767
Expenses:			
Salaries and wages	29,465,843	27,751,955	26,115,169
Employee benefits	6,093,696	5,765,545	6,616,885
Services and supplies	9,946,260	9,885,802	9,193,473
Other operating expenses	5,719,868	6,960,235	6,439,874
Interest	2,284,771	2,333,481	2,556,793
Depreciation and amortization	3,069,395	3,112,923	3,010,381
Provision for bad debts	221,185	344,712	36,033
Write-down of carrying amount of investments	62,931	1,119,424	4,579,175
Total Expenses	56,863,949	57,274,077	58,547,783
Excess of Revenue over expenses before non-controlling interest	7,155,001	7,837,189	563,984
Allocation of gain(loss) to non-controlling interest	(5,892)	(1,638)	6,812
Excess of revenue over expenses	7,149,109	7,835,551	570,796
Change in net unrealized gains (loss)	5,757,091	12,664,324	(11,908,689)
Net assets released from restriction for capital additions			56,088
Donated capital assets	-	22,475	-
Increase (decrease) in unrestricted net assets	12,906,200	20,522,350	(11,281,805)
Unrestricted net assets at beginning of year	85,164,982	64,642,632	75,924,437
Unrestricted net assets at end of year	$ 98,071,182	$ 85,164,982	$ 64,642,632

***Net Patient Services** (FYI March 31, 2011)

Payors Source	Percent
Medicare	22%
Medi-Cal	8%
Contracted and other (private sponsored managed care)	70%
	100%

Casa Colina Inc and Affiliates
Consolidated Balance Sheets

	As of March 31, 2011	2010	2009
Assets			
Current assets:			
Cash and cash equivalents	$ 6,345,752	$ 15,182,832	$ 11,249,463
Accounts receivable, net of allowance for doubtful accounts	8,460,055	8,567,461	9,218,354
Assets limited as to use, current portion	1,936,075	1,948,274	1,977,874
Prepaid expenses and other	1,284,063	1,231,603	1,316,124
Total current assets	18,025,945	26,930,170	23,761,815
Investments:			
Marketable securities	68,623,138	46,094,140	28,877,082
Other investments	3,175,237	6,177,367	5,949,720
Total investments	71,798,375	52,271,507	34,826,802
Assets limited as to use, less current portion	19,182,319	18,947,379	17,704,909
Property and equipment, net	57,412,319	56,133,101	57,831,246
Other Assets, net of accumulated amortization	923,104	1,213,455	1,505,269
Total assets	$ 167,342,062	$ 155,495,612	$ 135,630,041
Liabilities and net assets			
Current liabilities:			
Accounts payable	$ 249,628	$ 335,213	$ 319,995
Accrued compensation and other liabilities	9,953,034	9,973,470	10,447,970
Capital Lease Obligation	-	-	154,577
Current maturities of long-term debt	836,635	827,635	836,635
Total current liabilities	11,039,297	11,136,318	11,759,177
Long-term debt, less current maturities	44,129,380	44,942,667	45,765,606
Other long-term liabilities	2,965,188	2,887,453	2,680,308
Non-controlling interest	20,399	14,506	12,868
Total liabilities	58,154,264	58,980,944	60,217,959
Net assets:			
Unrestricted	98,071,182	85,164,982	64,642,632
Temporarily restricted	5,358,892	5,591,962	5,127,180
Permanently restricted	5,757,724	5,757,724	5,642,270
Total Net Assets	$ 109,187,798	$ 96,514,668	$ 75,412,082
Total Liabilities and Net Assets	$ 167,342,062	$ 155,495,612	$ 135,630,041

Financial Ratios:	**Proforma** (a) **FYE March 2011**	2011	2010	2009
Debt Service Coverage of Operating Income (x)	2.25	4.04	4.54	3.05
Debt Service Coverage of Unrestricted Net Assets (x)	3.28	5.89	8.54	(0.32)
Debt to Unrestricted Net Assets (x)	0.79	0.41	0.47	0.62
Margin (%)		11.18	12.04	0.95
Current Ratio (x)		1.63	2.42	2.02

(a) Recalculates FYE March 2011 audited results to include the impact of this proposed financing.

Please note, the audited consolidated financial statements of the Corporation and the other members of the Obligated Group were analyzed in this section and found to be acceptable and consistent with the financial analysis noted for the Obligated Group.

Financial Discussion – Statement of Activities (Consolidated Income Statement)

The consolidated income statement appears to exhibit improving operating results over the review period with strong operating margins and revenue growth.

Operating margins improved from 0.95% to 12.04% and 11.18% in FY 2009, FY 2010, FY 2011, respectively. Total revenue appears to have increased approximately 8.3% over the review period from $59 million in FY 2009 to $64 million in FY 2011. The increase in revenues can be largely attributed to an increase in net patient revenues, which grew approximately 11.3%, from $52 million in FY 2009 to $58 million in FY 2011. The increase in net patient revenue (which accounts for 89% of total revenues), appears to be mostly attributed to an increase in outpatient visits (see exhibit 3 on page E-3).

