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California Health Facility Construction Loan Insurance Program

(Commonly known as Cal-Mortgage Loan Insurance)

2011 State Plan

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Appreciation to all who contribute to the Loan Insurance Program's success.

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2011 State Plan
for the
California Health Facility Construction Loan Insurance Program

Introduction and Purpose

Created in 1969 and modeled after federal home mortgage guarantee insurance programs, the California Health Facility Construction Loan Insurance Program (**Cal-Mortgage Program**), managed by the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development (**OSHPD**), enables public and nonprofit healthcare facilities to obtain private financing, without cost to taxpayers, to develop or expand their services in communities throughout California.

The Cal-Mortgage Program's objective is to stimulate the flow of private capital into nonprofit and public health facility construction in order to assure accessibility to needed healthcare services.

The passage of Assembly Bill 282 (**AB 282**) in October 1999, with amendments to § 129020 of the Health and Safety Code, requires OSHPD to develop a state plan every odd-numbered year for the Cal-Mortgage Program. See Exhibit I for the Health and Safety Code reference.

The 2011 State Plan provides a summary of the Cal-Mortgage Program, identifies current trends that affect the Cal-Mortgage Program, and specifies goals and objectives in order to continue to focus the Cal-Mortgage Program on equitable accessibility to quality healthcare.

The contents of the 2011 State Plan cover the period of July 1, 2008, through June 30, 2010, unless specifically noted otherwise.

I. Status Report of the Cal-Mortgage Program

History of the Cal-Mortgage Program

The Cal-Mortgage Program was authorized in 1968 by an initiative vote, which added the following section to the State Constitution (reference Article 16, § 4):

> "The Legislature shall have the power to insure or guarantee loans made by private or public lenders to nonprofit corporations and public agencies, the proceeds of which are to be used for the construction, expansion, enlargement, improvement, renovation or repair of any public or nonprofit hospital, health facility, or extended care facility, facility for the treatment of mental illness, or all of them, including any outpatient facility and any other facility useful and convenient in the operation of the hospital and any original equipment for any such hospital or facility, or both."

Legislation enabling the Cal-Mortgage Program was passed by the Legislature in 1969.

Modeled after federal home mortgage guarantee insurance programs, the Cal-Mortgage Program makes it possible for nonprofit healthcare facilities to obtain private financing without cost to taxpayers to develop or expand their services in communities throughout California. Without such a guarantee, many of these facilities simply could not arrange the financing required to serve their communities.

Under the administration of OSHPD, the Cal-Mortgage Program insures loans to nonprofit and public healthcare facilities for construction projects that improve access to needed healthcare. OSHPD can insure loans to nonprofit public benefit corporations or public entities (cities, counties, healthcare districts, or joint power authorities) in which the State of California guarantees the payments of principal and interest on the loans. The loan insurance allows the borrower to access lower interest rates, similar to the tax exempt bond rates available to the State. See Exhibit II for more information regarding loan insurance.

The California Health Facility Construction Loan Insurance Law (**Insurance Law**) established the Health Facility Construction Loan Insurance Fund (**Insurance Fund**). The Insurance Fund is used as a depository of fees and insurance premiums and may be used to pay administrative costs of the Cal-Mortgage Program and shortfalls resulting from defaults by insured borrowers. As a trust fund, the Insurance Fund and the interest (or other earnings) generated may not be used for non-program purposes.

The Cal-Mortgage Program was validated by the California Supreme Court in 1971, which determined that both the Constitutional amendment and the enabling legislation creating the Cal-Mortgage Program were constitutional.

In 1972, the Cal-Mortgage Program insured its first loan with the full and unconditional State guarantee of the loan.

The enabling legislation required the Cal-Mortgage Program to develop a plan and allocate loan insurance based on its findings, so that needed facilities would be constructed or expanded. The Cal-Mortgage Program originally used Hill-Burton planning documents as the plan.

In 1976, the Certificate of Need laws were enacted, which required health facilities to go through an independent review process to assure that community need existed for the project prior to construction. During the years the Certificate of Need program was active, the statutes were amended to delete the separate planning requirement. In 1979, the statutes were revised to require that a Certificate of Need or a Certificate of Exemption be obtained as a condition to eligibility for loan insurance.

When the Certificate of Need program was suspended in 1987, OSHPD requested the California Health Policy and Data Advisory Commission (**CHPDAC**) form a task force to assess the continuing need for the Cal-Mortgage Program. While the task force concluded that the Cal-Mortgage Program performed a valuable function, it recommended that (1) there should be a total dollar cap on loan guarantees, which could be re-evaluated periodically by the Legislature; and (2) the Cal-Mortgage Program should be guided by some kind of non-regulatory state plan.

OSHPD sought legislation to implement these two recommendations. Senate Bill 1293 (**SB 1293**) passed in 1989 and established the requirement for the Cal-Mortgage Program to develop a state plan and allocate resources according to that state plan. At the same time, a $2 billion cap was established on loan guarantees.

In 1991, legislation raised the cap on loan guarantees to $2.5 billion. It also provided that the cap could be raised to $3 billion, with the completion of a state plan. The first State Plan was finished in July 1992; therefore, the cap was raised to $3 billion, effective January 1, 1993.

In September 1993, Triad Healthcare Corporation (**Triad**) defaulted on an insured loan of $167 million. Due to this large default, OSHPD declared a moratorium on new applications. A review of the Cal-Mortgage Program found that it still could continue to meet the requirement that the Cal-Mortgage Program be administered without cost to the State. Due to the findings of this review, the moratorium was lifted and the Cal-Mortgage Program began accepting new applications in May 1994.

Since the Cal-Mortgage Program's inception, the Advisory Loan Insurance Committee (**ALIC**) has been utilized to review loan insurance applications, including Cal-Mortgage Program staff analyses, and to make recommendations to the OSHPD Director. ALIC has been comprised of public and government members with expertise in financing, health planning, construction, and healthcare facility operations.

During the moratorium, ALIC was restructured. OSHPD appointed new members to ALIC, including a representative from the Department of Finance. In 1995, regulations were amended to increase the number of members on ALIC from seven to nine.

In order to strengthen the Cal-Mortgage Program's ability to deal with facilities in serious financial trouble, SB 1705 was passed in September 1994. This bill gave OSHPD authorization to assume or direct managerial control of borrowers in default.

In October 1998, a report by the California State Auditor identified opportunities to improve the review of applications and the monitoring of insured borrowers. The Cal-Mortgage Program implemented the recommendations made in the Auditor's report. The most significant items were: (1) establishing written guidelines for the review of loan applications; (2) utilizing financial analysis software to analyze an applicant's financial performance; (3) upgrading and reprogramming the project database to assist the staff and management in monitoring borrowers; and (4) preparing, in conjunction with OSHPD accounting staff, an ongoing report of assets and liabilities related to defaulted projects.

During the 1998-1999 Legislative session, a cooperative effort by the State Legislature, the State Auditor's staff, and OSHPD staff, resulted in passage of AB 282 (Chapter 848, Statutes of 1999). The statutes made changes to improve the Cal-Mortgage Program. They (1) authorized a one-time, up-front insurance premium; (2) established, in law, the Advisory Loan Insurance Committee with expanded responsibilities; (3) required preparation of a biennial State Plan; and (4) required preparation of annual reports to the Legislature.

Developments since the Previous State Plan

Implementation of Priority Needs Identified in the Prior State Plan

The 2009 State Plan established certain priorities, which are indicated in the following summary listing. The Cal-Mortgage Program's activities have reflected those priorities. During the period July 1, 2008, through June 30, 2010, the Cal-Mortgage Program insured 21 loans. (Please note: since a loan may address more than one priority area, the combined total of all priority areas exceeds 21.)

1) Ten loans were used in medically underserved areas or served medically underserved populations.
2) Three loans were used to meet compliance with hospital seismic safety standards (SB 1953).
3) Four loans enhanced the actuarial stability of the Cal-Mortgage Program.

4) Five loans were used to target special needs populations and created community-based treatment environments, which included the following special needs populations: the elderly, children, and persons with mental or developmental disabilities.

5) Seven loans were used to promote access to primary care services.

6) Three loans were used to provide solutions to healthcare delivery problems in rural areas, for patients with chronic health problems or by developing continuums of care.

7) Three loans were used to purchase new technologies that improved access to needed care or improved the quality of care.

8) Six loans reduced the risk to the Insurance Fund.

See Exhibit III for a list of the loans insured from July 1, 2008, to June 30, 2010.

Changes in the Cal-Mortgage Program's Portfolio

Since the prior State Plan, the Cal-Mortgage Program's insured loan portfolio increased 26.3%, from $1.37 billion to $1.73 billion (see Exhibit IV), which was due to some newly insured loans with high loan amounts. Even though the insured loan portfolio increased by 26.3%, the number of insured loans only increased by two from 137 to 139 (see Exhibit V), which was due to the defeasance of 19 loans. The cash balance of the Insurance Fund increased by 1.4%, from $187.2 million to $189.7 million (see Exhibit VI). For a list of the insured loans in the Cal-Mortgage Program's portfolio, see Exhibit VII.

The profile of the portfolio organized by facility type, based upon the number of loans, remained relatively unchanged between June 2006 and June 2010 (see Exhibit VIII). Similarly, the profile of the portfolio organized by facility type, based upon the outstanding principal balance of the loans, changed when the largest percentage of insured loans shifted from senior living facilities to hospital facilities (see Exhibits IX and X). For a list of the insured loans sorted by facility type, see Exhibit XI.

Changes to the Estimated Net Assets of the Cal-Mortgage Program

The Estimated Net Assets (refer to Exhibit XII) is determined by taking the cash balance of the Insurance Fund, adding the value of anticipated recoveries (obligations due to the Cal-Mortgage Program from defaulted loans), and subtracting the long-term liabilities (obligations of the Cal-Mortgage Program for defaulted loans). The Estimated Net Assets of the Cal-Mortgage Program increased from $85.0 million on June 30, 2008, to $98.5 million on June 30, 2010, an increase of $13.5 million.

Description of Cal-Mortgage Program Operations

Administration

As one of thirteen departments in the California Health and Human Services Agency (**CHHSA**), OSHPD's vision is "Access to Safe, Quality Healthcare Environments that Meet California's Diverse and Dynamic Needs." Its mission statement sets forth that "OSHPD Advances Safe, Quality Healthcare Environments Through Innovative and Responsive Services and Information that: Finance Emerging Needs, Ensure Safe Facilities, Support Informed Decisions, and Cultivate a Dynamic Workforce."

OSHPD administers the Cal-Mortgage Program through its Cal-Mortgage Loan Insurance Division. For FY 2010-11, the Cal-Mortgage Program was authorized for 22 employees and an annual budget of $4.67 million.

OSHPD uses ALIC to provide technical review and analysis of applications. ALIC independently recommends to the OSHPD Director whether an application should be approved and whether additional conditions should be attached to an approval. ALIC also assists the OSHPD Director in formulating policy and providing advice on the State Plan. ALIC is comprised of nine members. Seven members are citizens with expertise in areas of finance, healthcare facility management, and construction. Two members are appointed from State government, one of which is appointed by the Director of Finance.

OSHPD is also assisted by CHPDAC, who gives OSHPD and the Cal-Mortgage Program general advice by periodically reviewing the Cal-Mortgage Program and serving as a review body for applicants whose applications are not approved. Since the Cal-Mortgage Program's inception in 1972, one hearing has been requested and conducted. On June 28, 2011, the governor approved AB 106, which eliminates CHPDAC effective January 1, 2012. With the dissolution of CHPDAC, its duties will be transferred to OSHPD or to an entity designated by OSHPD.

The Insurance Law also established the Insurance Fund. The Insurance Fund is used as a depository of fees and insurance premiums. It is invested in the Surplus Money Investment Fund (**SMIF**) managed by the State Treasurer and earns interest equivalent to the rate earned by other State Treasury funds. The Insurance Fund is a trust fund and may only be used to pay administrative costs of the Cal-Mortgage Program and shortfalls resulting from defaults by insured borrowers. As a trust fund, the Insurance Fund and interest (or other earnings) generated may not be used for non-program purposes.

OSHPD contracts for actuarial and consultant services. It obtains legal services from the State Attorney General's office and private law firms on specific items.

The Cal-Mortgage Program provides reports to the OSHPD Director, the California Health and Human Services Agency, and the State Legislature. The Cal-Mortgage Program prepares monthly and annual reports showing Cal-Mortgage Program activity, the cash balance of the Insurance Fund and, in conjunction with the OSHPD accounting staff, the assets and liabilities of the Cal-Mortgage Program (see Exhibit XII for the Estimated Net Assets). For anticipated events, the Cal-Mortgage Program submits Week Ahead Reports to OSHPD administration. In even-numbered years, OSHPD contracts for an actuarial study of the Cal-Mortgage Program (refer to the Actuarial Study section for a summary of this report). Beginning in the fiscal year ended June 30, 2000, the Cal-Mortgage Program has annually prepared two reports for the Legislature: (1) Financial Status of the California Health Facility Construction Loan Insurance Program and Insured Portfolio and (2) Borrowers' Compliance with their Community Service Obligations.

Reports on the activity of the Cal-Mortgage Program are available upon request or on the OSHPD website (www.oshpd.ca.gov/CalMort).

Application Process

Loan insurance applications follow a six step application and credit evaluation process. By structuring the process in several steps or stages, the goal is to make determinations about an application as early in the process as possible. In this way, if an applicant is not eligible, the applicant's costs are minimized.

Step One: The Cal-Mortgage Program staff conducts a preliminary review of the application to determine eligibility of the applicant for loan insurance and to generally assess the community need and feasibility of the proposed project.

Step Two: The applicant submits additional documentation that expands and confirms the information provided in the preliminary review. To initiate this review, the applicant must submit a $500 non-refundable application fee. The key question under consideration at this stage is whether the proposed project is financially feasible. Following written guidelines, staff assesses the project and financial projections. The applicant's financial performance is analyzed using a customized financial analysis software computer program.

Staff evaluates other factors, including the project scope, community demand, expertise of the applicant's management team, and collateral. The applicant describes the community needs that the healthcare facility will meet and provides data and information to substantiate these needs. The Cal-Mortgage Program staff assesses the proposed project's consistency with the State Plan. Finally, the Cal-Mortgage Program staff conducts a financial sensitivity analysis, using different levels of need and reimbursement to assess changes in the proposed project's financial feasibility.

The Cal-Mortgage Program staff writes a Project Summary and Feasibility Analysis (**PSFA**). The PSFA includes a recommendation for approving the application and a proposed set of conditions. Then, the application is scheduled for review by ALIC.

Step Three: In a public meeting, ALIC reviews the application. This review provides an independent analysis of the project and a forum for consideration of input from the general public. During this meeting, ALIC votes on whether to recommend the project for approval to the Director and, if so, whether the applicant should meet additional specific conditions prior to the final issuance of the loan guarantee.

Step Four: Following the ALIC meeting, the Director of OSHPD makes a decision to approve or disapprove the application, and any additional conditions.

If the OSHPD Director concurs with the approval recommendation of the Cal-Mortgage Program staff and ALIC, a letter of commitment is issued specifying any conditions the applicant must meet prior to the issuance of loan insurance.

If the OSHPD Director decides to guarantee a loan that ALIC recommended not to insure, the OSHPD Director is to notify the Secretary of the California Health and Human Services Agency and document, in writing, the programmatic or policy reasons for the decision. The Secretary may request that the CHPDAC conduct a hearing to review the application, the ALIC recommendation, and the OSHPD Director's decision. If there is a hearing, CHPDAC makes its recommendation to the Secretary. At any point in this review process, the Secretary may decide to sustain the decision, modify the loan insurance guarantee, deny the application, or direct another review by ALIC or the Cal-Mortgage Program staff.

If the application for loan insurance is denied, the applicant may petition for a fair hearing before CHPDAC. With the dissolution of CHPDAC, effective January 1, 2012, this process will change.

Step Five: Prior to the closing of the loan transaction, the applicant must provide the Cal-Mortgage Program with documentation that conditions contained in the commitment letter have been met.

Step Six: The final step is the close of escrow, at which point the loan is made and loan insurance is effective. Loans are secured by a first mortgage, first deed of trust, or other first priority lien and other security in the borrower's assets. Borrowers are also subject to security agreements, which specify conditions, covenants, and restrictions.

See Exhibit VII for an alphabetical listing of insured loans. See Exhibits X and XI for the portfolios insured risk and insured loans based on the type of facility. See Exhibits XIII and XIV for the portfolio's insured risk and insured loans based on the county.

Cal-Mortgage Program Fees and Charges

The Cal-Mortgage Program charges an application fee ($500), a one-time certification and inspection fee of four-tenths of one percent (0.4%) of the insured loan, and an insurance premium. Effective January 1, 2001, the insurance premium for new loans is a one-time amount not to exceed three percent (3%) of the total principal and interest on the loan. Regulations, adopted in March 2001, allow for a discounted premium rate for those applicants who obtain a credit rating or assessment from Standard & Poor's, Moody's, or Fitch.

Loan Monitoring

The Cal-Mortgage Program monitors each borrower during the construction phase of its project and throughout the life of the loan for compliance with loan covenants.

The Cal-Mortgage Program staff monitors the entire construction process when a loan is used for construction or remodeling of a healthcare facility. The Cal-Mortgage Program staff conducts site visits throughout the entire construction process to verify completion of work and to authorize payment for construction expenses. These site visits allow the Cal-Mortgage Program staff to be aware of any issues which may affect the timeline or budget of the construction project.

The Cal-Mortgage Program staff monitors each borrower for financial performance and compliance with loan covenants throughout the life of the loan. The monitoring process entails reviewing quarterly/monthly financial statements, annual audited financial statements, monthly trustee statements for payment information, annual budgets, insurance coverages, and attending board meetings and annual site visits. The Cal-Mortgage Program staff visits the facility site in order to verify the ongoing ability to make timely payments and the continuing viability of the borrower to provide healthcare services in the community.

The monitoring process is intended to detect, as early as possible, potential problems. If a problem is detected, the Cal-Mortgage Program staff and management assist the borrower in resolving the financial problem.

The Cal-Mortgage Program staff monitors all borrowers and assigns a risk rating (A through F) for each loan. Risk ratings may be revised during the year as circumstances relating to a borrower change. The risk ratings have a corresponding relationship to various stages of default, as listed below:

A	no problems
B	minor problems
C	moderate problems

D	serious problems; missed payments
E	default anticipated
F	defaulted; Insurance Fund used

A computer database is maintained for all borrowers and insured loans. Various monitoring reports are generated from the database.

Remedies for Loans with Problems

When an insured borrower fails to submit a required payment or defaults on the contractual terms or covenants of the insured loan, the Cal-Mortgage Program staff informally communicates with the facility's management or borrower. To facilitate communication and collaboration, the Cal-Mortgage Program staff may visit the facility. The Cal-Mortgage Program's approach is to solve the problem by working with the facility's management and governing board to develop a plan of correction. If the borrower fails to submit the required report or correct the default, a formal notice is sent in writing, stating the nature of the default. If the borrower further fails to submit a plan or submits a plan that is not feasible, then the Cal-Mortgage Program conducts additional on-site visits. If the Cal-Mortgage Program determines that the borrower is not making sufficient progress in submitting required reports or correcting defaults, the Cal-Mortgage Program may require the borrower, at the borrower's expense, to employ an independent consultant to conduct an audit of the facility's performance and make recommendations.

Other Practices to Lower Risk in the Cal-Mortgage Program

The Cal-Mortgage Program requires the borrower, through the Regulatory Agreement, to certify periodically that the financial performance of the healthcare facility meets or exceeds specific financial ratios. The Cal-Mortgage Program requires that the borrower obtain approval before taking on any additional debt or selling facility assets.

The Cal-Mortgage Program requires the borrower to maintain property and casualty insurance, such as fire, boiler, earthquake, general liability, and professional liability (malpractice).

The Cal-Mortgage Program reduces the risk to the Insurance Fund by requiring each borrower to have a debt service reserve fund, which equals approximately the maximum annual debt service of principal and interest.

Provisions to Assist Small Healthcare Facilities

A small healthcare facility is defined as one with a loan for less than $10 million. Small healthcare facilities may have loans insured up to 95 percent of the total construction cost, per Health and Safety Code § 129050 (m). In 2008, legislation was passed to increase the loan amount from $5 million to $10 million. Small healthcare facilities are required to make at least a 5 percent equity contribution. This compares to a 10 percent requirement for large facilities, which have greater ability to generate an equity contribution.

Overall, 70 percent of the loans in the portfolio are related to small healthcare facilities with loans less than $10 million, which include small community-based projects (primary care clinics, chemical dependency recovery facilities, group homes, mental health programs, etc.). For a listing and percentage of insured loans organized by loan size, see Exhibits XV and XVI. Alternatively, for a listing of the top ten largest borrowers, see Exhibit XVII.

Health and Safety Code § 129355 (d) states that any State Plan shall identify impediments that preclude small facilities from utilizing the California Health Facility Construction Loan Insurance Program and shall include programmatic remedies to enable small projects to utilize the Cal-Mortgage Program.

One of the impediments that small healthcare facilities face when utilizing the Cal-Mortgage Program is the high cost of issuance associated with bond issues and the equity contribution of 5 percent. Two private programs were initiated that benefited small healthcare facilities in the Cal-Mortgage Program. The first private program is from Blue Cross of California (**Blue Cross**), through its Investment in a Healthy California Program (**IHCP**) and maintains a $200 million investment portfolio which provides capital to healthcare providers. Blue Cross' IHCP invests in healthcare providers by purchasing their bond issues. Five borrowers in the Cal-Mortgage Program benefited from Blue Cross' IHCP when it purchased $40.6 million in borrowers' bond issues. The second private program is from UnitedHealth Group, through its California Health Care Investment Program (**CHCIP**) and provides access to capital through a $200 million investment portfolio for health care entities throughout California. UnitedHealth Group's CHCIP invests in health care entities by purchasing their bond issues and offering grants to pay for closing costs. Fifteen borrowers in the Cal-Mortgage Program benefited from UnitedHealth Group's CHCIP when it purchased $101 million in borrowers' bond issues and offered $5.4 million in grants to cover the closing costs. The Cal-Mortgage Program partnered with these private programs to benefit small healthcare facilities.

The Cal-Mortgage Program has had success in providing loan insurance to a number of small facilities. It should be noted that healthcare delivery is constantly changing and evolving. To assure equitable accessibility, the Cal-Mortgage Program will continue to monitor the kinds of projects that it insures and will continue to be alert for new impediments and the corresponding remedies. See Exhibit XVIII for a list of pending applications and pre-applications of the Cal-Mortgage Program.

Actuarial Study

When the Cal-Mortgage Program was established in 1969, it was not funded with a capital reserve fund, as it was backed by the full faith and credit of the State. With the receipt of premiums and fees since 1972, the Insurance Fund was $189.7 million at the end of the FY 2009-10 (see Exhibits VI and XII). In spite of the defaulted loans requiring payments from the Insurance Fund discussed in the section below, the Insurance Fund has maintained a positive balance.

Since 1992, the Cal-Mortgage Program has contracted every even-numbered year for an actuarial study.

The most recent actuarial study was the 2010 Actuarial Study which was conducted by Oliver Wyman and it addressed the following objectives:

- Determine the reserve sufficiency of the funds in the Insurance Fund as of June 30, 2010, to adequately respond to potential foreseeable risks, including extraordinary administrative expenses and actual defaults.
- Assess the risk to the State's General Fund from the Cal-Mortgage Program.

As to the first item, Oliver Wyman found that when compared to California statutory standards, there is a $78.28 million shortfall between sufficient reserves and the Insurance Fund balance. As to the second item, Oliver Wyman concluded that assuming "normal and expected" conditions, the Cal-Mortgage Program should maintain a positive Insurance Fund balance during at least the next 30 years. Oliver Wyman estimated that the highest risk to the General Fund would derive from its most pessimistic scenario, which is a ten percent annual probability of a catastrophic claim. Oliver Wyman noted that such a scenario is highly unlikely and that, even if it did occur, the Cal-Mortgage Program would have funds until fiscal year 2016-17.