Particular Facts to Note:

- Outpatient visits appear to have grown 21% over the review period from 68,747 in FY 2009 to 83,435 in FY 2011.

- During FY 2009, the Corporation appeared to have experienced a significant net unrealized loss on its investment portfolio of approximately $11.9 million due to the general financial market downturn, but the Corporation indicates that the investment portfolio has recovered due to the improvement in the market financial conditions, which does appear to be reflected in FY 2010, as exhibited by the unrealized net gain of approximately $12.7 million.

- The write-down of carrying amount of investment has decreased 98% from $4.6 million in FY 2009 to $62,931 in FY 2011 due to the improvement of the financial market conditions.

- The unrestricted net assets appear to have grown 52% over the review period from $65 million in FY 2009 to $98 million in FY 2011. According to the Corporation, the increase in unrestricted net assets can be attributed to the increase in net patient revenue and unrealized gains in investment.

- The Corporation does not anticipate a significant financial impact on the Hospital as a result of the state budget cuts in Medi-Cal and Medi-Care due to its low Medi-Cal utilization (because of the types of health care services provided by the Hospital).

- Effective November 30, 2011, the State of California will be eliminating all funding for the Adult Day Health Center (ADHC). However, the Corporation and the Hospital are committed to serving this specifically identified population through the end of its FY 2012. According to the Corporation, the strategic plan is to explore other potential revenue sources for the ADHC, such as urgent care; outpatient pharmacy; sleep lab; outpatient services such as a spine center, movement disorder clinic or a wellness/fitness program.

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

The Corporation appears to have a solid financial position with a proforma debt service coverage ratio of 2.25x.

The consolidated balance sheet appears to continue growing over the review period with total net assets increasing from $75 million in FY 2009 to $109 million in FY 2010, an increase of nearly 45%. The Corporation attributes this increase to net patient revenue and unrealized gains in investments. The operating debt service coverage ratio for FY 2011 appears to be a solid 4.04x, and with the proposed financing, the proforma operating debt service coverage ratio will remain solid at 2.25x.

Particular Facts to Note:

- Total assets increased by nearly 23.4% from $136 million in FY 2009 to $167 million in FY 2011 primarily due to an increase in marketable securities from $29 million in FY 2009 to $69 million in FY 2011 according to the Corporation.

- The Corporation reports the decrease in cash of approximately $8.8 million in FY 2011 is the result of excess operating cash being invested in marketable securities.

- Market securities appear to have grown 138% from $28.9 million in FY 2009 to $68.6 million due to increased investment in marketable securities and improvement in the financial markets.

- The Corporation appears to have a relatively low level of debt with 0.41x debt to net assets ratio. With the proposed financing, the ratio appears to have moderately increased to 0.79x which remains an acceptable level.

V. DUE DILIGENCE:

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

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

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

- **Compliance with Seismic Regulation**s: The Corporation properly completed and submitted a description of its seismic requirements.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act)**: The Corporation properly submitted documentation to the Authority, where applicable, demonstrating that each proposed project has either complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is otherwise not a "project" under that division.

- **Religious Due Diligence**.

- **Legal Review**.

EXHIBIT 1

PROJECT SITE

The project site for the expansion of the Hospital and hardware for the electronic medical record system is 255 East Bonita Avenue, Pomona, California. Corporate offices for all members of the Obligated Group are also located at 255 East Bonita Avenue, Pomona, California.

With the exception of Padua Village, Inc. ("PVI"), facilities operated by all members of the Obligated Group are located on the campus which is bound by East Bonita and Garey. Street address for all is 255 East Bonita Avenue, Pomona, California.

Facilities operated by Padua Village, Inc. are located at 22200 Highway 18, Apple Valley, California, 11981 Midway Avenue, Lucerne Valley, California, 1226 Hillsdale Drive, Claremont, California, 1667 N. Woodbend Drive, Claremont, California and 2821 Melbourne Avenue, Pomona, California.

The electronic medical record system will be utilized by all members of the Obligated Group.