Defaulted Loans Requiring Payments from the Insurance Fund

For purposes of this report, the Cal-Mortgage Program has defined a "default" as any loan requiring a payment on a borrower's insured obligation from the Insurance Fund. Under this definition, the count of loan defaults as of June 30, 2010, was 15 borrowers (with 21 loans). In the prior State Plan, the Cal-Mortgage Program reported that the count of loan defaults was 13 borrowers (with 15 loans). Under prior definitions of a default, the Cal-Mortgage Program did not account for two additional borrowers and six loans that required payments from the Insurance Fund. See Exhibit XIX for a breakdown by fiscal year of the total default payments, net of recoveries, made from the Insurance Fund. A brief description of each default is listed below (listed in chronological order of payments from the Insurance Fund).

Community Adult Care Centers of America (**CACCOA**)

CACCOA was a nonprofit corporation that planned to acquire a 78-bed skilled nursing facility in Long Beach, an 83-bed board and care facility in Los Angeles, and adjacent sites at each location to construct additional facilities. In 1990, the Cal-Mortgage Program insured this project for $10 million.

Due to CACCOA's failure to develop the project as required, the Cal-Mortgage Program declared it in default in May 1992 and paid off the insured loan with approximately $4.5 million from the Insurance Fund. In July 1992, the Cal-Mortgage Program instituted legal proceedings to recover expended funds. In a settlement agreement reached in 1999, the assets were sold to unrelated parties for approximately $1.5 million. The Cal-Mortgage Program received payments from the note on this sale until November 1, 2004, when the note was paid off.

Lytton Gardens

In 1981, the Cal-Mortgage Program insured a $9.6 million loan to construct a 120-bed, multi-story, skilled nursing facility in Palo Alto.

In 1994, due to operational problems, Lytton Gardens defaulted on two loan payments. The Cal-Mortgage Program made these two payments from the Insurance Fund. In 1995, Lytton Gardens resumed its monthly debt service payments. In December 1999, the loan was refinanced, which included full repayment with interest to the Insurance Fund.

After refinancing in 1999, Lytton Gardens made timely payments until April 2003. They claimed that insufficient Medi-Cal reimbursement and escalating nursing expenses made it uneconomical for skilled nursing services. They wanted to convert a floor to an Alzheimer’s assisted living unit. The Debt Service Reserve Fund (**DSRF**) was depleted. The Insurance Fund was then used for two bondholder payments.

In January 2004, the CEO resigned. In April 2004, the Board of Directors and management decided not to pursue an alternative business strategy and to reestablish skilled nursing services on all floors. In March 2005, the beds were re-licensed. Within months, regular monthly debt service payments resumed. With the closure of two nearby skilled nursing facilities and a subsequent increase in Medi-Cal reimbursement, a turnaround was fully accomplished within twelve months. The Insurance Fund was then fully repaid.

In order to achieve greater operational and fiscal strength, in September 2007, the Board of Directors finalized an affiliation agreement with another senior healthcare provider, the Episcopal Homes Foundation. In March 2011, Lytton Gardens refinanced out of the Cal-Mortgage Program.

Triad/Sherman Oaks Health System

Triad Healthcare Corporation (**Triad**) was a nonprofit corporation formed to purchase two hospitals, located in Sherman Oaks and Canoga Park, from a for-profit corporation. In 1991, the Cal-Mortgage Program insured $142 million in short-term taxable notes to acquire the hospitals. In 1992, as part of the original financing plan, the short-term taxable notes were converted to long-term certificates of participation totaling $167 million.

In 1993, Triad defaulted on its loan as a result of losses from operations. In February 1994, Triad filed for Chapter 11 protection in Federal Bankruptcy Court. In April 1995, the borrower, renamed as Sherman Oaks Health System (**Sherman Oaks**), exited bankruptcy and continued operating Sherman Oaks Hospital and Medical Center. The second facility (West Valley Hospital) was sold with the proceeds going to the Insurance Fund. The bankruptcy court restructured Triad's obligation to the Cal-Mortgage Program. The Cal-Mortgage Program is responsible for making the payments on the restructured debt. The Cal-Mortgage Program filed lawsuits against individuals and entities involved in the Triad financing to recover damages. The Cal-Mortgage Program received settlements of approximately $54 million, as a result of the lawsuits.

Subsequent hospital operations were not sufficiently profitable to maintain required monthly debt payments. On December 30, 2005, Sherman Oaks Health System was sold to a for-profit entity for net proceeds of $16.6 million. The Attorney General consented to the sale. All proceeds from the sale were put into an escrow account and were used to defease bonds at the earliest call date of August 1, 2008.

The Cal-Mortgage Program recovered a total of approximately $80 million and no further recoveries are expected. The Cal-Mortgage Program will continue to make all payments on the outstanding debt with a final payment on August 1, 2021.

Los Medanos

In 1990, the Cal-Mortgage Program insured an $11.1 million loan to the Los Medanos Health Care Corporation, owned by Los Medanos Healthcare District (**Los Medanos**), a healthcare district in Pittsburg. The project was for renovation and expansion of the hospital, paying off existing debt, and providing funds for capital projects.

In 1994, Los Medanos defaulted on the loan and subsequently filed for bankruptcy. A total of approximately $9.5 million was paid from the Insurance Fund. A settlement agreement was signed in September 1998. The Cal-Mortgage Program has recovered approximately $7.5 million and recovery payments are expected to continue at $100,000 per year through 2017 with balloon payments of $500,000 in 2018 and 2019.

Healthcare Delivery Systems

In 1992, the Cal-Mortgage Program insured a $9.93 million loan to Healthcare Delivery Services (**HCDS**) for the acquisition of a group home for emotionally disturbed children on a 2.68-acre campus in Van Nuys.

As a result of a variety of problems, the facility license was suspended and clients were moved to other facilities. Unable to operate the facility, HCDS defaulted on its loan. The Cal-Mortgage Program made payments from the Insurance Fund starting in 1995 until December 2000, when the Cal-Mortgage Program accelerated the debt and repaid the outstanding bonds. In November 1997, the Cal-Mortgage Program foreclosed and took title to the property. The facility was sold in 2001 to an unrelated corporation for $3.3 million and payments are being paid directly to the Cal-Mortgage Program.

Villa View

In 1984, the Cal-Mortgage Program insured a $6.9 million loan to Villa View Community Hospital (**Villa View**), a 100-bed, acute care hospital with psychiatric services located in San Diego. In 1991, the Cal-Mortgage Program insured a $15 million loan to Villa View to refinance the prior bond issue, remodel the hospital, and acquire new equipment.

As a result of operational problems, Villa View defaulted on its bond payments in August 1997. In late 1998, the hospital was sold and the Cal-Mortgage Program retained a security interest as collateral for a note, thereafter, the new owner filed for bankruptcy and the facility was sold for a second time out of bankruptcy. In August 2006, the facility was sold for a third time to a for-profit entity. The Insurance Fund paid a total of approximately $16.4 million, including interest, in default payments and recovered approximately $9.4 million.

Third Floor

In 1991, the Cal-Mortgage Program insured a loan totaling $3.2 million to Third Floor for the purchase of land and buildings for a residential substance abuse facility in Fresno.

In the mid-1990s, this program's federal funding was reduced. The project was unable to make payments from 1996-1998. In April 1998, the Cal-Mortgage Program declared the loan to be in default and paid off the loan. The building was sold, with partial repayment made to the Insurance Fund. Third Floor continued its other operations and made regular payments to the Insurance Fund. In April 2001, Third Floor obtained new financing and made a full repayment.

Hermandad

In 1994, the Cal-Mortgage Program insured a $4.4 million loan to Hermandad Mexicana Nacional, Inc. (**Hermandad**) to acquire, renovate, and purchase equipment for two primary care and dental clinic properties located in Los Angeles and North Hollywood.

Hermandad failed to open the clinics and, as a result of a deteriorating financial condition, stopped making loan payments in 1998. Beginning in December 1998, the Cal-Mortgage Program paid the debt service payments from the Insurance Fund. In May 1999, Hermandad leased the Los Angeles clinic to the East Los Angeles Health Task Force (ELAHTF) and began operations in the Los Angeles clinic without making any debt service payments. ELAHTF vacated the property in September 2005. In 2006, the Los Angeles property was marketed for sale. A purchase offer was accepted; however, the escrow was cancelled at the purchaser's request. Hermandad agreed to resolve various IRS and governmental tax liens and transferred the property to the Cal-Mortgage Program. The Cal-Mortgage Program took possession of the Los Angeles property in January 2009. In April 2009, the debt was accelerated and paid from the Insurance Fund. In September 2010, the Cal-Mortgage Program recovered $1.7 million from the sale of the Los Angeles property, which partially recovered the obligation amount. Hermandad agreed to a debt restructure agreement and continues to make payments for the remaining obligation amount.

Kazi House

In August 1991 and January 1992, the Cal-Mortgage Program insured two loans totaling $2.67 million to Kazi House (**Kazi**) for a 120-bed residential drug and alcohol facility in South Central Los Angeles.

After losing its contract with the Department of Corrections in 1994, Kazi started experiencing lower activity. With the Cal-Mortgage Program's support, Kazi tried developing new relationships with various entities that could provide assistance or potential referrals, but all efforts failed. In December 1999, the Cal-Mortgage Program sent Kazi a Notice of Default and began making payments from the Insurance Fund. In March 2000, the Cal-Mortgage Program discovered that Kazi had ceased operations and abandoned its facility. In December 2000, the Cal-Mortgage Program accelerated the bonds and paid off the bondholders. The Cal-Mortgage Program foreclosed and took possession of the property in May 2001. The building was demolished in April 2005. In 2011, the property was sold to the city for $2 million and no further recoveries are expected.

Sierra Sunrise

In 1991, the Cal-Mortgage Program insured a loan totaling $15 million to Sierra Sunrise Senior Village Inc., owned by Walker Senior Housing Corporation VII (**Sierra Sunrise**), to construct 130 units of independent living and 24 assisted living units in Chico. In 1993, the Cal-Mortgage Program insured an additional loan of $5.27 million for the completion of a 90-bed skilled nursing facility adjacent to the existing units.

In March 2001, the owner notified the Cal-Mortgage Program that it intended to file bankruptcy unless the Cal-Mortgage Program took over the facility. The Sierra Sunrise Board of Directors retained two different facility managers in an attempt to improve operations and sought interested buyers for the property. In January 2005, the Board of Directors signed a sale agreement. In July 2005, a lawsuit from the original real estate development partner was filed against the Cal-Mortgage Program and the title company. The foreclosure process and sale were on hold until January 2006 when the issues were resolved. In April 2006, the foreclosure action and property sale occurred. The sale price of $16.8 million paid off bond holders and repaid $1.2 million to the Insurance Fund. As Sierra Sunrise wound down, the Cal-Mortgage Program received $500,000 in January 2007. Final funds of $338,490 were received upon the dissolution of Sierra Sunrise in August 2007. The Insurance Fund paid a total of approximately $5.5 million in default payments and recovered approximately $2 million.

Milestones Human Services

In July 1997, the Cal-Mortgage Program insured a loan totaling $2.79 million to Milestones Human Services (**Milestones**) to refinance multiple loans used to acquire and renovate a 100-bed facility for substance abuse rehabilitation services in San Francisco.

Beginning in 2001, Milestones experienced financial difficulties due to significant management and board member turnover, the opening of a new service center, decreased occupancy at a facility, and cancellation of some of its contracts. From 2001 until 2003, Milestones worked towards resolving its financial problems. Unfortunately, Milestones continued to struggle and it liquidated its assets. A facility was sold in December 2003 and sufficient funds were wired to the Insurance Fund to pay all outstanding balances. In January 2004, the Insurance Fund wired sufficient funds to the Trustee to pay the outstanding balance on the insured loan.

Apple Valley

In 1990, the Cal-Mortgage Program insured a loan totaling $8.5 million to the Apple Valley Christian Centers (**Apple Valley**) to acquire land and construct a 99-bed skilled nursing facility in the town of Apple Valley. In May 2001, Apple Valley refinanced a loan for $9.5 million to obtain interest rate savings. In 2003, the Cal-Mortgage Program took over operational control of the facility and insured a line-of-credit for $350,000 to provide emergency operational liquidity.

In late 2000, due to certification problems with the Department of Health Care Services (**DHCS**), management was replaced. In late 2001, Apple Valley began missing its monthly debt service payments. From 2001 to 2003, Apple Valley had recurring issues with DHCS licensing, patient admissions, occupancy, and professional liability insurance. The Insurance Fund was used to make partial debt service payments on its bond issue from 2004 to 2010. Apple Valley had been making monthly payments to repay the Insurance Fund. In July 2010, Apple Valley refinanced its bond issue and left the Cal-Mortgage Program. The outstanding balance of its line-of-credit was paid from the Insurance Fund. The Cal-Mortgage Program holds a first lien against land owned by Apple Valley and has worked out a repayment plan for the outstanding balance owed to the Insurance Fund.

Sunset Haven

In 1991, the Cal-Mortgage Program insured a loan totaling $6.2 million to Sunset Haven to build a 70-bed skilled nursing unit in Upland. In August 1997, the loan was refinanced for $6.3 million. In 2003, the Cal-Mortgage Program insured a line-of-credit to Sunset Haven for $900,000 to provide emergency operating liquidity.

Beginning in February 2002, Sunset Haven started missing monthly debt service payments. In October 2003, Sunset Haven's Board of Directors hired a new management company. The turnaround was unsuccessful. Due to continuing financial losses, cash flow difficulties, and low potential for financial improvement, the Board of Directors decided to sell to another healthcare provider. On August 11, 2006, Generations Healthcare signed a sales purchase agreement. The Attorney General consented to the sale. The Insurance Fund was used to make partial debt service payments from 2004 to 2006 and to pay off the bond issue in January 2007. In January 2007, Sunset Haven sold its real property and the Cal-Mortgage Program recovered the bulk of the obligation amount. In 2011, Sunset Haven ceased operations and the Cal-Mortgage Program recovered a final payment, overall the Cal-Mortgage Program recovered approximately 95% of all default expenditures.

Burt Center

Burt Center operated two group homes for mentally disabled or emotionally disturbed children in San Francisco. In April 2001, the Cal-Mortgage Program insured a loan for $3.2 million to refinance loans on two buildings and remodel one of the buildings to house an additional 12 children. In June 2003, the Cal-Mortgage Program insured a line-of-credit to provide emergency operational liquidity.

In August 2002, the founder, Mary Burt, passed away. Her passing caused disruption to the Burt Center. They were unable to keep both of the facilities at capacity. They decided to move all children into the Grove Street facility and to sell the Baker Street facility. During this time, management and board membership changed. Burt Center staff implemented programs that provided additional revenue. Operations improved and Burt Center resumed some monthly debt service payments. In October 2006, the Board of Directors accepted a purchase offer for the Baker Street facility. The sale reduced debt to a manageable level and allowed Burt Center to continue providing services. In 2007, San Francisco and other surrounding counties started moving away from group homes for mentally disabled children (and keeping children in their homes by providing outside services). In November 2009, Burt Center sold the facility and the Cal-Mortgage Program collected full repayment on the loan.

Sequoia Community Health Foundation

In 1986, 1988, and 1990, the Cal-Mortgage Program insured loans for $800,000, $380,000, and $850,000, respectively, to Sequoia Community Health Foundation (**Sequoia**). In November 1993, the Cal-Mortgage Program insured a loan for $2.43 million to acquire three properties and to construct a primary care clinic at one site in the Fresno area. In April 2000, the Cal-Mortgage Program insured a loan for $1.9 million to refinance the 1986, 1988, and 1990 loans, which resulted in interest rate savings.

Sequoia experienced financial difficulties due to trouble collecting its accounts receivable, a delay in Medi-Cal payments, and the depletion of its cash. Sequoia filed for bankruptcy in June 2008 and the Insurance Fund was used to pay the outstanding balance on its two bond issues in January 2009. The property was sold out of bankruptcy to Clinica Sierra Vista with seller financing through a direct note to the Cal-Mortgage Program. Clinica Sierra Vista was making monthly payments until the note was paid in full in 2011, resulting in zero loss to the Cal-Mortgage Program.

Since the inception of the Cal-Mortgage Program, approximately $6.27 billion in loans have been insured and it has experienced a historical default rate net of recoveries of approximately 2.3 percent. The Cal-Mortgage Program continues to manage defaulted loans in order to minimize financial impact to the Insurance Fund.

Partnership with Other State Agencies

Since loans insured by the Cal-Mortgage Program often rely heavily on State, Federal, or local government funding, the Cal-Mortgage Program coordinates its loan insurance activities within the program priorities of other State and local government agencies.

The Cal-Mortgage Program obtains letters from State and local government agencies that provide the principal source of funding to the applicant, documenting that the applicant's project is consistent with the program plans of the funding source.

The Cal-Mortgage Program has regular meetings and discussions to review programmatic changes or issues with the licensing divisions and the reimbursement divisions of DHCS and with other state departments, as needed.

II. Evaluation of the Cal-Mortgage Program's Success in Meeting Its Mission

The purpose of the Cal-Mortgage Program is twofold: (1) to provide, without cost to the State, a loan insurance program for health facility construction, improvement, and expansion projects, thus increasing the availability of private capital for health facilities; and (2) to rationally meet the need for new, expanded, or modernized public and nonprofit health facilities necessary to protect the health of all Californians. The provisions of the Insurance Law are to be "liberally construed" to achieve these purposes (Health and Safety Code § 129005).

Without Cost to the State of California

The Cal-Mortgage Program has operated since 1972, insuring 510 loans with a total insured amount of approximately $6.27 billion to healthcare facilities, many in underserved and rural areas of the State.

The Cal-Mortgage Program is entirely self-supporting from its insurance premiums and related income. As of June 30, 2010, the Insurance Fund had a cash balance of $189.7 million. Since inception of the Cal-Mortgage Program, 15 borrowers (with 21 loans) have defaulted with all required payments coming from the Insurance Fund. The Cal-Mortgage Program has operated without cost to the State General Fund.

According to the 2010 Actuarial Report, the Cal-Mortgage Program is projected to remain solvent under normal operating conditions (without catastrophic losses) and operate without cost to the State through fiscal year 2039-40.

To Meet the Need for Facilities

The basic purpose of meeting healthcare facility construction needs has not changed over the years. What has changed are the locations and methodologies by which healthcare is being delivered (for example, in-patient to out-patient). This has had an effect on the types of healthcare facilities that are needed.

In order to reflect California’s changing needs, the statutory definition of eligible "health facility" has been expanded over time. While originally focusing on hospitals (and those facilities that were necessary adjuncts to hospitals), California has recognized that some services, which traditionally were delivered in the hospital or other institutions, have become separate facilities. Today, many different facility types are eligible for loan insurance, such as community care facilities, primary care clinics, specialty care clinics, substance abuse treatment facilities, group homes, skilled nursing facilities, and "multi-level" facilities designed to prevent institutionalization of the elderly. For more information regarding the type of facilities in the Cal-Mortgage Program, see Exhibits VIII, IX, X, and XI.

The Cal-Mortgage Program activities continue to evolve to reflect California's changing health needs:

- The 2001 State Plan noted that the changing healthcare marketplace called for the Cal-Mortgage Program to include projects that were financially stronger and able to obtain independent credit ratings. Since January 1, 2001, sixteen loans with independent credit ratings or credit opinions were insured for a total of $924.8 million. Currently, loans with independent credit ratings or credit opinions represent approximately 49 percent of the current outstanding principal balance of the portfolio.
- As with the 1995 State Plan, the subsequent State Plans included emphasis on facilities with senior healthcare, such as multi-level facilities. Since the prior State Plan, four such loans were insured. As of June 30, 2010, six senior healthcare facilities were in the "pipeline"; two with letters of commitment issued, two with applications pending, and two in the pre-application review phase.
- Since the previous State Plan, the Cal-Mortgage Program has insured six loans for a total of $47 million to primary care clinics. Primary care clinics are the frontline healthcare provider. It is believed that primary care clinics will be critical once Californians gain coverage in 2014 due to healthcare reform.

This continual adaptation of the review and loan approval process resulted in an increase of strong financial borrowers and senior healthcare facilities, and reflects the continuing relevance of the Cal-Mortgage Program in a dynamic healthcare market place.

Commitment to Mission

OSHPD and the Cal-Mortgage Program remain committed to continuing the careful management of the Cal-Mortgage Program in order to benefit communities throughout California, at no cost to the State.

III. Overview of Trends in Healthcare

Many trends are affecting healthcare facilities. These trends also affect the operations of the Cal-Mortgage Program. The Cal-Mortgage Program views the following issues as those which currently have significant impact on the Cal-Mortgage Program:

- Affordable Care Act;
- Access to healthcare for Californians;
- Growth in the number of older adults;
- Hospital implementation of seismic safety requirements;
- Financial solvency challenges; and
- Governance and management still critical for success.

Affordable Care Act

The Affordable Care Act (**ACA**) was passed by Congress and then signed into law by the President on March 23, 2010. After an appeal process, the Supreme Court upheld the law on June 28, 2012. The law was created to increase the number of people with insurance and to reduce the overall costs of health care.[1] Some of the key features of the law include the following:

- Establishing a Health Insurance Marketplace;
- Providing new coverage options for young adults;
- Covering preventive services;
- Removing lifetime limits on health benefits;
- Covering individuals with pre-existing conditions; and
- Expanding access to care.

As part of the ACA, everyone must have health insurance or pay a tax penalty by 2014. In California, it is estimated that currently there are 7 million uninsured individuals and that with the ACA approximately 4 to 5 million legal residents would be covered. The additional insured individuals will get access to healthcare they did not have. The Cal-Mortgage Program will closely monitor insured borrowers to better understand the impact on the providers.

As part of healthcare reform, Accountable Care Organizations (**ACO**) are expected to be created. An ACO is the integration of hospitals, clinics, and skilled nursing facilities which offer the continuum of care to patients. It is expected that primary care clinics will be a primary method of healthcare delivery due to healthcare reform. Through the American Recovery and Reinvestment Act (**ARRA**), approximately $2.8 billion was invested in community health centers, with $263 million invested in California's community health centers.[2,3] This allowed many community health centers to expand so they can treat more patients and meet the expected demand generated by healthcare reform.

Access to Healthcare for Californians

Throughout California, many rural areas, urban areas, and populations are recognized as medically underserved. Several factors contribute to the lack of adequate healthcare coverage in these areas, including poverty, local economy, shortages of healthcare personnel, and geographic barriers.

OSHPD's Healthcare Workforce Development Division (**HWDD**) collects data to determine Medically Underserved Areas (**MUA**) and Medically Underserviced Populations (**MUP**) based on a set of criteria established through federal regulation. See Exhibit XX for the most recent map showing those areas with a critical need throughout California. HWDD, in cooperation with the federal government, identifies areas in the State that have a shortage of healthcare professionals (primary care, mental health, and dental). These areas are called Health Professional Shortage Areas (**HPSA**). See Exhibits XXI, XXII, and XXIII for the most recent map of these areas throughout the State.

The maps are included in this report to illustrate the large number of areas identified with healthcare service needs. When an application is received, the Account Manager checks with the Shortage Designation Program to determine if the healthcare facility is located in a currently designated MUA, MUP, or HPSA region.

OSHPD, through the Cal-Mortgage Program, will continue to complement these efforts by insuring loans in areas where healthcare facilities are needed.

Growth in the Number of Older Adults

The State's population is aging. In 2010, 4.3 million Californians were age 65 or older; this is anticipated to double to 8.4 million by 2030.[4] This population growth for those over 65 years is likely to have great impact on health and support systems since the elderly need more health and support services.

Historically, the elderly are cared for in institutional settings, such as nursing homes. In 2009, California had approximately 1,250 nursing homes, 16 percent of which were not-for-profit.[5] Additionally, approximately 215,000 seniors over the age of 65 resided in skilled nursing facilities in California.

As California's population ages, the need for long-term care will expand. The pattern of long-term care will change as more options become available to address the desires of the State's over 65 population to maintain their highest level of independence for as long as possible.

As the need for long-term care grows and the pattern of long-term care changes, the need for additional primary care facilities, skilled nursing facilities, and acute care facilities will increase. These are opportunities where the Cal-Mortgage Program could benefit the borrowing organization.

Hospital Implementation of Seismic Safety Requirements

The Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 established new seismic standards for hospital construction.

In January 1994, the Northridge earthquake rendered parts of eleven hospitals unfit for occupancy and resulted in $3 billion in damage to healthcare facilities. In its wake, legislation (SB 1953) was passed that put hospitals on a firm schedule for achieving seismic safety requirements.

Facilities deemed to be at greatest risk for collapse, Structural Performance Category 1 (SPC-1) buildings, were required to mitigate the collapse risk by 2008 or face closure. The law further required that all at-risk hospital buildings, including those designated as SPC-2, structures not in danger of collapse but with potentially interrupted operations, comply by 2030 to standards that would ensure continued operation in the event of a major earthquake.

SB 1953 allowed extensions for the 2008 deadline to be granted by OSHPD’s Facilities Development Division (**FDD**). The maximum length of these extensions was originally five years, therefore, extending the deadline to 2013. As the 2013 deadline approaches, additional legislation was passed, and hospitals making significant construction progress will be allowed an additional two years to achieve SPC-2 compliance.

In addition, major strides in earthquake risk engineering have occurred. The Federal Emergency Management Agency developed the Hazards U.S. (HAZUS) technology. FDD uses HAZUS at the owner’s request to re-evaluate SPC-1 buildings. SPC-1 buildings passing HAZUS reassessment are reclassified to a lower risk category and have until 2030 to meet seismic safety requirements.

As seismic safety deadlines approach, a significant amount of hospital construction is expected. The Cal-Mortgage Program is a financial resource to assist hospitals in borrowing funds at lower interest rates to undertake construction or retrofit projects for compliance with seismic safety requirements.

Financial Solvency Challenges

Many healthcare facilities in California continue to confront financial issues. The most significant financial issues occur when reimbursement rates are cut. This is especially true when Medicare and Medi-Cal reimbursement rates are cut because there are few options to challenge the cut. Effective July 2009, some Medi-Cal optional benefits were eliminated. The largest numbers of patients impacted by the cuts used the adult dental services and optometry services. When these benefits were eliminated, many healthcare facilities were negatively impacted because of the lost revenue. In July 2010, the optometry services were reinstated as a covered Medi-Cal benefit. Healthcare facilities must be flexible to adapt so they can offset any reimbursement rate cuts or changes to covered benefits.

Controlling operating expenses is a key factor when dealing with financial challenges. Healthcare facilities must be able to make difficult cost cutting decisions in order to offset any decrease in revenue. Personnel expenses are typically the largest portion of operating expenses. Healthcare facilities must be vigilant in managing personnel expenses so they don't escalate to levels that cannot be supported long-term. In addition to personnel expenses, operating expenses must be controlled so healthcare facilities can remain financially viable.

The Cal-Mortgage Program requires borrowers to have a Debt Service Reserve Fund (DSRF), which is equivalent to approximately one year of principal and interest payments. Borrowers' DSRFs were affected by the economic downturn when the market crashed and, in effect, the market value of DSRFs decreased. Some borrowers were required to make additional payments to replenish their DSRF in order to remain in compliance with the Cal-Mortgage Program's requirements. The additional payments to replenish DSRFs increased borrowers' costs for the year and, in many cases, were not anticipated.

The uninsured individuals who receive services continue to cause financial hardships for healthcare facilities. With no compensation for providing services, healthcare facilities must manage costs efficiently or they may face extreme financial hardships. With escalating expenses, it is challenging to manage operating expenses. With the ACA, the number of uninsured individuals is expected to decrease, which should help alleviate some of the financial hardships for healthcare facilities. Though, in California, there will still be a large number of uninsured individuals, due to their legal status, for whom healthcare facilities will still need to provide services.

The combination of payment constraints and increasing costs has the effect of compressing operating margins and putting pressure on financial liquidity. These financial circumstances present ongoing challenges for the Cal-Mortgage Program. The Cal-Mortgage Program will continue to carefully evaluate applications and to diligently monitor existing insured borrowers.

Governance and Management Critical for Success

Governance and management remain the essential components for successful healthcare facilities. A strong governing board provides strategic direction and general support for the healthcare facility's initiatives in meeting its mission. In addition to their fiduciary responsibility of reviewing financial performance and prudently managing the facility's assets, governing boards must review market conditions of healthcare services, professional staff, physicians, and insurance plans in an organized way. Governing boards are the key in identifying new ways to raise capital and frequently are the cornerstone of successful fundraising efforts.

Good management has an ability to chart a clearly defined course and lead the organization. With numerous financial pressures (changing reimbursement, cost increases, health manpower shortages, economic changes, and new information technology), management must be prepared to develop new strategies.

Healthcare leadership must be creative, flexible, and disciplined to adapt to the quickly changing healthcare marketplace. Together, the governing board and management need to demonstrate a willingness to make tough decisions.

The evaluation of an applicant for loan insurance involves, in general terms, five areas of assessment: capacity, collateral, capital, conditions, and character. The assessment areas of capacity (ability to repay the loan) and collateral (security) have established objective measures for evaluating an applicant and the proposed project. Capital (borrower's investment in the project) and conditions (economic environment) are additional measures used to evaluate an applicant and the proposed project. Character (strong governance and good management) is intangible and requires considered evaluation. While past successes are usually a good indicator, with the constantly changing healthcare environment, it is important that an assessment of character is also done during the application review. The Account Manager, management, and ALIC, collectively assess the borrower for governing board strength and management depth and skill.

Conclusion

Healthcare remains dynamic and challenging. The demand for healthcare services continues to grow. Healthcare facilities and the roles they play in the healthcare delivery system are continually evolving.

To successfully carry out the Cal-Mortgage Program's mission, staff must monitor the changing business environment in which applicants operate in order to prudently approve insurance for those borrowers who provide needed healthcare services and can remain viable and competitive in this dynamic and challenging environment.

In an era with an increasing demand for services coupled with payment constraints, increasing operating costs, and added building and technology requirements, the ability for healthcare facilities to access low cost capital remains an important component in OSHPD's vision of providing "equitable accessibility to quality healthcare."

IV. Changes in the Healthcare Loan Insurance and Financial Markets

Since the previous State Plan, healthcare financing and loan insurance markets were volatile and experienced significant changes.

An economic trend that influences the Cal-Mortgage Program is interest rates. Loan insurance is attractive because it provides credit enhancement to the borrower and, therefore, lowers the interest rate on the bonds. In addition, investors find insured bonds attractive because they are guaranteed payment even if the borrower defaults. In early 2009, the steepening of the interest yield curve and the expansion of bond rates between credit categories made it more economically attractive for loan insurance. Between 2009 and 2011, the interest yield curve was volatile, and then in 2011, the interest yields were dropping. As interest rates dropped, more borrowers looked to refinance their loans to capture the interest rate savings.

The loan insurance market experienced significant changes when many insurers failed after the housing market decline. Insurers expanded their services to cover mortgage-backed securities and when the housing market experienced a significant decline, the large number of defaults left many insurers unable to cover all the claims. The four largest insurers impacted included Ambac, MBIA, FGIC, and Assured Guaranty. The Cal-Mortgage Program insures loans only to California healthcare facilities and, therefore, was not directly impacted by the significant problems in the mortgage-backed securities market. After the financial crisis and the large number of defaults, many insurers' credit ratings were downgraded and they were forced to stop offering new guarantees. In some cases, the insurer filed for bankruptcy or left the bond insurance market completely. The percentage of new municipal bonds that were insured dropped significantly, from 47% in 2007 to 9% in 2009.[6] In 2011, only 5% of new municipal bonds were insured, mainly through Assured Guaranty.[7]

The Cal-Mortgage Program was affected by the financial crisis when the State's credit ratings were downgraded. When the State's credit rating is lowered, interest rates for new Cal-Mortgage insured debt rise. The resulting impact is that a healthcare facility pays a higher interest rate, which makes a proposed project more expensive, and decreases the value of the Cal-Mortgage Program's loan insurance. In February 2009, Standard & Poor's (**S&P**) downgraded the credit rating for the State from "A+" to "A", which correspondingly changed the credit ratings of debt insured by the Cal-Mortgage Program. In January 2010, S&P downgraded the credit rating for the State from "A" to "A-." This was due to the State's worsening financial condition. At the time, the State was experiencing significant budget deficits and cash flow issues.

A trend first mentioned in the 2005 State Plan continues today, with district hospitals using tax initiatives (parcel taxes, sales tax enhancements, and general obligation bonds) to provide a steady source of revenue for capital projects. With these predictable revenue sources, healthcare districts are able to enter into debt financing without loan insurance.

As mentioned in Section I, UnitedHealth Group and Blue Cross invested in healthcare providers by purchasing their bonds. UnitedHealth Group invested $101 million when it purchased the bonds issued on behalf of 15 borrowers whose bond issues were insured by the Cal-Mortgage Program. UnitedHealth Group's special participation allowed these facilities to borrow funds at below market rates. This helped borrowers obtain lower than market interest rates, which reduced the overall cost of borrowing.

In conclusion, there are some general observations to make, some with potential positive and negative impacts for the Cal-Mortgage Program's future:

- Interest rates are low; therefore, more facilities look to refinance or start new projects while capital is cheaper. This interest rate environment has created opportunities for healthcare facilities.
- Loan insurers were impacted when the mortgage-backed securities market collapsed after the housing market declined and insurers were faced with a large number of defaults in which they were unable to cover all the claims. The Cal-Mortgage Program was not directly impacted because it only insures loans for California healthcare facilities.
- When the State's credit rating is downgraded, the Cal-Mortgage Program's insurance is devalued and this may reduce new applications.
- When district hospitals are doing capital projects, tax initiatives are an opportunity for the community to finance the project without loan insurance.
- Investments by UnitedHealth Group and Blue Cross enabled borrowers to obtain lower than market interest rates on their bond issue insured by the Cal-Mortgage Program.

V. Guiding Principles

The Cal-Mortgage Program has the authority to insure up to $3 billion in loans. With an insured portfolio of $1.74 billion as of June 30, 2010, there is an additional capacity of $1.26 billion.

In order to focus the Cal-Mortgage Program on the needs of California's healthcare system, it is administered according to a list of guiding principles. These principles enable potential applicants to assess the consistency of their project goals with current Cal-Mortgage Program policy. They also provide a frame of reference for the Cal-Mortgage Program staff to use when determining which applications to recommend for review by Advisory Loan Insurance Committee and for approval by OSHPD's Director.

The guiding principles are intended to be non-regulatory and flexible, except where specifically required by statute.

Guiding Principles of the Cal-Mortgage Program

- Equitable Accessibility to Care. The primary purpose of the Cal-Mortgage Program is to assist in ensuring that needed healthcare facilities are available to provide equitable accessibility to quality healthcare. The Cal-Mortgage Program seeks to assist facilities when obtaining financing, especially where financing alternatives are limited or nonexistent. The Cal-Mortgage Program believes this is an issue for facilities in medically underserved areas, and for nonprofit or government providers who serve a disproportionate share of publicly sponsored or indigent patients.
- Financial Feasibility. The Cal-Mortgage Program is required by Health and Safety Code § 129005 to operate "without cost to the State." The borrowers must be able to service all of their debt, including their insured loan. When healthcare facilities depend heavily on government programs for reimbursement, applicants should have strong support from the appropriate principal federal, state or local agencies that administer programs supporting services provided by the applicant.
- Community Need. Applicants must provide a description of the community needs that the facility will meet and data to substantiate these needs. The Cal-Mortgage Program evaluates feasibility information to determine if the facility is needed by the community to provide the specified services. Where there is significant competition among multiple providers for the same patient population, such competition can be an indicator that there is adequate service capacity available to the patient population.
- Actuarial Stability. The Cal-Mortgage Program encourages applications from borrowers that have sufficient credit quality and applications for loans that, if approved, would improve the actuarial stability of the Cal-Mortgage Program.
- Diversification of Portfolio. The Cal-Mortgage Program recognizes the need to provide a reasonable balance among all types of healthcare facilities. It is also important to maintain geographic diversity with all regions of the state included in the portfolio.

- Access to Capital. The Cal-Mortgage Program recognizes the particular problems faced by small projects (generally those requiring less than $10 million) and will work pro-actively with applicants, the financial community, and other State agencies to help meet their needs for capital.
- Adequate Collateral. Applicants must provide enough collateral as security to cover the insured loan. Loans insured must be built on land owned by the applicant or on land with a sufficient long-term lease.
- Obligation to Provide Community Service. Under existing law, the Cal-Mortgage Program's insured loans have a community service obligation. To be eligible for insurance, applicants are required to offer reasonable assurances that the services of the healthcare facility will be available to all persons residing or employed in the area served by the facility.
- Cal-Mortgage Program Exposure. The Cal-Mortgage Program should be managed and loan applications should be approved within the context that no one individual loan should be so large that it makes the Cal-Mortgage Program actuarially unsound and potentially jeopardizes the Cal-Mortgage Program's ability to operate without use of the State's General Fund.

Guiding Principles for Applicants and Borrowers

An applicant is expected to make an equity contribution to the project. The applicant's equity should be from operating surpluses or donations. The contributed equity should be in any combination of real property, personal property, or cash.

If an applicant owes debt to a related corporation, the related corporation will be expected to agree that, in the event the borrower defaults on its loan payments insured by the Cal-Mortgage Program, the debt to the related corporation will be forgiven.

Each applicant must certify that board members, officers, employees, or their families will not receive a direct benefit from the proceeds of the loan.

The healthcare facility is expected to be owned and operated by an existing nonprofit organization. A situation where an existing healthcare facility is being sold by a for-profit corporation to a nonprofit organization is generally inconsistent with program eligibility.

The construction phase of the project is expected to be scheduled to begin within an appropriate period of time from the close of the insured loan transaction.

Borrower's activities are expected to be complementary to the program policies of State, Federal, and local governmental agencies.

A borrower is expected to comply with the laws and regulations of the State, Federal, and local governments.

VI. Goals and Objectives: 2011 - 2013

Proposals to Ensure the Cal-Mortgage Program Addresses the Healthcare Needs of Californians

Identify Priority Needs

In previous State Plans, the Cal-Mortgage Program had identified priority needs to provide a framework for staff and Advisory Loan Insurance Committee (**ALIC**) when reviewing new applications. For purposes of this State Plan, the Cal-Mortgage Program has determined that the following types of projects are deemed to have high priority and will be encouraged (for a profile of pending applications, see Exhibit XVIII):

- Projects in medically underserved areas or projects that serve medically underserved populations.
- Projects that involve compliance with hospital seismic safety standards (SB 1953). Projects that provide services to keep people with special needs functioning optimally in a community-based environment and avoiding the need for institutional placement. Special needs populations would include, but are not limited to, the elderly, children, persons with mental or developmental disabilities, and persons in substance abuse therapy.
- Projects that promote access to primary care services.
- Projects that provide innovative solutions to healthcare delivery problems. These may include projects that promote the development of healthcare networks in rural areas, projects that provide integrated services for persons with chronic health conditions, or projects that develop continuums of service.
- Projects that make use of new technologies to improve access to needed care or improve the quality of care.
- Projects that enhance the actuarial stability of the Cal-Mortgage Program, which are especially strong financially and are able to obtain an independent credit rating.
- Projects that reduce risk to the Cal-Mortgage Program's Insurance Fund. This would include projects to refinance debt already insured by the Cal-Mortgage Program in order to substantially reduce interest rates and projects to merge facilities already insured by the Cal-Mortgage Program in order to realize economies of scale or other operating efficiencies.
- Projects that are preparing for ACA through building the infrastructure needed to meet the increased demand due to the newly insured patients.

Work Closely with Investment Bankers and Financial Consultants

The Cal-Mortgage Program will increase its efforts to work closely with investment bankers and financial consultants in order to be responsive to potential borrowers' needs, while maintaining appropriate security for the repayment of the loans.

Prior to 2000, the Cal-Mortgage Program focused on those borrowers that did not have other financing options. The current belief is that the Cal-Mortgage Program can more effectively address the needs of all Californians if the Cal-Mortgage Program also insures loans that improve the actuarial stability of the portfolio.

There are opportunities to implement programmatic changes that are responsive to a wider range of healthcare facilities. Revisions in the insurance premium structure and proposed revisions of covenants may be further refined.

Our goals are to remain the primary loan insurer for essential healthcare facilities.

Changing Healthcare Environment

The Cal-Mortgage Program will continue to work closely with healthcare facilities when addressing the changing healthcare environment. There is constantly new legislation with which healthcare facilities must comply. The Cal-Mortgage Program is interested in how the healthcare facility is addressing the requirements and the impact.

One of the significant changes affecting healthcare will occur when the Affordable Care Act (**ACA**) is implemented. There are many unanswered questions regarding the impact of the ACA and many borrowers have yet to fully understand the impact. As part of the ACA, healthcare facilities will establish an Accountable Care Organization (**ACO**). In addition, the quality of care will be used to determine reimbursement rates, which could impact healthcare facilities financially.

Some other legislation requires the implementation of International Statistical Classification of Diseases and Related Health Problems 10th Revision (**ICD-10**) and electronic health records (**EHR**). ICD-10 codes will be used for medical billing which expands the current ICD-9 significantly to further clarify the specific procedure provided. EHR is intended to offer a way to make patient records electronic so they can be easily stored, accessed, and shared. With EHR, healthcare facilities will need to purchase additional hardware and software to meet this requirement. In addition, staff will need to receive training to use the software and, in some cases, it is expected that this will cause a temporary reduction in efficiency. The new legislation can be costly and more time consuming, which could impact healthcare facilities financially.

The Cal-Mortgage Program will continue to work closely with healthcare facilities to monitor the impact.

Collaborate with Healthcare Associations

The Cal-Mortgage Program continues to work in collaboration with various healthcare associations to identify problems and evaluate options for healthcare facility financing throughout California.

Proposals to Reduce Cal-Mortgage Program Risk

Increase Diversity in the Portfolio's Range of Borrowers' Credit Ratings

Presently, the portfolio consists substantially of non-investment grade, credit-rated borrowers. Overall, increasing the proportion of investment grade borrowers would reduce Cal-Mortgage Program risk, as the risk of default is estimated to be lower for investment grade, credit rated organizations.

- To facilitate this goal, tiered discounts to the one-time, up-front insurance premium were implemented.
- The Cal-Mortgage Program intends to examine the usefulness of creating covenant flexibility within the legal documents to recognize the differences between borrowers' financial strengths.
- The Cal-Mortgage Program intends to consider appropriate financing flexibility for borrowers that have independent credit ratings and that meet additional criteria.

The goal of revising the loan insurance premium schedule, the loan covenants, and the debt financing options is to create a better balance of borrower credit risk within the portfolio and thus reduce the overall insurance risk.

To date, this goal has been successful. Since January 1, 2001, when tiered discounts were instituted, $924.8 million in new loans were insured with investment grade credit rated borrowers. This represents approximately 49 percent of the outstanding principal balance. Since the previous State Plan, three of the 21 new loans were for borrowers with independent credit ratings or credit opinions.

Offer Refinance Incentive

Beginning January 2001, the insurance premium charged for new loans is a one-time, upfront premium amount not to exceed three percent of total principal and interest on the loan, unless the borrower has an independent credit rating or credit opinion. Typically, bonds insured by the Cal-Mortgage Program are structured to be called with no penalties after ten years. If the interest rates have decreased since the original loan was issued, it is in the best interest of the borrower and the Cal-Mortgage Program to refinance the outstanding bonds. This allows the borrower to have lower annual payments due to the decreased interest rates which makes the loan more affordable to the borrower. If the annual payment amount is lower, this is advantageous to the Cal-Mortgage Program because it reduces the risk of default, as well as payment amounts from the Insurance Fund if the borrower defaults.

The Cal-Mortgage Program will be working towards offering a fee incentive to encourage borrowers to refinance their loans. This proposed incentive would provide a discount off the up-front insurance premium, which would lower the issuance costs and make the refinance a viable option.

Strive to Meet Objectives

Over the years, the OSHPD Director, ALIC members, and Cal-Mortgage staff have known that the following objectives reduce the risk to the Cal-Mortgage Program:

- Having no defaults;
- Staying within the administrative budget;
- Having a prudent insurance reserve in order to generate interest earnings and to pay any defaults.

These objectives are what the Cal-Mortgage Program aims to achieve each fiscal year. Due to various factors, these objectives have not always been met each year.

There have been defaults throughout the years. The Cal-Mortgage Program staff works with borrowers who have financial difficulties to try to prevent a default from occurring or to minimize the default. To minimize defaults, the Cal-Mortgage Program staff will make an effort to monitor more diligently, identify problems earlier, and resolve defaults quicker.

The Cal-Mortgage Program has always stayed within its administrative budget, but there have been some years where administrative expenses were higher than normal. Due to the State economy and overall State budget cuts, the Cal-Mortgage Program has worked to decrease its administrative expenses as much as possible.

The Insurance Fund is invested in the Surplus Money Investment Fund (**SMIF**) with the State Treasurer's Office. The SMIF interest earnings on the Insurance Fund have historically covered the administrative expenses of the Cal-Mortgage Program. The average annual investment rate of return on the Insurance Fund declined from 4.325% in the fiscal year ended (**FYE**) 2008 to 0.651% in the FYE 2010. This significantly decreased the interest earned by approximately 84%, from $7.8 million in the FYE 2008 to $1.2 million in the FYE 2010. Due to the reduction in interest rates, the earnings were insufficient to cover the approximate $3.0 million in administrative expenses of the Cal-Mortgage Program in the FYE 2010. When interest earnings do not cover administrative expenses, this negatively affects the reserves in the Insurance Fund.

If these objectives are met, this would result in sufficient reserves in the Insurance Fund and reduce risk to the Cal-Mortgage Program. By striving to reduce risk to the Cal-Mortgage Program, the goal of operating at no cost to the State General Fund can be maintained, as it continues to contribute to the development of the California healthcare infrastructure.

Notes

1. Covered California, “Covered California Fact Sheet,” revision March 2013, http://www.coveredca.com/PDFs/English/Covered_California_About_fact_sheet_English.pdf.

2. “Recovery Act (ARRA): Community Health Centers,” U.S. Department of Health and Human Services, accessed June 3, 2013, http://www.hhs.gov/recovery/hrsa/healthcentergrants.html.

3. “Recovery Act Funding for Community Health Centers in California,” U.S. Department of Health and Human Services, accessed June 3, 2013, http://www.hhs.gov/recovery/programs/hrsa/california.html.

4. Adele Hayutin, “California’s Aging Population: Not Forever Young,” Stanford Center on Longevity, June 4, 2012, http://longevity3.stanford.edu/wp-content/uploads/2012/10/CAs-Aging-Population-Not-Forever-Young-SCL-enews-6-14-12.pdf.

5. “Nursing Home Data Compendium 2012 Edition,” Centers for Medicare & Medicaid Services, accessed June 4, 2013, http://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/CertificationandComplianc/downloads/nursinghomedatacompendium_508.pdf.

6. Alistair Barr, “Bond Insurance Shrinks to Industry of One,” *Market Watch*, November 1, 2010, http://www.marketwatch.com/story/bond-insurance-shrinks-to-industry-of-one-2010-11-01?pagenumber=2.

7. David Veno, “The U.S. Bond Insurance Industry is on a Path to Reemergence, But of a Different Profile,” Standard & Poor’s Ratings Services, July 23, 2012, http://www.standardandpoors.com/ratings/articles/en/us/?articleType=HTML&assetID=1245337430555#ContactInfo.

Exhibit I

Health and Safety Code
Section 129020

The office shall implement the loan insurance program for the construction, improvement, and expansion of public and nonprofit corporation health facilities so that, in conjunction with all other existing facilities, the necessary physical facilities for furnishing adequate health facility services will be available to all the people of the state.