EXHIBIT 2

FINANCING TEAM

Trustee:	U.S. Bank National Association (Note: Trustee is an affiliate of the Purchaser listed below)
Trustee Counsel:	Dorsey & Whitney
Master Trustee:	The Bank of New York Mellon Trust Company, N.A.
Master Trustee Counsel:	Davis Wright Tremaine LLP
Rating Agency:	None; Private Placement
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Law Offices of Leslie M. Lava
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Borrower Counsel:	McDermott, Will & Emery LLP
Borrower Financial Advisor:	Ponder & Co.
Purchaser Structuring Agent:	U.S. Bancorp
Purchaser:	Firstar Realty L.L.C. (Note: Purchaser is an affiliate of the Trustee listed above)
Purchaser Counsel:	Procopio, Cory, Hargreaves & Savitch LLP
Auditor:	Moss Adams, LLP

EXHIBIT 3

UTILIZATION STATISTICS

	As of March 31,		
Hospital	**2011**	**2010**	**2009**
Acute Patient Days	21,696	21,994	21,890
Outpatient Treatment Visits	83,435	79,160	68,747
Transitional Living Center			
Residential Program Days	8,661	9,675	9,219
Long Term Care Days	3,068	1,691	2,041
Outpatient Visits	2,040	3,758	1,230
Padua Village			
Claremont and Pomona Days	5,628	5,810	5,747
Rancho Pino Days (1)	11,687	12,173	12,164
Apple Valley Days (1)	15,280	15,373	13,017
Children's Services Center			
Outpatients Per Day	53	52	52
Comprehensive Outpatient Rehabilitation Services			
Patients Per Day	61	66	68

(1) Numbers indicate bed days sold not occupied

EXHIBIT 4

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of March 31, 2011 [a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
Authority Debt:			
CHFFA -Revene Bond Series 2001	$ 40,000,000	$ 35,600,000	$ 35,600,000
Line of Credit	-	8,400,000	-
Others	-	129,380	129,380
- PROPOSED NEW DEBT:			
CHFFA Series 2011			**50,000,000**
- TOTAL DEBT		**$ 44,129,380**	**$ 85,729,380**

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

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

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

Obligated Group

The Obligated Group consists of the Corporation, the Hospital, which is licensed as an acute care hospital, and four other affiliates of the Corporation, each of which is a nonprofit public benefit corporation. All of the facilities owned and operated by the Obligated Group are located in California. The members of the Obligated Group are jointly and severally liable for all debt secured by an Obligation issued under the Master Indenture, including the Series 2001 Bonds. The Bonds will be secured by Obligation No. 2.

Casa Colina, Inc

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

Corporate Governance

The Corporation, the Hospital and each of the other members of the Obligated Group is governed by a Board of Directors (the "Board"). As a matter of practice, substantially the same individuals serve on the Board of each member of the Obligated Group. Board members are selected based upon their standing in the community, professional skills, commitment to mission of the Corporation and its affiliates and relationships with various constituencies of importance to the Corporation and its affiliates. The number of Directors is determined by the Board and is no less than thirteen but can be no more than twenty-seven. Each term is for three years. With the exception of the President of the Corporation and the occupants of ex officio offices, no person may serve on the Board for more than eighteen consecutive years.

Licensure and Memberships

Casa Colina Hospital for Rehabilitative Medicine and Casa Colina Comprehensive Outpatient Rehabilitation Services, Inc. are currently licensed by the Department of Health Services. Casa Colina Centers for Rehabilitation, Inc. and Padua Village, Inc. are currently licensed by the Department of Social Services.

EXHIBIT 6

CHFFA BOND ISSUANCE GUIDELINES
Less than BBB+/BBB+/Baa1 or Unrated Debt

While all projects must demonstrate financial feasibility, these guidelines describe what CHFFA would expect to see given a transaction (or borrower) with a particular rating (or no rating). The Authority would reserve the right to use its discretion as necessary and appropriate. The Authority acknowledges that each financing must be reviewed individually and exceptions to these guidelines may be considered if the applicant demonstrates that such exception is a necessary part of a cost-effective and prudent borrowing strategy. Conversely, the Authority retains the flexibility to request additional provisions as circumstances warrant.

BOND RATING [(1)]	LOAN SECURITY PROVISIONS	BOND COVENANTS
Less than BBB+/BBB+/Baa1 or Unrated Debt	• Must be privately placed (in both primary and secondary markets), with appropriate disclosure, with a "Qualified Institutional Buyer" as defined by SEC Rule 144A, promulgated under the Securities Act of 1933 • Minimum denomination of $250,000 ——— • Unconditional Promise to Pay • Gross Revenue Pledge • Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond) • Bonds cannot be split by selling participatory shares	Legal Covenant: ♦ Must comply with Section 15438.5 (c) of the Government Code Reporting Covenants: • Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants of bond documents • Submission of required Arbitrage Reports to Authority • Annual Audited Financial Statements • Submit quarterly unaudited financials, if requested Financial Covenants: • Maintain appropriate rates and charges to maintain a minimum coverage ratio of at least 1.25 times maximum annual debt service • Must submit annual reports that show that the coverage is being met, per certification of the financial officer • If the coverage falls below the minimum ratio, must engage a management consultant which shall report its recommendations for corrective actions • Must maintain minimum 1.25 coverage to take on additional debt Other Covenants: • Other covenants as appropriate

(1) Refers to rating categories used by Standard & Poor's/Fitch/Moody's. **Version:** 9/28/2000