Every odd-numbered year the office shall develop a state plan for use under this chapter. The plan shall include an overview of the changes in the health care industry, an overview of the financial status of the fund and the loan insurance program implemented by the office, a statement of the guiding principles of the loan insurance program, an evaluation of the program's success in meeting its mission as outlined in Section 129005, a discussion of administrative, procedural, or statutory changes that may be needed to improve management of program risks or to ensure the program effectively addresses the health needs of Californians, and the priority needs to be addressed by the loan insurance program.

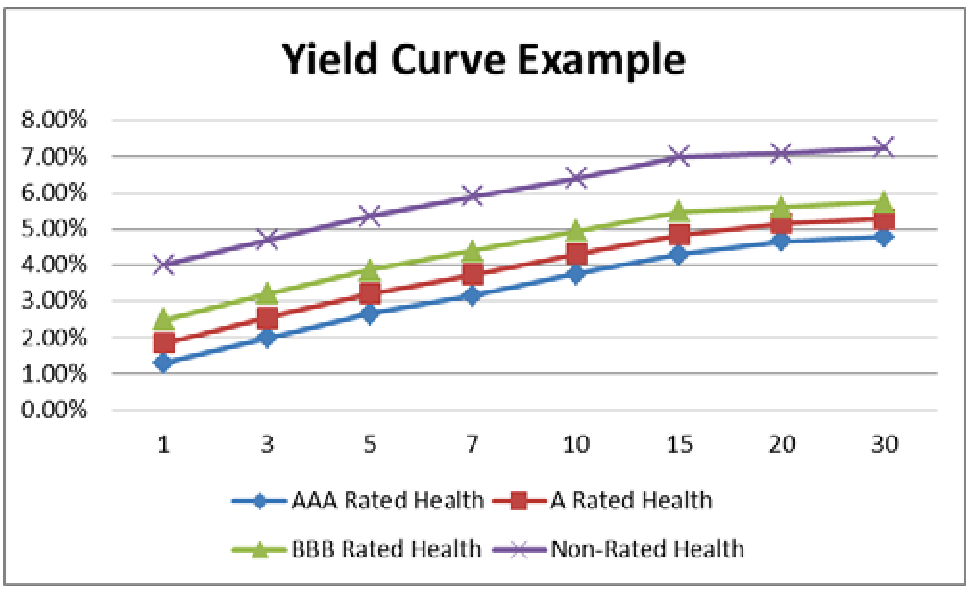
The health facility construction loan insurance program shall provide for health facility distribution throughout the state in a manner that will make all types of health facility services reasonably accessible to all persons in the state according to the state plan.

Exhibit II

What is Loan Insurance?

Loan insurance is, as the term implies, insurance to assure that a loan will be repaid. If a borrower is unable to pay, the insurer (in this case, OSHPD and the State of California) guarantees that the lender (typically bondholders or banks) will be paid. The insurer accepts the repayment risk of the borrower in exchange for a premium.

A borrower receives financial value in having loan insurance. The lender (bondholders, investment bankers, etc.) recognizes this guarantee and loans funds to the borrower at lower interest rates. In the financial markets, a borrower with a stronger credit rating pays lower interest rates. And conversely, a lender demands higher interest rates from a borrower with a weaker credit rating (see Yield Curve Example graph below).



Loan insurance improves the credit rating of the borrower. The credit rating of the insurer is "transferred" to the borrower. The borrower receives the economic benefit of lower interest costs which offset the loan insurance premium (see comparison below). Financial consultants and investment bankers advise the borrower of this trade-off and calculate the cost-benefit relationship.

Comparision of Examples of Debt Without and With Loan Insurance		
	Without	With
Amount	$10,000,000	$10,600,000
Term	30 years	30 years
Credit Rating	Unrated	A
Interest Rate	7%	6%
Monthly Payment	$67,155	$64,173

Just as borrowers with better credit ratings can borrow at lower interest rates, an insurer with a stronger credit rating (for example AAA or AA) will be able to better assist a borrower with lower interest rates versus an insurer with a lower credit rating.

What is "Wrap" Loan Insurance and How Was It Used?

Because the State of California backs the loan insurance guarantee, the State's credit rating is used when determining the interest rate for insured loans.

When the State's (and the Cal-Mortgage Program's) credit rating was downgraded in July 2003 from "A" to "BBB," interest rates increased for applicants and borrowers on new loans (refer to the Yield Curve Example graph on the previous page for an example). Some borrowers and financial consultants found a mechanism to augment the Cal-Mortgage Program's loan insurance by purchasing commercial "wrap" loan insurance. This loan insurance wraps around the Cal-Mortgage Program (and the State) and guarantees that this Cal-Mortgage Program's funds (or the State's) would, if necessary, pay the lenders. Following the economic exchange described above, these commercial loan insurance companies had very strong credit ratings ("AAA" or "AA"), which allowed the borrowers to borrow at even lower interest rates and more than offset the additional "wrap" insurance premium cost.

Exhibit III

Loans Insured Since the 2009 State Plan

(Sorted by Date Loan Closed)

Total Loans Insured During FY 2008-2009

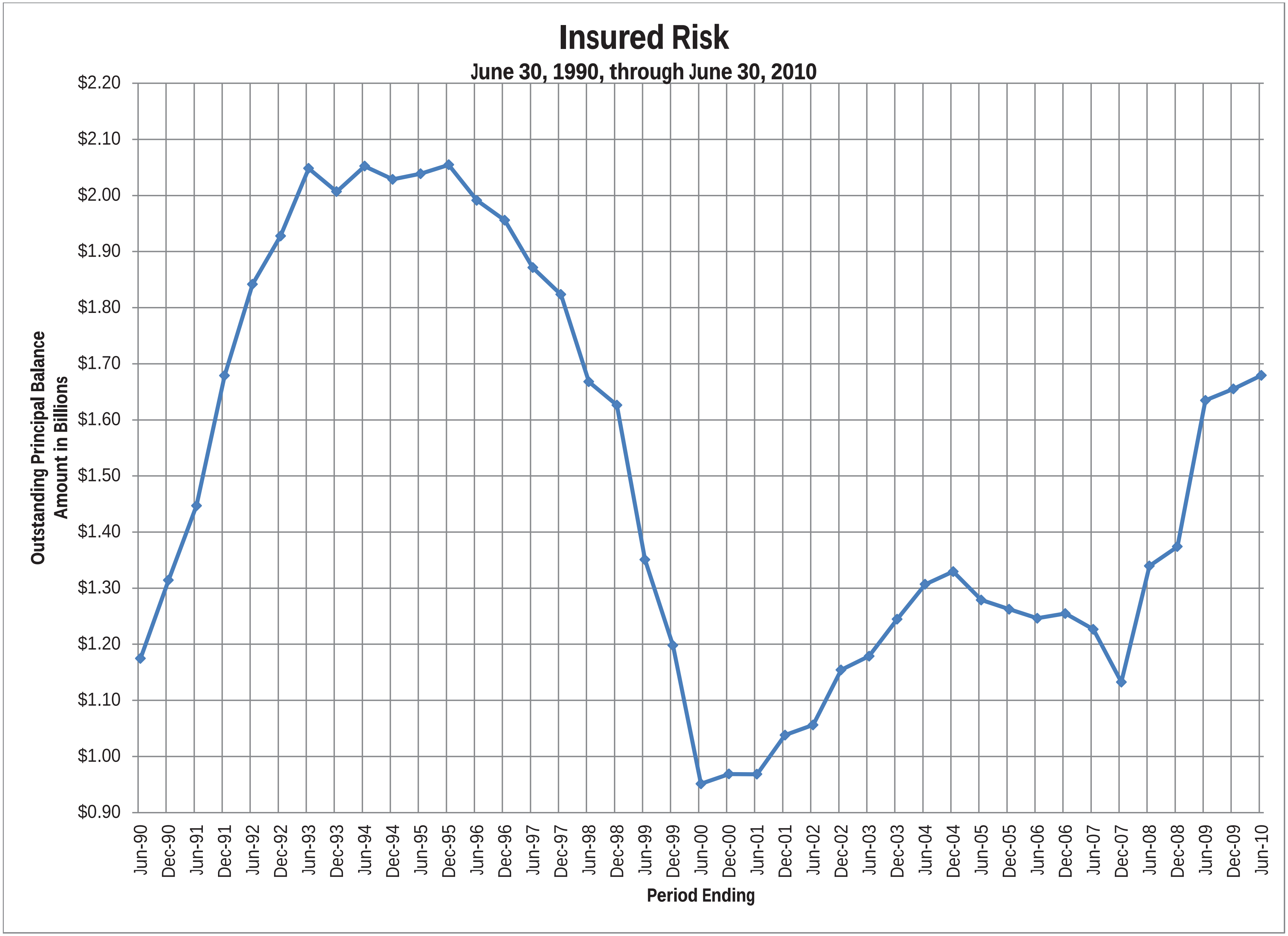
Borrower Name	Facility City	Facility Type	Loan Closed	Loan Amount
Enloe Medical Center	Chico	HOSP	08/21/2008	$ 68,915,000
Enloe Medical Center	Chico	HOSP	08/21/2008	166,680,000
Institute on Aging	San Francisco	MULTI-OTH	08/28/2008	41,405,000
Oroville Hospital - LOC	Oroville	HOSP	09/04/2008	2,500,000
La Maestra Family Clinic, Inc.	San Diego	CLINIC-PC	09/04/2008	18,500,000
Los Angeles Jewish Home for the Aging - LOC	Reseda	MULTI-OTH	01/20/2009	4,900,000
North County Serenity House - LOC	Escondido	CDRF	03/20/2009	300,000
St. Rose Hospital	Hayward	HOSP	05/28/2009	42,100,000
St. Rose Hospital - LOC	Hayward	HOSP	05/28/2009	7,500,000
Lompoc District Hospital	Lompoc	HOSP-DIST	05/29/2009	4,060,000
		Subtotal	**10**	**$ 356,860,000**

Total Loans Insured During FY 2009-2010

Borrower Name	Facility City	Facility Type	Loan Closed	Loan Amount
Pilgrim Place	Claremont	MULTI-OTH	08/19/2009	$ 26,500,000
Mendocino Coast Hospital	Fort Bragg	HOSP-DIST	10/14/2009	5,000,000
Asian Health Services	Oakland	CLINIC-PC	10/21/2009	4,005,000
The HELP Group	Sherman Oaks	CLINIC-MH	11/19/2009	5,395,000
Children's Institute International	Los Angeles	GH-MD	12/03/2009	14,300,000
Casa de las Campanas	San Diego	MULTI-CCRC	01/28/2010	54,310,000
Southwest Community Health Center	Santa Rosa	CLINIC-PC	02/28/2010	13,270,000
Mendocino Coast Hospital - LOC	Fort Bragg	HOSP-DIST	03/01/2010	1,000,000
Salud Para la Gente	Watsonville	CLINIC-PC	03/17/2010	3,350,000
Valley Community Clinic	North Hollywood	CLINIC-PC	03/24/2010	2,040,000
Petaluma Health Center	Petaluma	CLINIC-PC	06/02/2010	5,865,000
		Subtotal	**11**	**$ 135,035,000**

Loans Insured Since the 2009 State Plan	**Total**	**21**	**$ 491,895,000**

Exhibit IV


Insured Risk
June 30, 1990, through June 30, 2010
Outstanding Principal Balance
Amount in Billions
$2.20
$2.10
$2.00
$1.90
$1.80
$1.70
$1.60
$1.50
$1.40
$1.30
$1.20
$1.10
$1.00
$0.90
Jun-90
Dec-90
Jun-91
Dec-91
Jun-92
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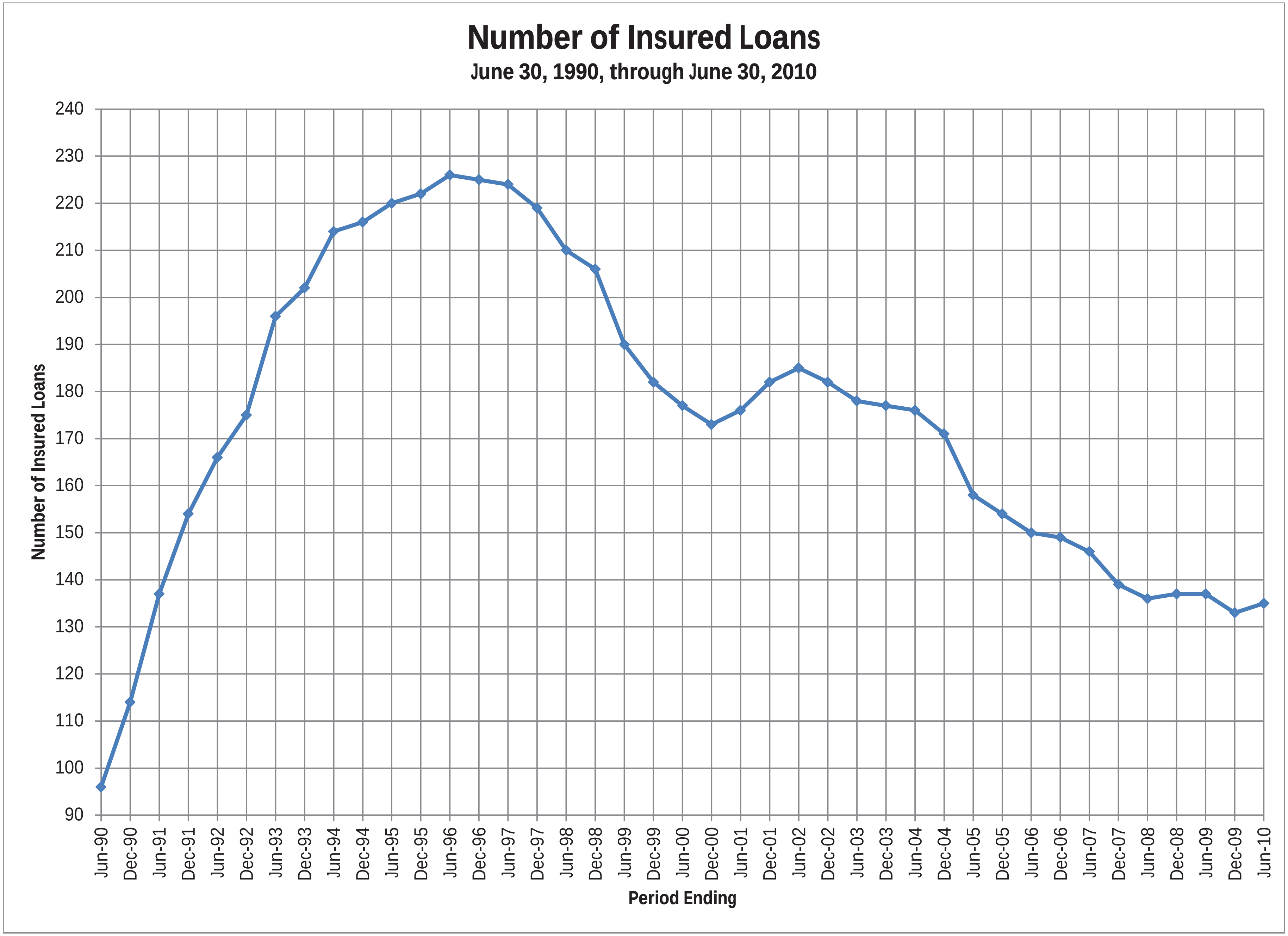
Dec-09
Jun-10
Period Ending

Exhibit V



Number of Insured Loans
June 30, 1990, through June 30, 2010
Number of Insured Loans
240
230
220
210
200
190
180
170
160
150
140
130
120
110
100
90
Jun-90
Dec-90
Jun-91
Dec-91
Jun-92
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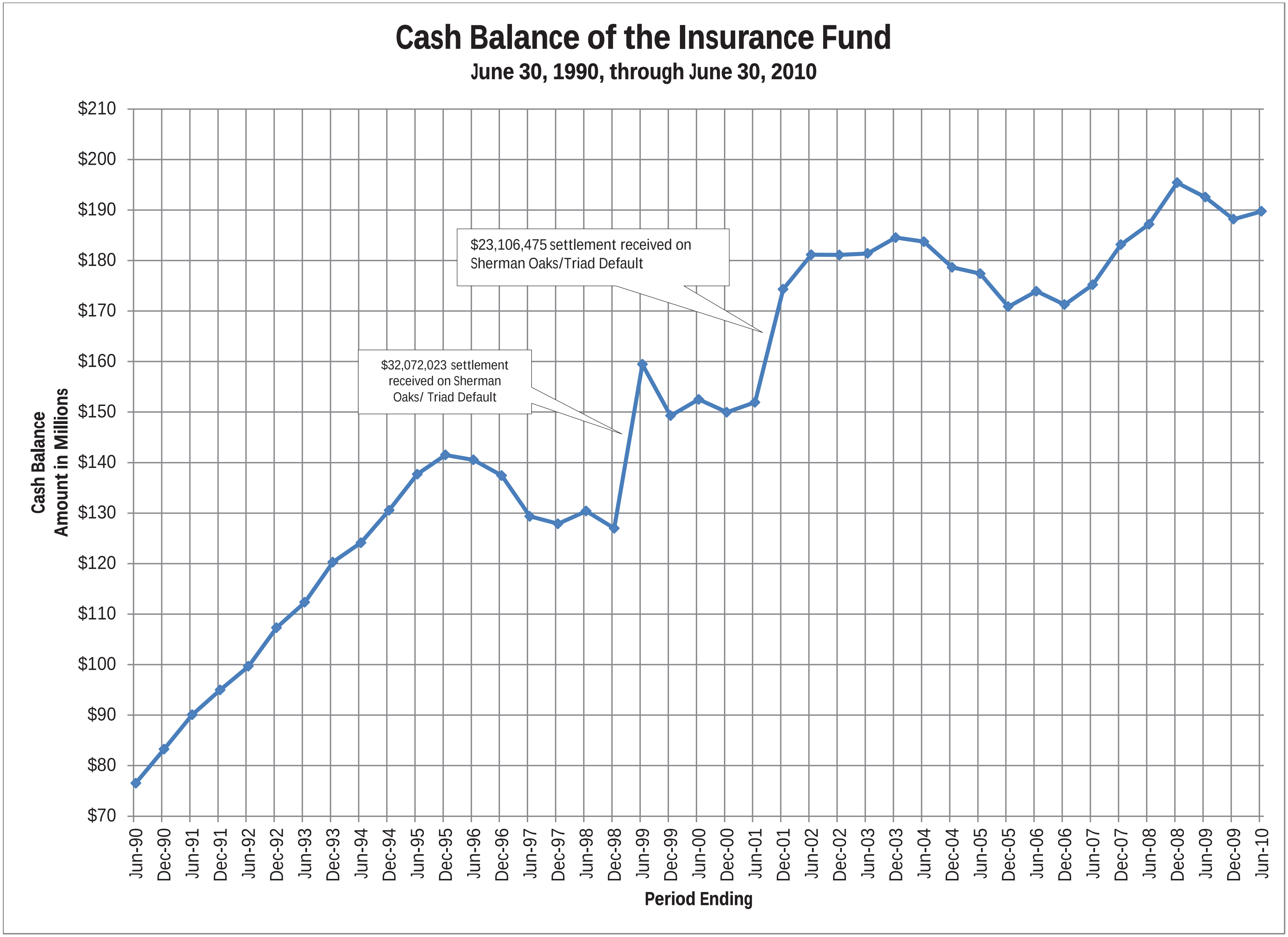
Jun-10
Period Ending

Exhibit VI



Cash Balance of the Insurance Fund
June 30, 1990, through June 30, 2010
$23,106,475 settlement received on Sherman Oaks/Triad Default
$32,072,023 settlement received on Sherman Oaks/ Triad Default
$210
$200
$190
$180
$170
$160
$150
$140
$130
$120
$110
$100
$90
$80
$70
Cash Balance Amount in Millions
Jun-90
Dec-90
Jun-91
Dec-91
Jun-92
Dec-92
Jun-93
Dec-93
Jun-94
Dec-94
Jun-95
Dec-95
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Dec-09
Jun-10
Period Ending

Exhibit VII

Insured Loans by Borrower

(sorted by Borrower Name)

As of June 30, 2010

Borrower Name	Facility City	Facility Type	Risk Rating	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Advent Group Ministries	San Jose	GH-MD	C	01/27/2005	$ 400,000	$ 290,150
AIDS Healthcare Foundation	Los Angeles	HOSPICE	A	07/21/2005	7,250,000	5,610,000
Aldersly	San Rafael	MULTI-CCRC	A	09/26/2002	7,125,000	6,130,000
Aldersly	San Rafael	MULTI-CCRC	A	07/19/2004	1,200,000	903,468
Altamed Health Services	Commerce	CLINIC-PC	A	04/28/2000	5,250,000	3,660,000
Apple Valley Christian Centers	Apple Valley	SNF	D	05/24/2001	9,525,000	7,485,000
Apple Valley Christian Centers	Apple Valley	SNF	D	06/16/2003	350,000	64,250
Ararat Home of Los Angeles	Mission Hills	MULTI-OTH	A	04/29/1998	6,460,000	3,980,000
Asian Community Skilled Nursing Facility	Sacramento	SNF	A	04/12/2005	2,070,000	1,155,000
Asian Community Skilled Nursing Facility	Sacramento	SNF	A	10/03/2007	19,405,000	19,050,000
Asian Health Services	Oakland	CLINIC-PC	C	10/21/2009	4,005,000	4,005,000
Beacon House	San Pedro	CDRF	B	12/08/1993	2,280,000	1,540,000
Becoming Independent	Santa Rosa	ADC-DD	A	02/29/1996	1,665,000	1,000,000
Becoming Independent	Santa Rosa	ADC-DD	A	01/21/2004	5,000,000	4,375,000
California Autism Foundation	Richmond	GH-DD/MD	B	04/12/2005	3,950,000	2,965,000
California Nevada Methodist Homes	Oakland	MULTI-CCRC	B	05/03/2006	42,280,000	42,280,000
CARES	Sacramento	CLINIC-AIDS	A	04/30/1998	3,330,000	2,260,000
Casa de Las Campanas	San Diego	MULTI-CCRC	A	01/28/2010	54,310,000	54,310,000
Catholic Healthcare West	San Francisco	MULTI-OTH	A	03/17/1993	9,360,000	4,685,000
Children's Institute International	Los Angeles	GH-MD	A	02/27/1992	5,635,000	3,745,000
Children's Institute International	Los Angeles	GH-MD	A	12/03/2009	14,300,000	14,300,000
Clare Foundation	Santa Monica	CDRF	A	04/29/2003	1,750,000	1,295,000
Clinicas de Salud del Pueblo	Brawley	CLINIC-PC	A	03/11/2008	3,925,000	3,740,000
Clinicas del Camino Real	Ventura	CLINIC-PC	A	04/12/2005	9,440,000	7,690,000
Community Church Retirement Center	Mill Valley	MULTI-OTH	A	03/11/1997	6,115,000	3,775,000
Community Health Centers of the Central Coast	Nipomo	CLINIC-PC	B	07/17/1990	770,000	445,000
Community Health Systems	Moreno Valley	CLINIC-PC	C	08/30/2000	1,295,000	1,020,000
Community Medical Center	Stockton	CLINIC-PC	A	04/12/2005	3,220,000	2,600,000
Corcoran District Hospital	Corcoran	HOSP-DIST	B	07/23/1992	1,555,000	385,000
Corcoran District Hospital - LOC	Corcoran	HOSP-DIST	B	08/01/2001	800,000	558,490
Del Norte Clinics	Yuba City	CLINIC-PC	B	04/28/2000	1,105,000	750,000
Del Norte Clinics	Yuba City	CLINIC-PC	B	12/23/2003	8,795,000	7,370,000
Desarrollo Familiar	Richmond	CLINIC-MH	B	12/23/1986	150,000	70,000
Desert AIDS Project	Palm Springs	CLINIC-AIDS	A	04/26/2001	3,570,000	2,725,000
Drug Abuse Alternatives Center	Santa Rosa	CDRF	B	11/18/1993	1,825,000	1,195,000
El Centro Regional Medical Center	El Centro	HOSP	A	04/26/2001	39,300,000	31,550,000
Elder Care Alliance of Union City	Union City	MULTI-OTH	C	06/08/2004	15,685,000	15,110,000
Enloe Medical Center	Chico	HOSP	A	08/21/2008	68,915,000	65,730,000
Enloe Medical Center	Chico	HOSP	A	08/21/2008	166,680,000	166,680,000
Exceptional Children's Foundation	Culver City	GH-DD/MD	B	09/27/1995	2,990,000	1,735,000
Families First	Campbell	CLINIC-MH	A	03/11/1997	7,025,000	4,065,000
Families First	Campbell	GH-DD/MD	A	03/15/2000	17,600,000	11,480,000
Family Health Care Network	Porterville	CLINIC-PC	A	04/15/2008	7,910,000	7,545,000
Feedback Foundation/Senior Services	Anaheim	ADHC	A	12/01/1992	2,140,000	1,420,000
Fellowship Homes	Modesto	MULTI-OTH	A	08/27/1996	6,065,000	3,570,000
Front Porch Communities and Services	Burbank	MULTI-CCRC	A	09/17/1997	4,430,000	2,395,000
Front Porch Communities and Services	Burbank	MULTI-CCRC	A	02/25/1999	5,685,000	4,090,000
Golden Valley Health Centers	Merced	CLINIC-PC	A	01/28/1994	3,785,000	2,095,000
Henrietta Weill Memorial	Bakersfield	CLINIC-MH	C	10/14/1992	1,445,000	425,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	A	02/21/2001	54,895,000	46,970,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	A	08/01/2007	45,000,000	45,000,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	A	08/01/2007	30,000,000	30,000,000
Hill Country Community Clinic	Round Mountair	CLINIC-PC	B	10/30/2007	5,250,000	5,140,000
Home for Jewish Parents	Danville	MULTI-OTH	B	07/09/1997	12,555,000	8,350,000
HOPE Services	San Jose	ADC-DD	B	06/11/2002	5,845,000	4,055,000
Institute on Aging	San Francisco	MULTI-OTH	A	08/28/2008	41,405,000	41,380,000
Keiro Nursing Home	Los Angeles	SNF	A	09/29/2004	8,665,000	5,715,000
Kern Valley Healthcare District - LOC	Mountain Mesa	HOSP-DIST	D	05/30/1999	1,500,000	833,133
Kern Valley Healthcare District	Mountain Mesa	HOSP-DIST	D	09/26/2003	17,770,000	13,605,000
Kinship Center	Salinas	CLINIC: MULTI	A	03/14/2006	2,910,000	2,610,000
La Maestra Family Clinic	San Diego	CLINIC-PC	A	09/04/2008	18,500,000	18,500,000

Borrower Name	Facility City	Facility Type	Risk Rating	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Lifelong Medical Care	Berkeley	CLINIC-PC	B	12/14/1998	2,970,000	2,175,000
Lincoln Child Center	Oakland	GH-MD	B	11/23/1999	2,900,000	2,140,000
Lincoln Glen Manor for Senior Citizens	San Jose	MULTI-OTH	A	03/09/2000	7,500,000	5,825,000
Lodi Memorial Hospital Association	Lodi	HOSP	A	10/26/2000	12,570,000	1,530,000
Lodi Memorial Hospital Association	Lodi	HOSP	A	12/13/2007	150,000,000	150,000,000
Lompoc District Hospital	Lompoc	HOSP-DIST	A	09/23/1998	6,375,000	2,835,000
Lompoc District Hospital	Lompoc	HOSP-DIST	A	05/29/2009	4,060,000	4,060,000
Los Angeles Centers for Alcohol & Drug Abuse	Santa Fe Springs	CDRF	B	05/30/2007	2,795,000	2,510,000
Los Angeles Jewish Home for the Aging	Reseda	MULTI-OTH	B	12/17/2003	80,000,000	74,930,000
Los Angeles Jewish Home for the Aging	Reseda	MULTI-OTH	B	02/14/2008	59,595,000	59,595,000
Los Angeles Jewish Home for the Aging - LOC	Reseda	MULTI-OTH	B	01/20/2009	4,900,000	-
Lytton Gardens	Palo Alto	SNF	B	12/09/1999	16,355,000	13,820,000
Marshall Medical Center	Placerville	HOSP	A	10/06/1993	19,975,000	6,270,000
Marshall Medical Center	Placerville	HOSP	A	05/13/1998	28,030,000	18,870,000
Marshall Medical Center	Placerville	HOSP	A	03/25/2004	30,000,000	29,700,000
Marshall Medical Center	Placerville	HOSP	A	03/25/2004	20,000,000	20,000,000
Mayers Memorial Hospital District	Fall River Mills	HOSP-DIST	C	03/28/2007	6,005,000	4,330,000
Mayers Memorial Hospital District	Fall River Mills	HOSP-DIST	C	07/12/2007	1,000,000	1,000,000
Mendocino Coast Health Care District	Fort Bragg	HOSP-DIST	B	08/28/1996	4,030,000	2,330,000
Mendocino Coast Health Care District	Fort Bragg	HOSP-DIST	B	10/14/2009	5,000,000	5,000,000
Mendocino Coast Health Care District - LOC	Fort Bragg	HOSP-DIST	B	03/01/2010	1,000,000	-
Momentum for Mental Health	San Jose	GH-MD	B	11/13/2003	10,500,000	7,825,000
Mountain Valley	Bieber	CLINIC-PC	C	10/28/1992	1,000,000	670,000
Mountain Valley	Bieber	CLINIC-PC	C	03/24/1993	900,000	575,000
Native American Health Center	Oakland	CLINIC-PC	A	06/07/2007	7,829,359	7,829,359
North County Health Services	San Marcos	CLINIC-PC	B	03/14/1996	5,500,000	3,455,000
North County Serenity House	Escondido	CDRF	B	01/28/2003	5,795,000	4,745,000
North County Serenity House - LOC	Escondido	CDRF	B	03/20/2009	300,000	-
Northern California Retired Officers Community	Fairfield	MULTI-CCRC	A	12/19/2002	49,755,000	39,805,000
Northern California Retired Officers Community	Fairfield	MULTI-CCRC	A	12/20/2005	16,125,000	11,325,000
Odd Fellows Home of California	Saratoga	MULTI-OTH	A	10/06/1993	18,995,000	12,995,000
Odd Fellows Home of California	Saratoga	MULTI-CCRC	A	10/14/1999	34,500,000	27,040,000
Odd Fellows Home of California	Saratoga	MULTI-CCRC	A	01/07/2003	80,000,000	73,795,000
Options Family of Services	Morro Bay	GH-DD/MD	B	05/30/2007	3,090,000	2,880,000
Oroville Hospital	Oroville	HOSP	C	10/15/1997	27,670,000	14,650,000
Oroville Hospital - LOC	Oroville	HOSP	C	09/04/2008	2,500,000	-
Petaluma Health Center	Petaluma	CLINIC-PC	A	06/02/2010	5,865,000	5,865,000
Pilgrim Place in Claremont	Claremont	MULTI-CCRC	A	08/19/2009	26,500,000	26,500,000
Principles	Pasadena	CDRF	A	04/29/2003	2,040,000	1,510,000
Prototypes	Culver City	CDRF	B	06/27/2001	4,195,000	2,690,000
Redwoods Rural Health Center	Redway	CLINIC-PC	A	03/13/1990	1,250,000	735,000
Retirement Housing Foundation	Long Beach	MULTI-OTH	B	12/28/2000	19,375,000	15,515,000
Salud Para la Gente	Watsonville	CLINIC-PC	A	03/17/2010	3,350,000	3,350,000
San Fernando Community Hospital - Mission Community	Panorama City	HOSP	C	12/11/2001	35,445,000	28,835,000
San Fernando Valley Community Mental Health Center	Van Nuys	ADHC	A	06/26/1998	3,700,000	2,515,000
Sansum Clinic	Santa Barbara	CLINIC: MULTI	A	05/01/2002	32,600,000	25,730,000
Scott Street Senior Housing Complex	San Francisco	MULTI-OTH	A	06/18/1998	37,770,000	26,960,000
Sierra View Homes	Reedley	MULTI-OTH	A	12/18/1996	4,425,000	2,705,000
Social Model Recovery Systems	Covina	CDRF	C	06/27/2001	1,890,000	1,435,000
Social Model Recovery Systems	Covina	CDRF	C	04/12/2005	955,000	740,000
Social Science Services	Bloomington	CDRF	B	04/28/2000	1,970,000	1,245,000
Solheim Lutheran Home	Los Angeles	MULTI-CCRC	A	12/02/2004	6,415,000	4,210,000
Solvang Lutheran Home	Solvang	MULTI-CCRC	A	08/27/1996	5,210,000	2,860,000
South Bay Alcoholism Services	Torrance	CDRF	C	03/24/1993	1,290,000	830,000
Southern California Development - VOA	San Diego	GH-MD	B	01/11/1996	3,500,000	1,495,000
Southern California Alcohol & Drug Program	Downey	CDRF	B	12/18/1997	4,095,000	2,800,000
Southern California Alcohol & Drug Program	Downey	CDRF	B	05/30/2001	1,780,000	1,360,000
Southern California Alcohol & Drug Program	Downey	CDRF	B	04/12/2005	1,885,000	1,520,000
Southwest Community Health Center	Santa Rosa	CLINIC-PC	A	02/28/2010	13,270,000	13,270,000
St. Rose Hospital	Hayward	HOSP	B	05/28/2009	42,100,000	42,000,000
St. Rose Hospital - LOC	Hayward	HOSP	B	05/28/2009	7,500,000	3,000,000
TLC Child & Family Services	Sebastopol	GH-DD/MD	A	09/17/1997	1,700,000	1,140,000
TLC Child & Family Services	Sebastopol	GH-DD/MD	A	10/17/2000	2,400,000	1,885,000
Tarzana Treatment Center	Tarzana	CDRF	A	12/09/1998	1,950,000	1,390,000

Borrower Name	Facility City	Facility Type	Risk Rating	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
The Episcopal Home Communities	Alhambra	MULTI-CCRC	A	02/26/2002	90,000,000	79,110,000
The HELP Group	Sherman Oaks	CLINIC-MH	A	05/22/1998	17,275,000	11,790,000
The HELP Group	Sherman Oaks	CLINIC-MH	A	05/25/2000	17,620,000	14,035,000
The HELP Group	Sherman Oaks	CLINIC-MH	A	11/19/2009	5,395,000	5,395,000
United Health Center of the San Joaquin Valley	Parlier	CLINIC-PC	B	04/28/2000	950,000	645,000
Valley Community Clinic	Hollywood	CLINIC-PC	B	03/24/2010	2,040,000	2,040,000
Valley Health Team	San Joaquin	CLINIC-PC	A	03/11/2008	2,325,000	2,250,000
Verdugo Mental Health	Glendale	CLINIC-MH	E	04/12/2005	1,025,000	810,000
Verdugo Mental Health	Glendale	CLINIC-MH	E	03/07/2007	5,505,000	5,220,000
Victor Valley Community Hospital	Victorville	HOSP	C	05/26/2000	8,470,000	2,620,000
Victor Valley Community Hospital	Victorville	HOSP	C	07/30/2007	4,900,000	4,458,782
Walden House	San Francisco	CDRF	C	12/30/2004	7,475,000	5,715,000
Walden House - LOC	San Francisco	CDRF	C	06/01/2008	4,500,000	3,350,000
West Oakland Health Council	Oakland	CLINIC-PC	B	07/21/2003	2,225,000	1,570,000
Total Insured Projects	**139**				**$ 2,017,064,359**	**$ 1,735,067,632**

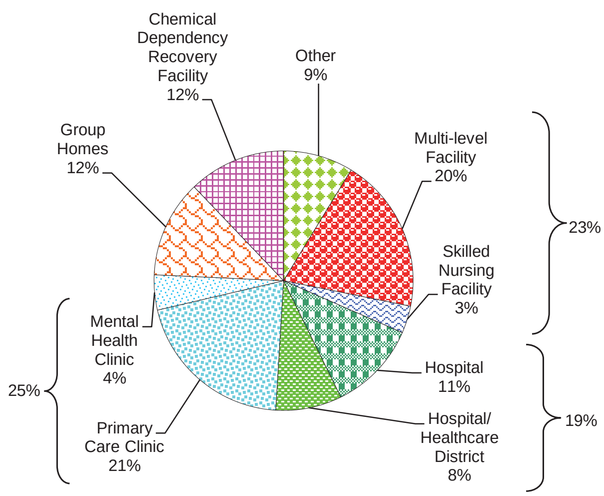
Facility Type		Facility Type		Risk Ratings
ADC-DD	Adult Day Care: Developmentally Disabled	GH-MD	Group Home: Mentally Disabled or Emotionally Disabled	A - no problems
ADHC	Adult Day Health Care	HOSP	Hospital: General Acute Care	B - minor problems
CDRF	Chemical Dependency Recovery Facility	HOSP-DIST	Hospital: District	C - moderate problems
CLINIC:MULTI	Clinic: Multi-Specialty and Diagnostic Services	HOSP-PSYCH	Hospital: Psychiatric	D - serious problems, missed payments
CLINIC-AIDS	Clinic: AIDS	HOSPICE	Hospice	E - default anticipated,
CLINIC-MH	Clinic: Mental Health	MULTI-CCRC	Multi-Level: Continuing Care Retirement Community	partial Debt Service Reserve Fund
CLINIC-PC	Clinic: Primary Care	MULTI-OTH	Multi-Level: Other (Month-to-Month)	F - defaulted; HFCLIF funds being used
GH-DD	Group Home: Developmentally Disabled	SNF	Skilled Nursing Facility	
GH-DD/MD	Group Home: Developmentally Disabled and Mentally Disabled or Emotionally Disabled			

Exhibit VIII

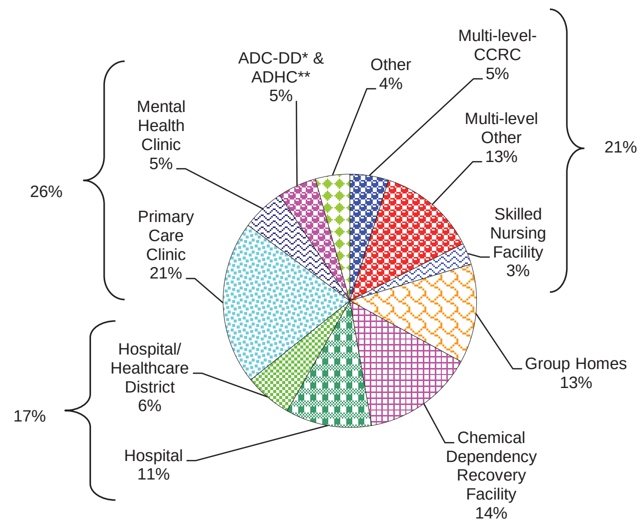
Portfolio by Type of Facility, Based on Number of Loans

(as of June 30, 2010)

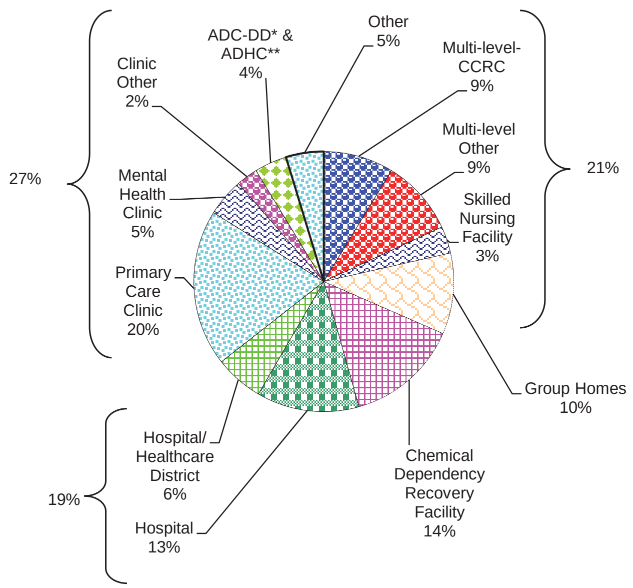
June 1998
Total Number of Insured
Loans: 206



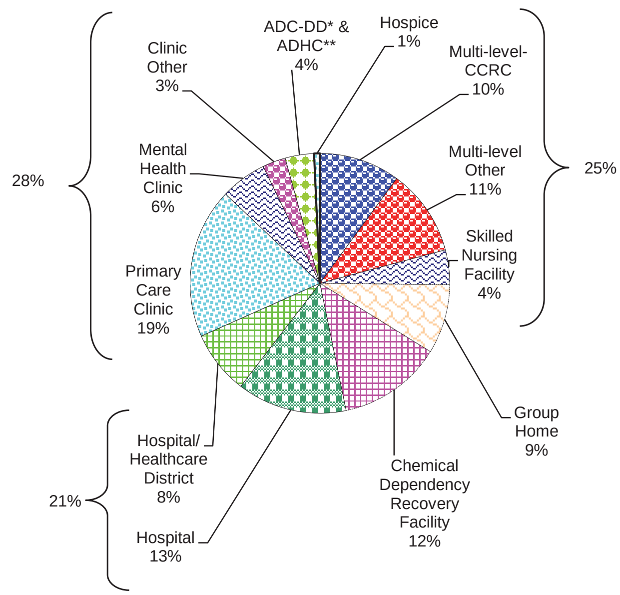
June 2002
Total Number of Insured
Loans: 182



June 2006
Total Number of Insured
Loans: 146



June 2010
Total Number of Insured
Loans: 139

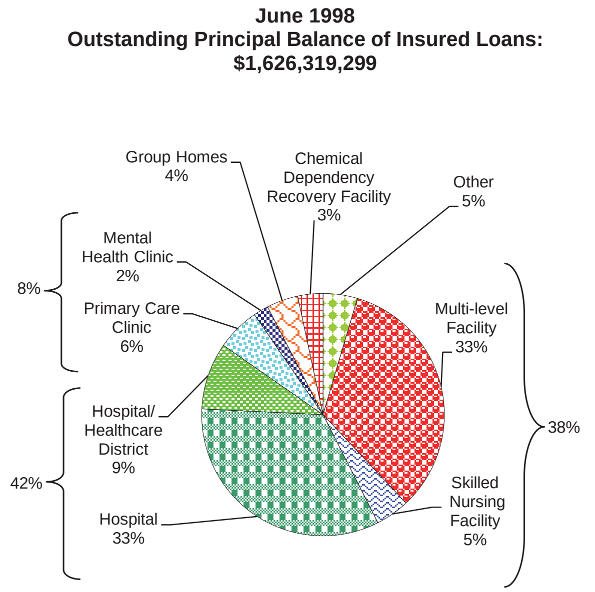


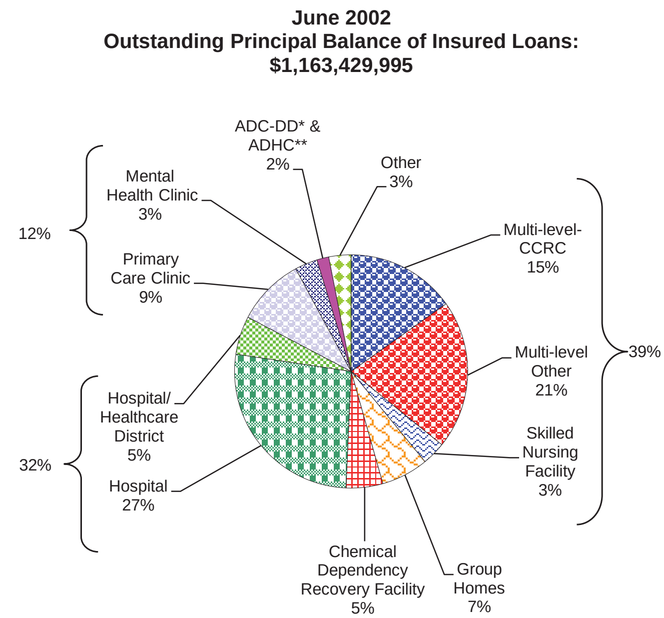
* ADC-DD - Adult Day Care-Developmentally Disabled
** ADHC - Adult Day Health Care

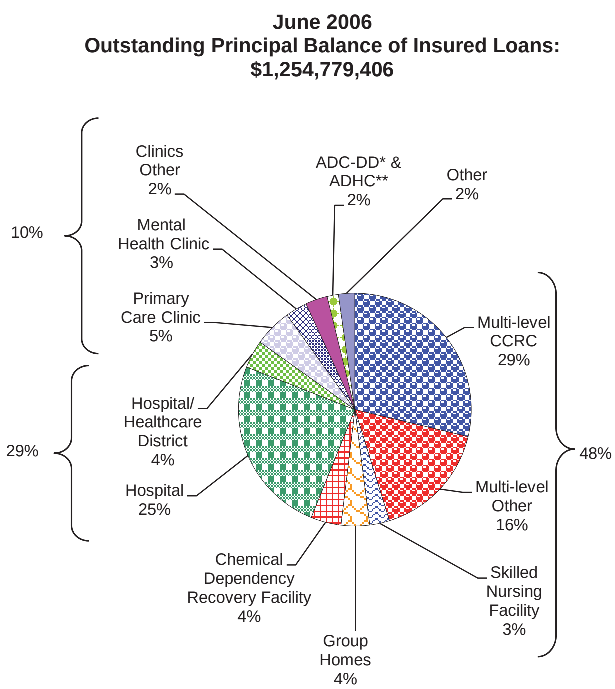
Exhibit IX

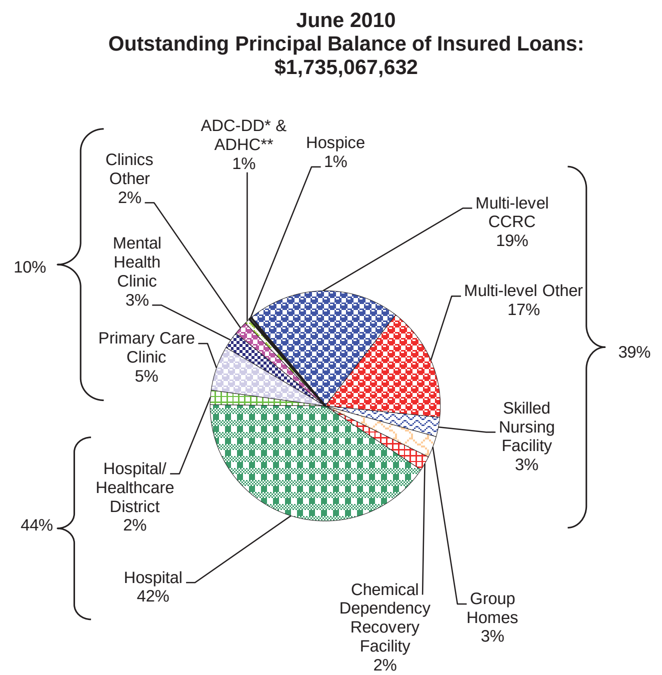
Portfolio by Type of Facility, Based on Outstanding Principal Balance

(as of June 30, 2010)









* ADC-DD - Adult Day Care-Developmentally Disabled
** ADHC - Adult Day Health Care

Exhibit X

Insured Risk by Facility Type

as of June 30, 2010

Type of Facility	Number of Loans	Outstanding Principal Balance	Percentage of Portfolio
Hospital	30	742,800,405	42.81%
Primary Care Clinic	26	108,989,359	6.28%
Multi-Level[1]	29	654,128,468	37.70%
Skilled Nursing Facility[2]	6	47,289,250	2.73%
Chemical Dependency Recovery Facility[3]	18	35,870,000	2.07%
Group Home[4]	12	51,880,150	2.99%
Other[5]	18	94,110,000	5.42%
Total	**139**	**$ 1,735,067,632**	**100%**

Footnotes:

1 Multi-Level includes multi-level facilities with residential units for the elderly, coupled with a skilled nursing facility, an intermediate care facility, or a general acute care hospital.

2 Skilled Nursing Facility or Intermediate Care Facility. Some skilled nursing facilities may be part of multi-level facility, but OSHPD is only asked to insure the skilled nursing facility portion.

3 Chemical Dependency Recovery Facility includes adult drug abuse treatment facilities, alcohol recovery facilities, alcohol free living centers, and substance abuse recovery facilities.

4 Group Home includes community-based group homes for the developmentally disabled, mentally disabled or the emotionally disturbed (provides residential care).

5 Other includes adult day care for the developmentally disabled, adult day health care, blood banks, birthing centers, AIDS clinics, dialysis clinics, mental health clinics, community mental health clinics, hospices, and intermediate care facilities for the developmentally disabled.

Exhibit XI

Insured Loans by Facility Type

As of June 30, 2010

Borrower Name	Facility City	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Becoming Independent	Santa Rosa	02/29/1996	$ 1,665,000	$ 1,000,000
Becoming Independent	Santa Rosa	01/21/2004	5,000,000	4,375,000
HOPE Services	San Jose	06/11/2002	5,845,000	4,055,000
Total Adult Day Care: Developmentally Disabled	3		$ 12,510,000	$ 9,430,000
Feedback Foundation/Senior Services	Anaheim	12/01/1992	$ 2,140,000	$ 1,420,000
San Fernando Valley Community Mental Health Center	Van Nuys	06/26/1998	3,700,000	2,515,000
Total Adult Day Health Care	2		$ 5,840,000	$ 3,935,000
Beacon House	San Pedro	12/08/1993	$ 2,280,000	$ 1,540,000
Clare Foundation	Santa Monica	04/29/2003	1,750,000	1,295,000
Drug Abuse Alternatives Center	Santa Rosa	11/18/1993	1,825,000	1,195,000
Los Angeles Centers for Alcohol & Drug Abuse	Santa Fe Springs	05/30/2007	2,795,000	2,510,000
North County Serenity House	Escondido	01/28/2003	5,795,000	4,745,000
North County Serenity House - LOC	Escondido	03/20/2009	300,000	-
Principles	Pasadena	04/29/2003	2,040,000	1,510,000
Prototypes	Pomona	06/27/2001	4,195,000	2,690,000
Social Model Recovery Systems	Covina	06/27/2001	1,890,000	1,435,000
Social Model Recovery Systems	Orange	04/12/2005	955,000	740,000
Social Science Services	Bloomington	04/28/2000	1,970,000	1,245,000
South Bay Alcoholism Services	Long Beach	03/24/1993	1,290,000	830,000
Southern California Alcohol & Drug Program	Downey	12/18/1997	4,095,000	2,800,000
Southern California Alcohol & Drug Program	Downey	05/30/2001	1,780,000	1,360,000
Southern California Alcohol & Drug Program	Downey	04/12/2005	1,885,000	1,520,000
Tarzana Treatment Center	Long Beach	12/09/1998	1,950,000	1,390,000
Walden House	San Francisco	12/30/2004	7,475,000	5,715,000
Walden House - LOC	San Francisco	06/01/2008	4,500,000	3,350,000
Total Chemical Dependency Recovery Facility	18		$ 48,770,000	$ 35,870,000
Kinship Center	Salinas	03/14/2006	$ 2,910,000	$ 2,610,000
Sansum Clinic	Santa Barbara	05/01/2002	32,600,000	25,730,000
Total Clinic: Multi-Specialty and Diagnostic Services	2		$ 35,510,000	$ 28,340,000
CARES	Sacramento	04/30/1998	$ 3,330,000	$ 2,260,000
Desert AIDS Project	Palm Springs	04/26/2001	3,570,000	2,725,000
Total Clinic: AIDS	2		$ 6,900,000	$ 4,985,000
Desarrollo Familiar	Richmond	12/23/1986	$ 150,000	$ 70,000
Families First	Campbell	03/11/1997	7,025,000	4,065,000
Henrietta Weill Memorial	Bakersfield	10/14/1992	1,445,000	425,000
The HELP Group	Sherman Oaks	05/22/1998	17,275,000	11,790,000
The HELP Group	Culver City	05/25/2000	17,620,000	14,035,000
The HELP Group	Sherman Oaks	11/19/2009	5,395,000	5,395,000
Verdugo Mental Health	Glendale	04/12/2005	1,025,000	810,000
Verdugo Mental Health	Glendale	03/07/2007	5,505,000	5,220,000
Total Clinic: Mental Health	8		$ 55,440,000	$ 41,810,000
Altamed Health Services	Los Angeles	04/28/2000	$ 5,250,000	$ 3,660,000
Asian Health Services	Oakland	10/21/2009	4,005,000	4,005,000
Clinicas de Salud del Pueblo	Brawley	03/11/2008	3,925,000	3,740,000
Clinicas del Camino Real	Oxnard	04/12/2005	9,440,000	7,690,000

Borrower Name	Facility City	Date Loan Insured		Original Insured Amount		Outstanding Principal Balance
Community Health Centers of the Central Coast	Nipomo	07/17/1990		770,000		445,000
Community Health Systems	Bloomington	08/30/2000		1,295,000		1,020,000
Community Medical Center	Stockton	04/12/2005		3,220,000		2,600,000
Del Norte Clinics	Yuba City	04/28/2000		1,105,000		750,000
Del Norte Clinics	Yuba City	12/23/2003		8,795,000		7,370,000
Family Health Care Network	Porterville	04/15/2008		7,910,000		7,545,000
Golden Valley Health Centers	Merced	01/28/1994		3,785,000		2,095,000
Hill Country Community Clinic	Round Mountain	10/30/2007		5,250,000		5,140,000
La Maestra Family Clinic	San Diego	09/04/2008		18,500,000		18,500,000
Lifelong Medical Care	Berkeley	12/14/1998		2,970,000		2,175,000
Mountain Valley	Tulelake	10/28/1992		1,000,000		670,000
Mountain Valley	Bieber	03/24/1993		900,000		575,000
Native American Health Center	Oakland	06/07/2007		7,829,359		7,829,359
North County Health Services	San Marcos	03/14/1996		5,500,000		3,455,000
Petaluma Health Center	Petaluma	06/02/2010		5,865,000		5,865,000
Redwoods Rural Health Center	Redway	03/13/1990		1,250,000		735,000
Salud Para la Gente	Watsonville	03/17/2010		3,350,000		3,350,000
Southwest Community Health Center	Santa Rosa	02/28/2010		13,270,000		13,270,000
United Health Center of the San Joaquin Valley	Parlier	04/28/2000		950,000		645,000
Valley Community Clinic	Hollywood	03/24/2010		2,040,000		2,040,000
Valley Health Team	San Joaquin	03/11/2008		2,325,000		2,250,000
West Oakland Health Council	Oakland	07/21/2003		2,225,000		1,570,000
Total Clinic: Primary Care	26		$	122,724,359	$	108,989,359
California Autism Foundation	Richmond	04/12/2005	$	3,950,000	$	2,965,000
Exceptional Children's Foundation	Los Angeles	09/27/1995		2,990,000		1,735,000
Families First	Davis	03/15/2000		17,600,000		11,480,000
Options Family of Services	Santa Maria	05/30/2007		3,090,000		2,880,000
TLC Child & Family Services	Sebastopol	09/17/1997		1,700,000		1,140,000
TLC Child & Family Services	Sebastopol	10/17/2000		2,400,000		1,885,000
Total Group Home: Developmentally, Mentally, or Emotionally Disabled	6		$	31,730,000	$	22,085,000
Advent Group Ministries	San Jose	01/27/2005	$	400,000	$	290,150
Children's Institute International	Los Angeles	02/27/1992		5,635,000		3,745,000
Children's Institute International	Los Angeles	12/03/2009		14,300,000		14,300,000
Lincoln Child Center	Oakland	11/23/1999		2,900,000		2,140,000
Momentum for Mental Health	San Jose	11/13/2003		10,500,000		7,825,000
Southern California Development - VOA	El Centro	01/11/1996		3,500,000		1,495,000
Total Group Home: Mentally or Emotionally Disabled	6		$	37,235,000	$	29,795,150
El Centro Regional Medical Center	El Centro	04/26/2001	$	39,300,000	$	31,550,000
Enloe Medical Center	Chico	08/21/2008		68,915,000		65,730,000
Enloe Medical Center	Chico	08/21/2008		166,680,000		166,680,000
Henry Mayo Newhall Memorial Hospital	Valencia	02/21/2001		54,895,000		46,970,000
Henry Mayo Newhall Memorial Hospital	Valencia	08/01/2007		45,000,000		45,000,000
Henry Mayo Newhall Memorial Hospital	Valencia	08/01/2007		30,000,000		30,000,000
Lodi Memorial Hospital Association	Lodi	10/26/2000		12,570,000		1,530,000
Lodi Memorial Hospital Association	Lodi	12/13/2007		150,000,000		150,000,000
Marshall Medical Center	Placerville	10/06/1993		19,975,000		6,270,000
Marshall Medical Center	Placerville	05/13/1998		28,030,000		18,870,000
Marshall Medical Center	Placerville	03/25/2004		30,000,000		29,700,000
Marshall Medical Center	Placerville	03/25/2004		20,000,000		20,000,000

Borrower Name	Facility City	Date Loan Insured		Original Insured Amount		Outstanding Principal Balance
Oroville Hospital	Oroville	10/15/1997		27,670,000		14,650,000
Oroville Hospital - LOC	Oroville	09/04/2008		2,500,000		-
San Fernando Community Hospital - Mission Community	Panorama City	12/11/2001		35,445,000		28,835,000
St. Rose Hospital	Hayward	05/28/2009		42,100,000		42,000,000
St. Rose Hospital - LOC	Hayward	05/28/2009		7,500,000		3,000,000
Victor Valley Community Hospital	Victorville	05/26/2000		8,470,000		2,620,000
Victor Valley Community Hospital	Victorville	07/30/2007		4,900,000		4,458,782
Total Hospital: General Acute Care	19		$	793,950,000	$	707,863,782
Corcoran District Hospital	Corcoran	07/23/1992	$	1,555,000	$	385,000
Corcoran District Hospital- LOC	Corcoran	08/01/2001		800,000		558,490
Kern Valley Healthcare District - LOC	Mountain Mesa	05/30/1999		1,500,000		833,133
Kern Valley Healthcare District	Mountain Mesa	09/26/2003		17,770,000		13,605,000
Lompoc District Hospital	Lompoc	09/23/1998		6,375,000		2,835,000
Lompoc District Hospital	Lompoc	05/29/2009		4,060,000		4,060,000
Mayers Memorial Hospital District	Fall River Mills	03/28/2007		6,005,000		4,330,000
Mayers Memorial Hospital District	Fall River Mills	07/12/2007		1,000,000		1,000,000
Mendocino Coast Health Care District	Fort Bragg	08/28/1996		4,030,000		2,330,000
Mendocino Coast Health Care District	Fort Bragg	10/14/2009		5,000,000		5,000,000
Mendocino Coast Health Care District - LOC	Fort Bragg	03/01/2010		1,000,000		-
Total Hospital: District	11		$	49,095,000	$	34,936,623
AIDS Healthcare Foundation	Los Angeles	07/21/2005	$	7,250,000	$	5,610,000
Total Hospice	1		$	7,250,000	$	5,610,000
Aldersly	San Rafael	09/26/2002	$	7,125,000	$	6,130,000
Aldersly	San Rafael	07/19/2004		1,200,000		903,468
California Nevada Methodist Homes	Pacific Grove	05/03/2006		42,280,000		42,280,000
Casa de las Campanas	Rancho Bernardo	01/28/2010		54,310,000		54,310,000
Front Porch Communities and Services	Cupertino	09/17/1997		4,430,000		2,395,000
Front Porch Communities and Services	Cupertino	02/25/1999		5,685,000		4,090,000
Northern California Retired Officers Community	Fairfield	12/19/2002		49,755,000		39,805,000
Northern California Retired Officers Community	Fairfield	12/20/2005		16,125,000		11,325,000
Odd Fellows Home of California	Saratoga	10/14/1999		34,500,000		27,040,000
Odd Fellows Home of California	Saratoga	01/07/2003		80,000,000		73,795,000
Pilgrim Place in Claremont	Claremont	08/19/2009		26,500,000		26,500,000
Solheim Lutheran Home	Los Angeles	12/02/2004		6,415,000		4,210,000
Solvang Lutheran Home	Solvang	08/27/1996		5,210,000		2,860,000
The Episcopal Home Communities	Aliso Viejo	02/26/2002		90,000,000		79,110,000
Total Multi-Level: Continuing Care Retirement Community	14		$	423,535,000	$	374,753,468
Ararat Home of Los Angeles, Inc.	Mission Hills	04/29/1998	$	6,460,000	$	3,980,000
Catholic Healthcare West	Sacramento	03/17/1993		9,360,000		4,685,000
Community Church Retirement Center	Mill Valley	03/11/1997		6,115,000		3,775,000
Elder Care Alliance of Union City	Union City	06/08/2004		15,685,000		15,110,000
Fellowship Homes, Inc.	Modesto	08/27/1996		6,065,000		3,570,000
Home for Jewish Parents	Danville	07/09/1997		12,555,000		8,350,000
Institute on Aging	San Francisco	08/28/2008		41,405,000		41,380,000
Lincoln Glen Manor for Senior Citizens	San Jose	03/09/2000		7,500,000		5,825,000
Los Angeles Jewish Home for the Aging	Los Angeles	12/17/2003		80,000,000		74,930,000
Los Angeles Jewish Home for the Aging	Los Angeles	02/14/2008		59,595,000		59,595,000
Los Angeles Jewish Home for the Aging - LOC	Los Angeles	01/20/2009		4,900,000		-
Odd Fellows Home of California	Napa	10/06/1993		18,995,000		12,995,000

Borrower Name	**Facility City**	**Date Loan Insured**	**Original Insured Amount**	**Outstanding Principal Balance**
Retirement Housing Foundation, Inc.	Poway	12/28/2000	19,375,000	15,515,000
Scott Street Senior Housing Complex	San Francisco	06/18/1998	37,770,000	26,960,000
Sierra View Homes Inc.	Reedley	12/18/1996	4,425,000	2,705,000
Total Multi-Level: Other Month-to-Month	15		$ 330,205,000	$ 279,375,000
Apple Valley Christian Centers	Apple Valley	05/24/2001	$ 9,525,000	$ 7,485,000
Apple Valley Christian Centers	Apple Valley	06/16/2003	350,000	64,250
Asian Community Skilled Nursing Facility	Sacramento	04/12/2005	2,070,000	1,155,000
Asian Community Skilled Nursing Facility	Sacramento	10/03/2007	19,405,000	19,050,000
Keiro Nursing Home	Los Angeles	09/29/2004	8,665,000	5,715,000
Lytton Gardens, Inc.	Palo Alto	12/09/1999	16,355,000	13,820,000
Total Skilled Nursing Facility	6		$ 56,370,000	$ 47,289,250
Total Insured Projects For All Facilities Represented	**139**		**$ 2,017,064,359**	**$ 1,735,067,632**

Exhibit XII

Financial Status and Activity Report

As of June 30, 2010

	June 30, 2009	June 30, 2010
Activity		
Number of Insured Loans	133	139
Insured Portfolio		
Outstanding Principal Balance of Insured Loans	$ 1,655,191,905	$ 1,735,067,632
Health Facility Construction Loan Insurance Fund		
Insurance Fund Cash Balance [1]	192,557,629	189,745,143
Anticipated Recoveries [2]	13,078,427	13,133,375
Long-Term Liabilities Related to Defaults [3]	(110,665,000)	(104,330,000)
Estimated Net Assets	**$ 94,971,056**	**$ 98,548,518**

Footnotes:

[1] As reported held in the State Treasury.

[2] For more information regarding anticipated recoveries, refer to the *2010 Financial Status Report* found at the following website: http://www.oshpd.ca.gov/CalMort/LegislativeRpts.html.

[3] For more information regarding long-term liabilities, refer to the *2010 Financial Status Report* found at the following website: http://www.oshpd.ca.gov/CalMort/LegislativeRpts.html.

Exhibit XIII

Insured Risk by County

as of June 30, 2010

County	Number of Loans	Original Insured Amount	Outstanding Principal Balance	Percentage of Portfolio
Alameda	8	85,214,359	77,829,359	4.49%
Butte	4	265,765,000	247,060,000	14.24%
Contra Costa	3	16,655,000	11,385,000	0.66%
El Dorado	4	98,005,000	74,840,000	4.31%
Fresno	3	7,700,000	5,600,000	0.32%
Humboldt	1	1,250,000	735,000	0.04%
Imperial	3	46,725,000	36,785,000	2.12%
Kern	3	20,715,000	14,863,133	0.86%
Kings	2	2,355,000	943,490	0.05%
Lassen	1	900,000	575,000	0.03%
Los Angeles	34	471,810,000	415,470,000	23.95%
Marin	3	14,440,000	10,808,468	0.62%
Mendocino	3	10,030,000	7,330,000	0.42%
Merced	1	3,785,000	2,095,000	0.12%
Monterey	2	45,190,000	44,890,000	2.59%
Napa	1	18,995,000	12,995,000	0.75%
Orange	3	93,095,000	81,270,000	4.68%
Riverside	1	3,570,000	2,725,000	0.16%
Sacramento	4	34,165,000	27,150,000	1.56%
San Bernardino	6	26,510,000	16,893,032	0.97%
San Diego	6	103,780,000	96,525,000	5.56%
San Francisco	4	91,150,000	77,405,000	4.46%
San Joaquin	3	165,790,000	154,130,000	8.88%
San Luis Obispo	1	770,000	445,000	0.03%
Santa Barbara	5	51,335,000	38,365,000	2.21%
Santa Clara	10	172,240,000	143,200,150	8.25%
Santa Cruz	1	3,350,000	3,350,000	0.19%
Shasta	3	12,255,000	10,470,000	0.60%
Siskiyou	1	1,000,000	670,000	0.04%
Solano	2	65,880,000	51,130,000	2.95%
Sonoma	7	31,725,000	28,730,000	1.66%
Stanislaus	1	6,065,000	3,570,000	0.21%
Tulare	1	7,910,000	7,545,000	0.43%
Ventura	1	9,440,000	7,690,000	0.44%
Yolo	1	17,600,000	11,480,000	0.66%
Yuba	2	9,900,000	8,120,000	0.47%
Total	**139**	**$ 2,017,064,359**	**$ 1,735,067,632**	**100%**

Exhibit XIV

Insured Loans by County

as of June 30, 2010

Borrower Name	City	ZIP	Facility Type	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Asian Health Services	Oakland	94607	CLINIC-PC	10/21/2009	$ 4,005,000	$ 4,005,000
Elder Care Alliance of Union City	Union City	94587	MULTI-OTH	06/08/2004	15,685,000	15,110,000
Lifelong Medical Care	Berkeley	94702	CLINIC-PC	12/14/1998	2,970,000	2,175,000
Lincoln Child Center	Oakland	94602	GH-MD	11/23/1999	2,900,000	2,140,000
Native American Health Center	Oakland	94601	CLINIC-PC	06/07/2007	7,829,359	7,829,359
St. Rose Hospital	Hayward	94545	HOSP	05/28/2009	42,100,000	42,000,000
St. Rose Hospital - LOC	Hayward	94545	HOSP	05/28/2009	7,500,000	3,000,000
West Oakland Health Council	Oakland	94621	CLINIC-PC	07/21/2003	2,225,000	1,570,000
Total within Alameda	8				$ 85,214,359	$ 77,829,359
Enloe Medical Center	Chico	95926	HOSP	08/21/2008	$ 68,915,000	$ 65,730,000
Enloe Medical Center	Chico	95926	HOSP	08/21/2008	166,680,000	166,680,000
Oroville Hospital	Oroville	95966	HOSP	10/15/1997	27,670,000	14,650,000
Oroville Hospital - LOC	Oroville	95966	HOSP	09/04/2008	2,500,000	-
Total within Butte	4				$ 265,765,000	$ 247,060,000
California Autism Foundation	Richmond	94806	GH-DD/MD	04/12/2005	$ 3,950,000	$ 2,965,000
Desarrollo Familiar	Richmond	94805	CLINIC-MH	12/23/1986	150,000	70,000
Home for Jewish Parents	Danville	94506	MULTI-OTH	07/09/1997	12,555,000	8,350,000
Total within Contra Costa	3				$ 16,655,000	$ 11,385,000
Marshall Medical Center	Placerville	95667	HOSP	10/06/1993	$ 19,975,000	$ 6,270,000
Marshall Medical Center	Placerville	95667	HOSP	05/13/1998	28,030,000	18,870,000
Marshall Medical Center	Placerville	95667	HOSP	03/25/2004	30,000,000	29,700,000
Marshall Medical Center	Placerville	95667	HOSP	03/25/2004	20,000,000	20,000,000
Total within El Dorado	4				$ 98,005,000	$ 74,840,000
Sierra View Homes	Reedley	93654	MULTI-OTH	12/18/1996	$ 4,425,000	$ 2,705,000
United Health Center of the San Joaquin Valley	Parlier	93648	CLINIC-PC	04/28/2000	950,000	645,000
Valley Health Team	San Joaquin	93660	CLINIC-PC	03/11/2008	2,325,000	2,250,000
Total within Fresno	3				$ 7,700,000	$ 5,600,000
Redwoods Rural Heath Center	Redway	95560	CLINIC-PC	03/13/1990	$ 1,250,000	$ 735,000
Total within Humboldt	1				$ 1,250,000	$ 735,000
Clinicas de Salud del Pueblo	Brawley	92227	CLINIC-PC	03/11/2008	$ 3,925,000	$ 3,740,000
El Centro Regional Medical Center	El Centro	92243	HOSP	04/26/2001	39,300,000	31,550,000
Southern California Development - VOA	El Centro	92243	GH-MD	01/11/1996	3,500,000	1,495,000
Total within Imperial	3				$ 46,725,000	$ 36,785,000
Henrietta Weill Memorial	Bakersfield	93309	CLINIC-MH	10/14/1992	$ 1,445,000	$ 425,000
Kern Valley Healthcare District - LOC	Mountain Mesa	93240	HOSP-DIST	05/30/1999	1,500,000	833,133
Kern Valley Healthcare District	Mountain Mesa	93240	HOSP-DIST	09/26/2003	17,770,000	13,605,000
Total within Kern	3				$ 20,715,000	$ 14,863,133
Corcoran District Hospital	Corcoran	93212	HOSP-DIST	07/23/1992	$ 1,555,000	$ 385,000
Corcoran District Hospital - LOC	Corcoran	93212	HOSP-DIST	08/01/2001	800,000	558,490
Total within Kings	2				$ 2,355,000	$ 943,490
Mountain Valley	Bieber	96009	CLINIC-PC	03/24/1993	$ 900,000	$ 575,000
Total within Lassen	1				$ 900,000	$ 575,000
AIDS Healthcare Foundation	Los Angeles	90046	HOSPICE	07/21/2005	$ 7,250,000	$ 5,610,000
Altamed Health Services	Los Angeles	90022	CLINIC-PC	04/28/2000	5,250,000	3,660,000
Ararat Home of Los Angeles	Mission Hills	91345	MULTI-OTH	04/29/1998	6,460,000	3,980,000
Beacon House	San Pedro	90731	CDRF	12/08/1993	2,280,000	1,540,000
Children's Institute International	Los Angeles	90005	GH-MD	02/27/1992	5,635,000	3,745,000
Children's Institute International	Los Angeles	90005	GH-MD	12/03/2009	14,300,000	14,300,000
Clare Foundation	Santa Monica	90404	CDRF	04/29/2003	1,750,000	1,295,000
Exceptional Children's Foundation	Los Angeles	90008	GH-DD/MD	09/27/1995	2,990,000	1,735,000
Henry Mayo Newhall Memorial Hospital	Valencia	91355	HOSP	02/21/2001	54,895,000	46,970,000

Borrower Name	City	ZIP	Facility Type	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Henry Mayo Newhall Memorial Hospital	Valencia	91355	HOSP	08/01/2007	45,000,000	45,000,000
Henry Mayo Newhall Memorial Hospital	Valencia	91355	HOSP	08/01/2007	30,000,000	30,000,000
Keiro Nursing Home	Los Angeles	90031	SNF	09/29/2004	8,665,000	5,715,000
Los Angeles Centers for Alcohol & Drug Abuse	Santa Fe Springs	90706	CDRF	05/30/2007	2,795,000	2,510,000
Los Angeles Jewish Home for the Aging	Los Angeles	91335	MULTI-OTH	12/17/2003	80,000,000	74,930,000
Los Angeles Jewish Home for the Aging	Los Angeles	91335	MULTI-OTH	02/14/2008	59,595,000	59,595,000
Los Angeles Jewish Home for the Aging - LOC	Los Angeles	91335	MULTI-OTH	01/20/2009	4,900,000	-
Pilgrim Place in Claremont	Claremont	91711	MULTI-CCRC	08/19/2009	26,500,000	26,500,000
Principles	Pasadena	91103	CDRF	04/29/2003	2,040,000	1,510,000
Prototypes	Pomona	91767	CDRF	06/27/2001	4,195,000	2,690,000
San Fernando Community Hospital	Panorama City	91402	HOSP	12/11/2001	35,445,000	28,835,000
San Fernando Valley Community Mental Health Center	Van Nuys	91405	ADHC	06/26/1998	3,700,000	2,515,000
Social Model Recovery Systems	Covina	91723	CDRF	06/27/2001	1,890,000	1,435,000
Solheim Lutheran Home	Los Angeles	90041	MULTI-CCRC	12/02/2004	6,415,000	4,210,000
South Bay Alcoholism Services	Long Beach	90802	CDRF	03/24/1993	1,290,000	830,000
Southern California Alcohol & Drug Program	Downey	90241	CDRF	12/18/1997	4,095,000	2,800,000
Southern California Alcohol & Drug Program	Downey	90241	CDRF	05/30/2001	1,780,000	1,360,000
Southern California Alcohol & Drug Program	Downey	90241	CDRF	04/12/2005	1,885,000	1,520,000
Tarzana Treatment Center	Long Beach	90806	CDRF	12/09/1998	1,950,000	1,390,000
The HELP Group	Sherman Oaks	91401	CLINIC-MH	05/22/1998	17,275,000	11,790,000
The HELP Group	Culver City	90066	CLINIC-MH	05/25/2000	17,620,000	14,035,000
The HELP Group	Sherman Oaks	91401	CLINIC-MH	11/19/2009	5,395,000	5,395,000
Valley Community Clinic	Hollywood	91605	CLINIC-PC	03/24/2010	2,040,000	2,040,000
Verdugo Mental Health	Glendale	91205	CLINIC-MH	04/12/2005	1,025,000	810,000
Verdugo Mental Health	Glendale	91205	CLINIC-MH	03/07/2007	5,505,000	5,220,000
Total within Los Angeles	34				$ 471,810,000	$ 415,470,000
Aldersly	San Rafael	94901	MULTI-CCRC	09/26/2002	$ 7,125,000	$ 6,130,000
Aldersly	San Rafael	94901	MULTI-CCRC	07/19/2004	1,200,000	903,468
Community Church Retirement Center	Mill Valley	94941	MULTI-OTH	03/11/1997	6,115,000	3,775,000
Total within Marin	3				$ 14,440,000	$ 10,808,468
Mendocino Coast Health Care District	Fort Bragg	95437	HOSP-DIST	08/28/1996	$ 4,030,000	$ 2,330,000
Mendocino Coast Health Care District	Fort Bragg	95437	HOSP-DIST	10/14/2009	5,000,000	5,000,000
Mendocino Coast Health Care District - LOC	Fort Bragg	95437	HOSP-DIST	03/01/2010	1,000,000	-
Total within Mendocino	3				$ 10,030,000	$ 7,330,000
Golden Valley Health Centers	Merced	95340	CLINIC-PC	01/28/1994	$ 3,785,000	$ 2,095,000
Total within Merced	1				$ 3,785,000	$ 2,095,000
California Nevada Methodist Homes	Pacific Grove	93950	MULTI-CCRC	05/03/2006	$ 42,280,000	$ 42,280,000
Kinship Center	Salinas	93908	CLINIC-MULTI	03/14/2006	2,910,000	2,610,000
Total within Monterey	2				$ 45,190,000	$ 44,890,000
Odd Fellows Home of California	Napa	94559	MULTI-OTH	10/06/1993	$ 18,995,000	$ 12,995,000
Total within Napa	1				$ 18,995,000	$ 12,995,000
The Episcopal Home Communities	Aliso Viejo	92656	MULTI-CCRC	02/26/2002	$ 90,000,000	$ 79,110,000
Feedback Foundation/Senior Services	Anaheim	92801	ADHC	12/01/1992	2,140,000	1,420,000
Social Model Recovery Systems	Orange	92688	CDRF	04/12/2005	955,000	740,000
Total within Orange	3				$ 93,095,000	$ 81,270,000
Desert AIDS Project	Palm Springs	92262	CLINIC: AIDS	04/26/2001	$ 3,570,000	$ 2,725,000
Total within Riverside	1				$ 3,570,000	$ 2,725,000
Asian Community Skilled Nursing Facility	Sacramento	95831	SNF	04/12/2005	$ 2,070,000	$ 1,155,000
Asian Community Skilled Nursing Facility	Sacramento	95831	SNF	10/03/2007	19,405,000	19,050,000
CARES	Sacramento	95814	CLINIC: AIDS	04/30/1998	3,330,000	2,260,000
Catholic Healthcare West	Sacramento	95816	MULTI-OTH	03/17/1993	9,360,000	4,685,000
Total within Sacramento	4				$ 34,165,000	$ 27,150,000
Apple Valley Christian Centers	Apple Valley	92308	SNF	05/24/2001	$ 9,525,000	$ 7,485,000
Apple Valley Christian Centers	Apple Valley	92308	SNF	06/16/2003	350,000	64,250
Community Health Systems	Bloomington	92316	CLINIC-PC	08/30/2000	1,295,000	1,020,000

Borrower Name	City	ZIP	Facility Type	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Social Science Services	Bloomington	92316	CDRF	04/28/2000	1,970,000	1,245,000
Victor Valley Community Hospital	Victorville	92392	HOSP	05/26/2000	8,470,000	2,620,000
Victor Valley Community Hospital	Victorville	92392	HOSP	07/30/2007	4,900,000	4,458,782
Total within San Bernardino	6				$ 26,510,000	$ 16,893,032
Casa de las Campanas	Rancho Bernardo	92127	MULTI-CCRC	01/28/2010	$ 54,310,000	$ 54,310,000
La Maestra Family Clinic	San Diego	92105	CLINIC-PC	09/04/2008	18,500,000	18,500,000
North County Health Services	San Marcos	92069	CLINIC-PC	03/14/1996	5,500,000	3,455,000
North County Serenity House	Escondido	92026	CDRF	01/28/2003	5,795,000	4,745,000
North County Serenity House - LOC	Escondido	92026	CDRF	03/20/2009	300,000	-
Retirement Housing Foundation	Poway	92128	MULTI-OTH	12/28/2000	19,375,000	15,515,000
Total within San Diego	6				$ 103,780,000	$ 96,525,000
Institute on Aging	San Francisco	94118	MULTI-OTH	08/28/2008	$ 41,405,000	$ 41,380,000
Scott Street Senior Housing Complex	San Francisco	94115	MULTI-OTH	06/18/1998	37,770,000	26,960,000
Walden House	San Francisco	94117	CDRF	12/30/2004	7,475,000	5,715,000
Walden House - LOC	San Francisco	94103	CDRF	06/01/2008	4,500,000	3,350,000
Total within San Francisco	4				$ 91,150,000	$ 77,405,000
Community Medical Center	Stockton	95202	CLINIC-PC	04/12/2005	$ 3,220,000	$ 2,600,000
Lodi Memorial Hospital Association	Lodi	95240	HOSP	10/26/2000	12,570,000	1,530,000
Lodi Memorial Hospital Association	Lodi	95240	HOSP	12/13/2007	150,000,000	150,000,000
Total within San Joaquin	3				$ 165,790,000	$ 154,130,000
Community Health Centers of the Central Coast	Nipomo	93444	CLINIC-PC	07/17/1990	$ 770,000	$ 445,000
Total within San Luis Obispo	1				$ 770,000	$ 445,000
Lompoc District Hospital	Lompoc	93438	HOSP-DIST	09/23/1998	$ 6,375,000	$ 2,835,000
Lompoc District Hospital	Lompoc	93438	HOSP-DIST	05/29/2009	4,060,000	4,060,000
Options Family of Services	Santa Maria	93455	GH-DD/MD	05/30/2007	3,090,000	2,880,000
Sansum Clinic	Santa Barbara	93111	CLINIC-MULTI	05/01/2002	32,600,000	25,730,000
Solvang Lutheran Home	Solvang	93463	MULTI-CCRC	08/27/1996	5,210,000	2,860,000
Total within Santa Barbara	5				$ 51,335,000	$ 38,365,000
Advent Group Ministries	San Jose	95124	GH-MD	01/27/2005	$ 400,000	$ 290,150
Families First	Campbell	95008	CLINIC-MH	03/11/1997	7,025,000	4,065,000
Front Porch Communities and Services	Cupertino	95014	MULTI-CCRC	09/17/1997	4,430,000	2,395,000
Front Porch Communities and Services	Cupertino	95014	MULTI-CCRC	02/25/1999	5,685,000	4,090,000
HOPE Services	San Jose	95128	ADC-DD	06/11/2002	5,845,000	4,055,000
Lincoln Glen Manor for Senior Citizens	San Jose	95125	MULTI-OTH	03/09/2000	7,500,000	5,825,000
Lytton Gardens	Palo Alto	94301	SNF	12/09/1999	16,355,000	13,820,000
Momentum for Mental Health	San Jose	95127	GH-MD	11/13/2003	10,500,000	7,825,000
Odd Fellows Home of California	Saratoga	95070	MULTI-CCRC	10/14/1999	34,500,000	27,040,000
Odd Fellows Home of California	Saratoga	95070	MULTI-CCRC	01/07/2003	80,000,000	73,795,000
Total within Santa Clara	10				$ 172,240,000	$ 143,200,150
Salud Para la Gente	Watsonville	95077	CLINIC-PC	03/17/2010	$ 3,350,000	$ 3,350,000
Total within Santa Cruz	1				$ 3,350,000	$ 3,350,000
Hill Country Community Clinic	Round Mountain	96084	CLINIC-PC	10/30/2007	$ 5,250,000	$ 5,140,000
Mayers Memorial Hospital District	Fall River Mills	96028	HOSP-DIST	03/28/2007	6,005,000	4,330,000
Mayers Memorial Hospital District	Fall River Mills	96028	HOSP-DIST	07/12/2007	1,000,000	1,000,000
Total within Shasta	3				$ 12,255,000	$ 10,470,000
Mountain Valley	Tulelake	96134	CLINIC-PC	10/28/1992	$ 1,000,000	$ 670,000
Total within Siskiyou	1				$ 1,000,000	$ 670,000
Northern California Retired Officers Community	Fairfield	94533	MULTI-CCRC	12/19/2002	$ 49,755,000	$ 39,805,000
Northern California Retired Officers Community	Fairfield	94533	MULTI-CCRC	12/20/2005	16,125,000	11,325,000
Total within Solano	2				$ 65,880,000	$ 51,130,000
Becoming Independent	Santa Rosa	95403	ADC-DD	02/29/1996	$ 1,665,000	$ 1,000,000
Becoming Independent	Santa Rosa	95403	ADC-DD	01/21/2004	5,000,000	4,375,000
Drug Abuse Alternatives Center	Santa Rosa	95403	CDRF	11/18/1993	1,825,000	1,195,000

Borrower Name	City	ZIP	Facility Type	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Petaluma Health Center	Petaluma	94954	CLINIC-PC	06/02/2010	5,865,000	5,865,000
Southwest Community Health Center	Santa Rosa	95403	CLINIC-PC	02/28/2010	13,270,000	13,270,000
TLC Child & Family Services	Sebastopol	95472	GH-DD/MD	09/17/1997	1,700,000	1,140,000
TLC Child & Family Services	Sebastopol	95472	GH-DD/MD	10/17/2000	2,400,000	1,885,000
Total within Sonoma	7				$ 31,725,000	$ 28,730,000
Fellowship Homes	Modesto	95350	MULTI-OTH	08/27/1996	$ 6,065,000	$ 3,570,000
Total within Stanislaus	1				$ 6,065,000	$ 3,570,000
Family Health Care Network	Porterville	93257	CLINIC-PC	04/15/2008	$ 7,910,000	$ 7,545,000
Total within Tulare	1				$ 7,910,000	$ 7,545,000
Clinicas del Camino Real	Oxnard	93030	CLINIC-PC	04/12/2005	$ 9,440,000	$ 7,690,000
Total within Ventura	1				$ 9,440,000	$ 7,690,000
Families First	Davis	95616	GH-DD/MD	03/15/2000	$ 17,600,000	$ 11,480,000
Total within Yolo	1				$ 17,600,000	$ 11,480,000
Del Norte Clinics	Yuba City	95991	CLINIC-PC	04/28/2000	$ 1,105,000	$ 750,000
Del Norte Clinics	Yuba City	95991	CLINIC-PC	12/23/2003	8,795,000	7,370,000
Total within Yuba	2				$ 9,900,000	$ 8,120,000
Total Within All Counties	**139**				**$ 2,017,064,359**	**$ 1,735,067,632**

Exhibit XV

Insured Loans by Loan Size

(Sorted by Original Insured Amount)

as of June 30, 2010

Borrower Name	Facility City	Facility Type	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Enloe Medical Center	Chico	HOSP	08/21/2008	166,680,000	166,680,000
Lodi Memorial Hospital Association	Lodi	HOSP	12/13/2007	150,000,000	150,000,000
The Episcopal Home Communities	Alhambra	MULTI-CCRC	02/26/2002	90,000,000	79,110,000
Los Angeles Jewish Home for the Aging	Reseda	MULTI-OTH	12/17/2003	80,000,000	74,930,000
Odd Fellows Home of California	Saratoga	MULTI-CCRC	01/07/2003	80,000,000	73,795,000
Enloe Medical Center	Chico	HOSP	08/21/2008	68,915,000	65,730,000
Los Angeles Jewish Home for the Aging	Reseda	MULTI-OTH	02/14/2008	59,595,000	59,595,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	02/21/2001	54,895,000	46,970,000
Casa de las Campanas	San Diego	MULTI-CCRC	01/28/2010	54,310,000	54,310,000
Northern California Retired Officers Community	Fairfield	MULTI-CCRC	12/19/2002	49,755,000	39,805,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	08/01/2007	45,000,000	45,000,000
California Nevada Methodist Homes	Oakland	MULTI-CCRC	05/03/2006	42,280,000	42,280,000
St. Rose Hospital	Hayward	HOSP	05/28/2009	42,100,000	42,000,000
Institute on Aging	San Francisco	MULTI-OTH	08/28/2008	41,405,000	41,380,000
El Centro Regional Medical Center	El Centro	HOSP	04/26/2001	39,300,000	31,550,000
Scott Street Senior Housing Complex	San Francisco	MULTI-OTH	06/18/1998	37,770,000	26,960,000
San Fernando Community Hospital - Mission Community	Panorama City	HOSP	12/11/2001	35,445,000	28,835,000
Odd Fellows Home of California	Saratoga	MULTI-CCRC	10/14/1999	34,500,000	27,040,000
Sansum Clinic	Santa Barbara	CLINIC: MULTI	05/01/2002	32,600,000	25,730,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	08/01/2007	30,000,000	30,000,000
Marshall Medical Center	Placerville	HOSP	03/25/2004	30,000,000	29,700,000
Marshall Medical Center	Placerville	HOSP	05/13/1998	28,030,000	18,870,000
Oroville Hospital	Oroville	HOSP	10/15/1997	27,670,000	14,650,000
Pilgrim Place in Claremont	Claremont	MULTI-CCRC	08/19/2009	26,500,000	26,500,000
Marshall Medical Center	Placerville	HOSP	03/25/2004	20,000,000	20,000,000
Loan Size: $20,000,000 and Greater	**25**			**$ 1,366,750,000**	**$ 1,261,420,000**
Marshall Medical Center	Placerville	HOSP	10/06/1993	19,975,000	6,270,000
Asian Community Skilled Nursing Facility	Sacramento	SNF	10/03/2007	19,405,000	19,050,000
Retirement Housing Foundation	Long Beach	MULTI-OTH	12/28/2000	19,375,000	15,515,000
Odd Fellows Home of California	Saratoga	MULTI-OTH	10/06/1993	18,995,000	12,995,000
La Maestra Family Clinic	San Diego	CLINIC-PC	09/04/2008	18,500,000	18,500,000
Kern Valley Healthcare District	Mountain Mesa	HOSP-DIST	09/26/2003	17,770,000	13,605,000
The HELP Group	Sherman Oaks	CLINIC-MH	05/25/2000	17,620,000	14,035,000
Families First	Campbell	GH-DD/MD	03/15/2000	17,600,000	11,480,000
The HELP Group	Sherman Oaks	CLINIC-MH	05/22/1998	17,275,000	11,790,000
Lytton Gardens	Palo Alto	SNF	12/09/1999	16,355,000	13,820,000
Northern California Retired Officers Community	Fairfield	MULTI-CCRC	12/20/2005	16,125,000	11,325,000
Elder Care Alliance of Union City	Union City	MULTI-OTH	06/08/2004	15,685,000	15,110,000
Children's Institute International	Los Angeles	GH-MD	12/03/2009	14,300,000	14,300,000
Southwest Community Health Center	Santa Rosa	CLINIC-PC	02/28/2010	13,270,000	13,270,000
Lodi Memorial Hospital Association	Lodi	HOSP	10/26/2000	12,570,000	1,530,000
Home for Jewish Parents	Danville	MULTI-OTH	07/09/1997	12,555,000	8,350,000
Momentum for Mental Health	San Jose	GH-MD	11/13/2003	10,500,000	7,825,000
Loan Size: $10,000,000 to $20,000,000	**17**			**$ 277,875,000**	**$ 208,770,000**
Apple Valley Christian Centers	Apple Valley	SNF	05/24/2001	9,525,000	7,485,000
Clinicas del Camino Real	Ventura	CLINIC-PC	04/12/2005	9,440,000	7,690,000
Catholic Healthcare West	San Francisco	MULTI-OTH	03/17/1993	9,360,000	4,685,000
Del Norte Clinics	Yuba City	CLINIC-PC	12/23/2003	8,795,000	7,370,000
Keiro Nursing Home	Los Angeles	SNF	09/29/2004	8,665,000	5,715,000
Victor Valley Community Hospital	Victorville	HOSP	05/26/2000	8,470,000	2,620,000
Family Health Care Network	Porterville	CLINIC-PC	04/15/2008	7,910,000	7,545,000
Native American Health Center	Oakland	CLINIC-PC	06/07/2007	7,829,359	7,829,359
Lincoln Glen Manor for Senior Citizens	San Jose	MULTI-OTH	03/09/2000	7,500,000	5,825,000
St. Rose Hospital - LOC	Hayward	HOSP	05/28/2009	7,500,000	3,000,000
Walden House	San Francisco	CDRF	12/30/2004	7,475,000	5,715,000
AIDS Healthcare Foundation	Los Angeles	HOSPICE	07/21/2005	7,250,000	5,610,000

Borrower Name	Facility City	Facility Type	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Aldersly	San Rafael	MULTI-CCRC	09/26/2002	7,125,000	6,130,000
Families First	Campbell	CLINIC-MH	03/11/1997	7,025,000	4,065,000
Ararat Home of Los Angeles	Mission Hills	MULTI-OTH	04/29/1998	6,460,000	3,980,000
Solheim Lutheran Home	Los Angeles	MULTI-CCRC	12/02/2004	6,415,000	4,210,000
Lompoc District Hospital	Lompoc	HOSP-DIST	09/23/1998	6,375,000	2,835,000
Community Church Retirement Center	Mill Valley	MULTI-OTH	03/11/1997	6,115,000	3,775,000
Fellowship Homes	Modesto	MULTI-OTH	08/27/1996	6,065,000	3,570,000
Mayers Memorial Hospital District	Fall River Mills	HOSP-DIST	03/28/2007	6,005,000	4,330,000
Petaluma Health Center	Petaluma	CLINIC-PC	06/02/2010	5,865,000	5,865,000
HOPE Services	San Jose	ADC-DD	06/11/2002	5,845,000	4,055,000
North County Serenity House	Escondido	CDRF	01/28/2003	5,795,000	4,745,000
Front Porch Communities and Services	Burbank	MULTI-CCRC	02/25/1999	5,685,000	4,090,000
Children's Institute International	Los Angeles	GH-MD	02/27/1992	5,635,000	3,745,000
Verdugo Mental Health	Glendale	CLINIC-MH	03/07/2007	5,505,000	5,220,000
North County Health Services	San Marcos	CLINIC-PC	03/14/1996	5,500,000	3,455,000
The HELP Group	Sherman Oaks	CLINIC-MH	11/19/2009	5,395,000	5,395,000
Altamed Health Services	Commerce	CLINIC-PC	04/28/2000	5,250,000	3,660,000
Hill Country Community Clinic	Round Mountain	CLINIC-PC	10/30/2007	5,250,000	5,140,000
Solvang Lutheran Home	Solvang	MULTI-CCRC	08/27/1996	5,210,000	2,860,000
Becoming Independent	Santa Rosa	ADC-DD	01/21/2004	5,000,000	4,375,000
Mendocino Coast Health Care District	Fort Bragg	HOSP-DIST	10/14/2009	5,000,000	5,000,000
Loan Size: $5,000,000 to $10,000,000	**33**			**$ 222,239,359**	**$ 161,589,359**
Los Angeles Jewish Home for the Aging - LOC	Reseda	MULTI-OTH	01/20/2009	4,900,000	-
Victor Valley Community Hospital	Victorville	HOSP	07/30/2007	4,900,000	4,458,782
Walden House - LOC	San Francisco	CDRF	06/01/2008	4,500,000	3,350,000
Front Porch Communities and Services	Burbank	MULTI-CCRC	09/17/1997	4,430,000	2,395,000
Sierra View Homes	Reedley	MULTI-OTH	12/18/1996	4,425,000	2,705,000
Prototypes	Culver City	CDRF	06/27/2001	4,195,000	2,690,000
Southern California Alcohol & Drug Program	Downey	CDRF	12/18/1997	4,095,000	2,800,000
Lompoc District Hospital	Lompoc	HOSP-DIST	05/29/2009	4,060,000	4,060,000
Mendocino Coast Health Care District	Fort Bragg	HOSP-DIST	08/28/1996	4,030,000	2,330,000
Asian Health Services	Oakland	CLINIC-PC	10/21/2009	4,005,000	4,005,000
California Autism Foundation	Richmond	GH-DD/MD	04/12/2005	3,950,000	2,965,000
Clinicas de Salud del Pueblo	Brawley	CLINIC-PC	03/11/2008	3,925,000	3,740,000
Golden Valley Health Centers	Merced	CLINIC-PC	01/28/1994	3,785,000	2,095,000
San Fernando Valley Community Mental Health Center	Van Nuys	ADHC	06/26/1998	3,700,000	2,515,000
Desert AIDS Project	Palm Springs	CLINIC-AIDS	04/26/2001	3,570,000	2,725,000
Southern California Development - VOA	San Diego	GH-MD	01/11/1996	3,500,000	1,495,000
Salud Para la Gente	Watsonville	CLINIC-PC	03/17/2010	3,350,000	3,350,000
CARES	Sacramento	CLINIC-AIDS	04/30/1998	3,330,000	2,260,000
Community Medical Center	Stockton	CLINIC-PC	04/12/2005	3,220,000	2,600,000
Options Family of Services	Morro Bay	GH-DD/MD	05/30/2007	3,090,000	2,880,000
Exceptional Children's Foundation	Culver City	GH-DD/MD	09/27/1995	2,990,000	1,735,000
Lifelong Medical Care	Berkeley	CLINIC-PC	12/14/1998	2,970,000	2,175,000
Kinship Center	Salinas	CLINIC: MULTI	03/14/2006	2,910,000	2,610,000
Lincoln Child Center	Oakland	GH-MD	11/23/1999	2,900,000	2,140,000
Los Angeles Centers for Alcohol & Drug Abuse	Santa Fe Springs	CDRF	05/30/2007	2,795,000	2,510,000
Oroville Hospital - LOC	Oroville	HOSP	09/04/2008	2,500,000	-
TLC Child & Family Services	Sebastopol	GH-DD/MD	10/17/2000	2,400,000	1,885,000
Valley Health Team	San Joaquin	CLINIC-PC	03/11/2008	2,325,000	2,250,000
Beacon House	San Pedro	CDRF	12/08/1993	2,280,000	1,540,000
West Oakland Health Council	Oakland	CLINIC-PC	07/21/2003	2,225,000	1,570,000
Feedback Foundation/Senior Services	Anaheim	ADHC	12/01/1992	2,140,000	1,420,000
Asian Community Skilled Nursing Facility	Sacramento	SNF	04/12/2005	2,070,000	1,155,000
Principles	Pasadena	CDRF	04/29/2003	2,040,000	1,510,000
Valley Community Clinic	Hollywood	CLINIC-PC	03/24/2010	2,040,000	2,040,000
Social Science Services	Bloomington	CDRF	04/28/2000	1,970,000	1,245,000
Tarzana Treatment Center	Tarzana	CDRF	12/09/1998	1,950,000	1,390,000
Social Model Recovery Systems	Covina	CDRF	06/27/2001	1,890,000	1,435,000
Southern California Alcohol & Drug Program	Downey	CDRF	04/12/2005	1,885,000	1,520,000
Drug Abuse Alternatives Center	Santa Rosa	CDRF	11/18/1993	1,825,000	1,195,000

Borrower Name	Facility City	Facility Type	Date Loan Insured	Original Insured Amount	Outstanding Principal Balance
Southern California Alcohol & Drug Program	Downey	CDRF	05/30/2001	1,780,000	1,360,000
Clare Foundation	Santa Monica	CDRF	04/29/2003	1,750,000	1,295,000
TLC Child & Family Services	Sebastopol	GH-DD/MD	09/17/1997	1,700,000	1,140,000
Becoming Independent	Santa Rosa	ADC-DD	02/29/1996	1,665,000	1,000,000
Corcoran District Hospital	Corcoran	HOSP-DIST	07/23/1992	1,555,000	385,000
Kern Valley Healthcare District - LOC	Mountain Mesa	HOSP-DIST	05/30/1999	1,500,000	833,133
Henrietta Weill Memorial	Bakersfield	CLINIC-MH	10/14/1992	1,445,000	425,000
Community Health Systems	Moreno Valley	CLINIC-PC	08/30/2000	1,295,000	1,020,000
South Bay Alcoholism Services	Torrance	CDRF	03/24/1993	1,290,000	830,000
Redwoods Rural Health Center	Redway	CLINIC-PC	03/13/1990	1,250,000	735,000
Aldersly	San Rafael	MULTI-CCRC	07/19/2004	1,200,000	903,468
Del Norte Clinics	Yuba City	CLINIC-PC	04/28/2000	1,105,000	750,000
Verdugo Mental Health	Glendale	CLINIC-MH	04/12/2005	1,025,000	810,000
Mayers Memorial Hospital District	Fall River Mills	HOSP-DIST	07/12/2007	1,000,000	1,000,000
Mendocino Coast Health Care District - LOC	Fort Bragg	HOSP-DIST	03/01/2010	1,000,000	-
Mountain Valley	Bieber	CLINIC-PC	10/28/1992	1,000,000	670,000
Loan Size: $1,000,000 to $5,000,000	**55**			**$ 144,625,000**	**$ 99,900,383**
Social Model Recovery Systems	Covina	CDRF	04/12/2005	955,000	740,000
United Health Center of the San Joaquin Valley	Parlier	CLINIC-PC	04/28/2000	950,000	645,000
Mountain Valley	Bieber	CLINIC-PC	03/24/1993	900,000	575,000
Corcoran District Hospital - LOC	Corcoran	HOSP-DIST	08/01/2001	800,000	558,490
Community Health Centers of the Central Coast	Nipomo	CLINIC-PC	07/17/1990	770,000	445,000
Advent Group Ministries	San Jose	GH-MD	01/27/2005	$ 400,000	$ 290,150
Apple Valley Christian Centers	Apple Valley	SNF	06/16/2003	350,000	64,250
North County Serenity House - LOC	Escondido	CDRF	03/20/2009	300,000	-
Desarrollo Familiar	Richmond	CLINIC-MH	12/23/1986	150,000	70,000
Loan Size: Less than $1,000,000	**9**			**$ 5,575,000**	**$ 3,387,890**
Total	**139**			**$ 2,017,064,359**	**$ 1,735,067,632**

Exhibit XVI

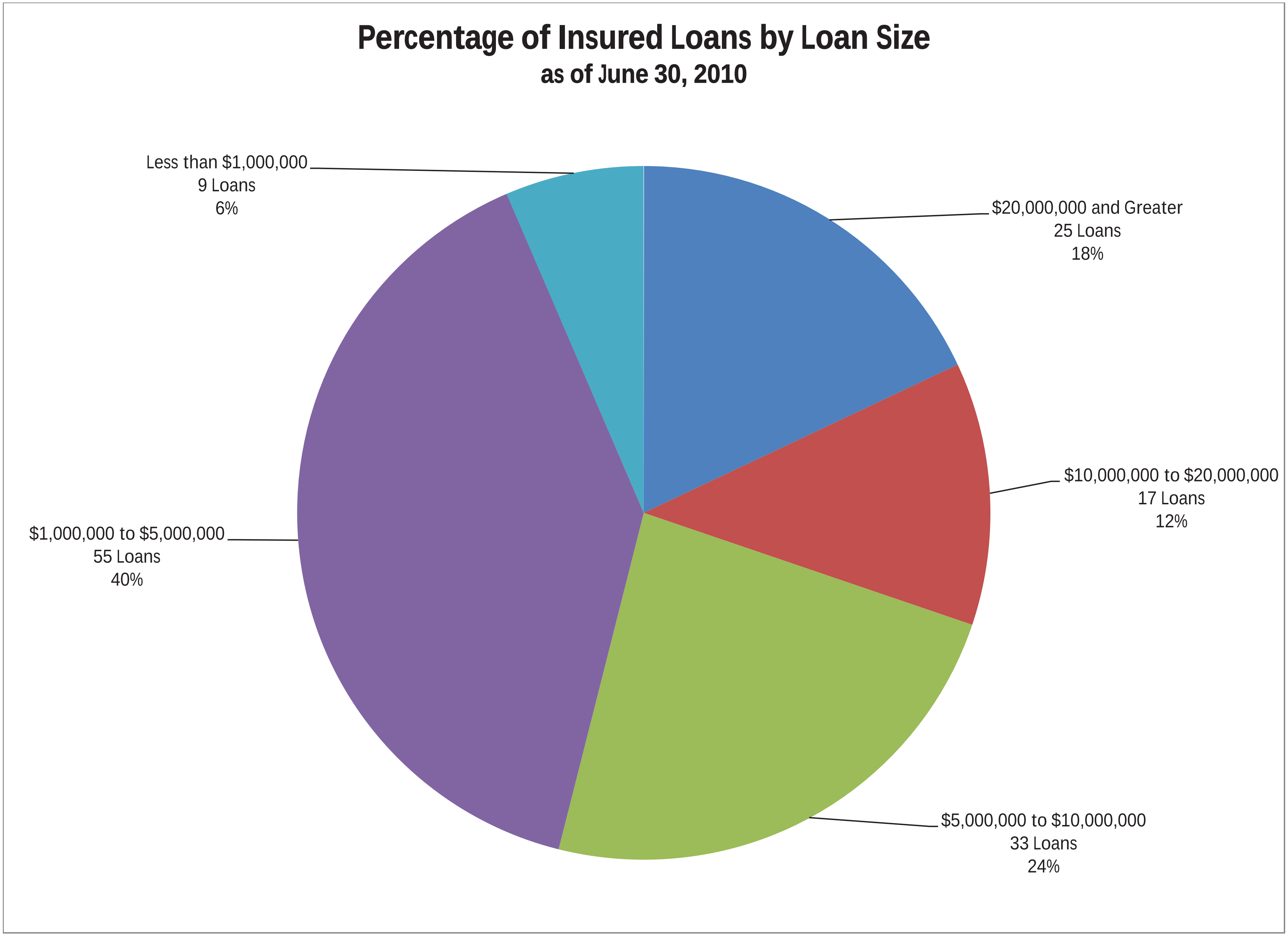

Percentage of Insured Loans by Loan Size
as of June 30, 2010
Less than $1,000,000
9 Loans
6%
$20,000,000 and Greater
25 Loans
18%
$10,000,000 to $20,000,000
17 Loans
12%
$1,000,000 to $5,000,000
55 Loans
40%
$5,000,000 to $10,000,000
33 Loans
24%

Exhibit XVII

Top Ten Largest Borrowers

(Based on Original Insured Amount)

as of June 30, 2010

Borrower Name	Facility City	Facility Type	Date Loan Insured		Original Insured Amount		Outstanding Principal Balance
Enloe Medical Center	Chico	HOSP	08/21/2008		68,915,000		65,730,000
Enloe Medical Center	Chico	HOSP	08/21/2008		166,680,000		166,680,000
Total for Enloe Medical Center				**$**	**235,595,000**	**$**	**232,410,000**
Lodi Memorial Hospital Association	Lodi	HOSP	10/26/2000		12,570,000		1,530,000
Lodi Memorial Hospital Association	Lodi	HOSP	12/13/2007		150,000,000		150,000,000
Total for Lodi Memorial Hospital Association				**$**	**162,570,000**	**$**	**151,530,000**
Los Angeles Jewish Home for the Aging	Reseda	MULTI-OTH	12/17/2003		80,000,000		74,930,000
Los Angeles Jewish Home for the Aging	Reseda	MULTI-OTH	02/14/2008		59,595,000		59,595,000
Los Angeles Jewish Home for the Aging - LOC	Reseda	MULTI-OTH	01/20/2009		4,900,000		-
Total for Los Angeles Jewish Home for the Aging				**$**	**144,495,000**	**$**	**134,525,000**
Odd Fellows Home of California	Saratoga	MULTI-OTH	10/06/1993		18,995,000		12,995,000
Odd Fellows Home of California	Saratoga	MULTI-CCRC	10/14/1999		34,500,000		27,040,000
Odd Fellows Home of California	Saratoga	MULTI-CCRC	01/07/2003		80,000,000		73,795,000
Total for Odd Fellows Home of California				**$**	**133,495,000**	**$**	**113,830,000**
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	02/21/2001		54,895,000		46,970,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	08/01/2007		45,000,000		45,000,000
Henry Mayo Newhall Memorial Hospital	Valencia	HOSP	08/01/2007		30,000,000		30,000,000
Total for Henry Mayo Newhall Memorial Hospital				**$**	**129,895,000**	**$**	**121,970,000**
Marshall Medical Center	Placerville	HOSP	10/06/1993		19,975,000		6,270,000
Marshall Medical Center	Placerville	HOSP	05/13/1998		28,030,000		18,870,000
Marshall Medical Center	Placerville	HOSP	03/25/2004		30,000,000		29,700,000
Marshall Medical Center	Placerville	HOSP	03/25/2004		20,000,000		20,000,000
Total for Marshall Medical Center				**$**	**98,005,000**	**$**	**74,840,000**
The Episcopal Home Communities	Alhambra	MULTI-CCRC	02/26/2002		90,000,000		79,110,000
Total for Episcopal Home Communities				**$**	**90,000,000**	**$**	**79,110,000**
Northern California Retired Officers Community	Fairfield	MULTI-CCRC	12/19/2002		49,755,000		39,805,000
Northern California Retired Officers Community	Fairfield	MULTI-CCRC	12/20/2005		16,125,000		11,325,000
Total for Northern California Retired Officers Community				**$**	**65,880,000**	**$**	**51,130,000**
Casa de las Campanas	San Diego	MULTI-CCRC	01/28/2010		54,310,000		54,310,000
Total for Casa de Las Campanas				**$**	**54,310,000**	**$**	**54,310,000**
St. Rose Hospital	Hayward	HOSP	05/28/2009		42,100,000		42,000,000
St. Rose Hospital - LOC	Hayward	HOSP	05/28/2009		7,500,000		3,000,000
Total for St. Rose Hospital				**$**	**49,600,000**	**$**	**45,000,000**

Exhibit XVIII

Pending Applications and Pre-Applications by Facility Type

as of June 30, 2010

	Pending Applications		Pre-Applications	
Type of Facility	Number of Loans	Projected Loan Amount	Number of Loans	Projected Loan Amount
Hospital	2	10,000,000	-	-
Primary Care Clinic	2	15,000,000	2	14,345,000
Multi-Level[1]	2	75,995,000	1	11,800,000
Skilled Nursing Facility[2]	2	9,811,000	1	7,785,000
Chemical Dependency Recovery Facility[3]	-	-	-	-
Group Home[4]	1	4,355,000	-	-
Other[5]	1	2,340,000	1	5,000,000
Total	**10**	**$ 117,501,000**	**5**	**$ 38,930,000**

Footnotes:

[1] Multi-Level includes mulit-level facilities with residential units for the elderly, coupled with a skilled nursing facility, an intermediate care facility, or a general acute care hospital.

[2] Skilled Nursing Facility or Intermediate Care Facility. Some skilled nursing facilities may be part of multi-level facility, but OSHPD is only asked to insure the skilled nursing facility portion.

[3] Chemical Dependency Recovery Facility includes adult drug abuse treatment facilities, alcohol recovery facilities, alcohol free living centers, and substance abuse recovery facilities.

[4] Group Home includes community-based group homes for the developmentally disabled, mentally disabled or emotionally disturbed (provides residential care).

[5] Other includes adult day care for the developmentally disabled, adult day health care, blood banks, birthing centers, AIDS clinics, dialysis clinics, mental health clinics, community mental health clinics, hospices, and intermediate care facilities for the developmentally disabled.

Exhibit XIX

Total Default Payments Net of Recoveries Paid from the Insurance Fund[1]

(by Fiscal Year)

Fiscal Year		Default Payments
1990-91 and prior		-
1991-92		4,584,603
1992-93		-
1993-94		148,000
1994-95		261,000
1995-96		10,722,145
1996-97		22,876,277
1997-98		14,021,240
1998-99		(19,820,529) [2]
1999-00		15,690,270
2000-01		12,544,006
2001-02		(11,063,345) [2]
2002-03		11,617,742
2003-04		12,651,801
2004-05		11,168,374
2005-06		12,462,424
2006-07		8,813,472
2007-08		11,272,891
2008-09		15,740,392
2009-10		10,622,563
Total	**$**	**144,313,326**

Footnote:

[1] In previous State Plans, this data was reported by calendar year. This was changed to fiscal year (July 1-June 30) to be consistent with other exhibits in this

[2] Recoveries were greater than default payments.

Exhibit XX

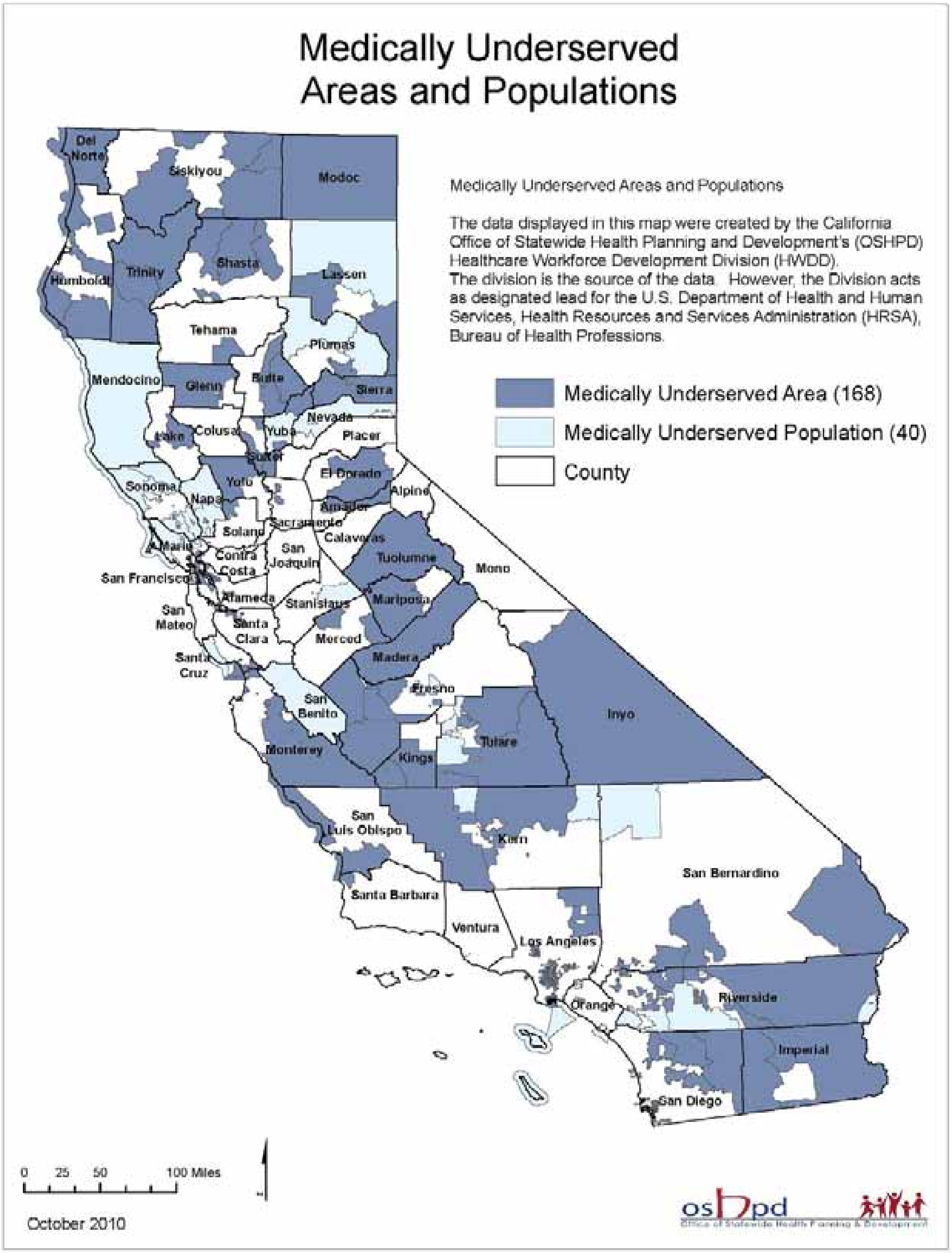
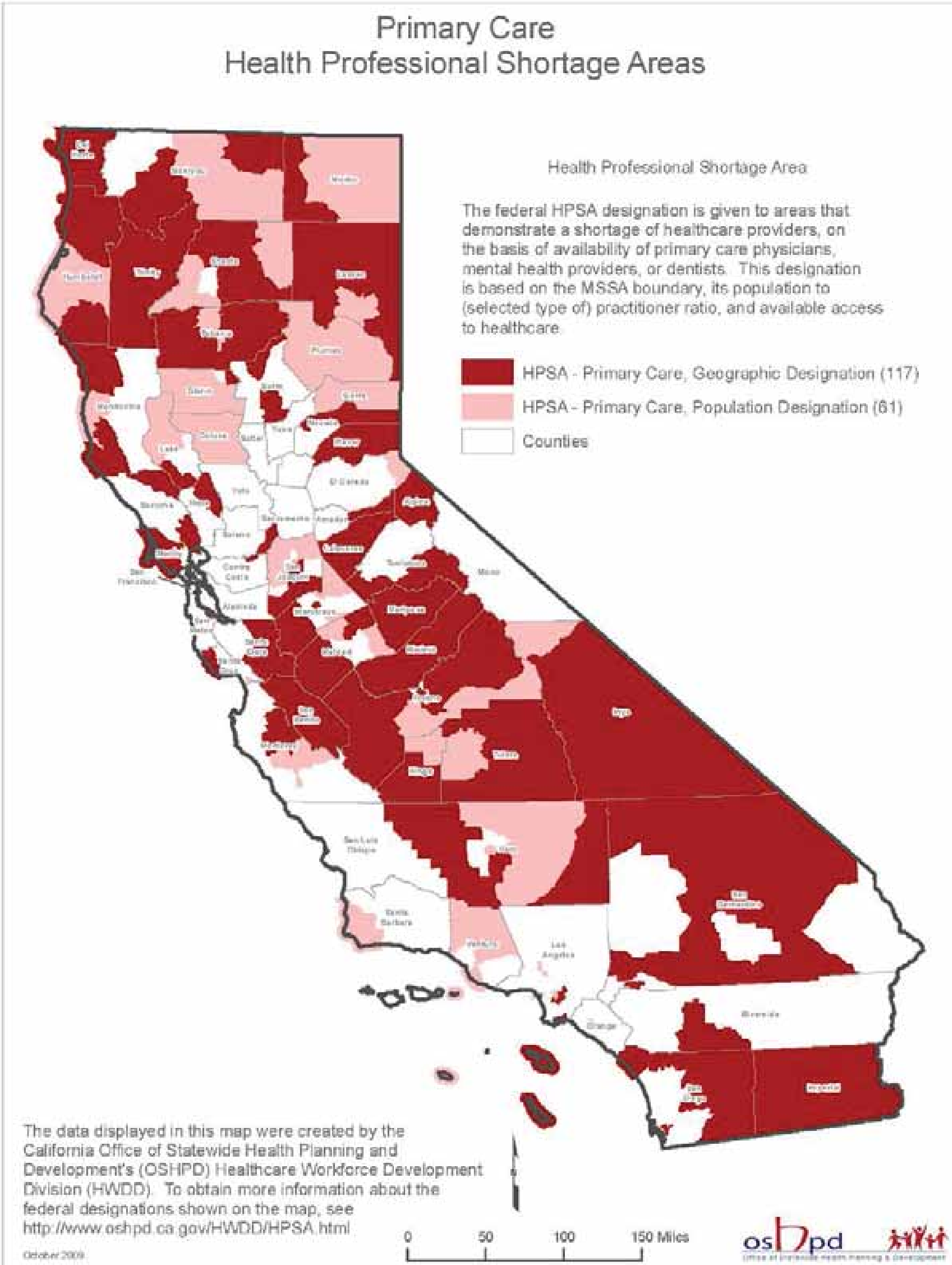

Medically Underserved Areas and Populations
Medically Underserved Areas and Populations
The data displayed in this map were created by the California Office of Statewide Health Planning and Development's (OSHPD) Healthcare Workforce Development Division (HWDD).
The division is the source of the data. However, the Division acts as designated lead for the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA), Bureau of Health Professions.
Medically Underserved Area (168)
Medically Underserved Population (40)
County
Del Norte
Siskiyou
Modoc
Humboldt
Trinity
Shasta
Lassen
Tehama
Plumas
Mendocino
Glenn
Butte
Sierra
Nevada
Lake
Colusa
Yuba
Placer
Sutter
El Dorado
Sonoma
Yolo
Napa
Alpine
Amador
Solano
Sacramento
Calaveras
Marin
Contra Costa
San Joaquin
Tuolumne
Mono
San Francisco
Alameda
Stanislaus
Mariposa
San Mateo
Santa Clara
Merced
Madera
Santa Cruz
Fresno
San Benito
Inyo
Tulare
Monterey
Kings
San Luis Obispo
Kern
San Bernardino
Santa Barbara
Ventura
Los Angeles
Orange
Riverside
Imperial
San Diego
0 25 50 100 Miles
October 2010
oshpd
Office of Statewide Health Planning & Development

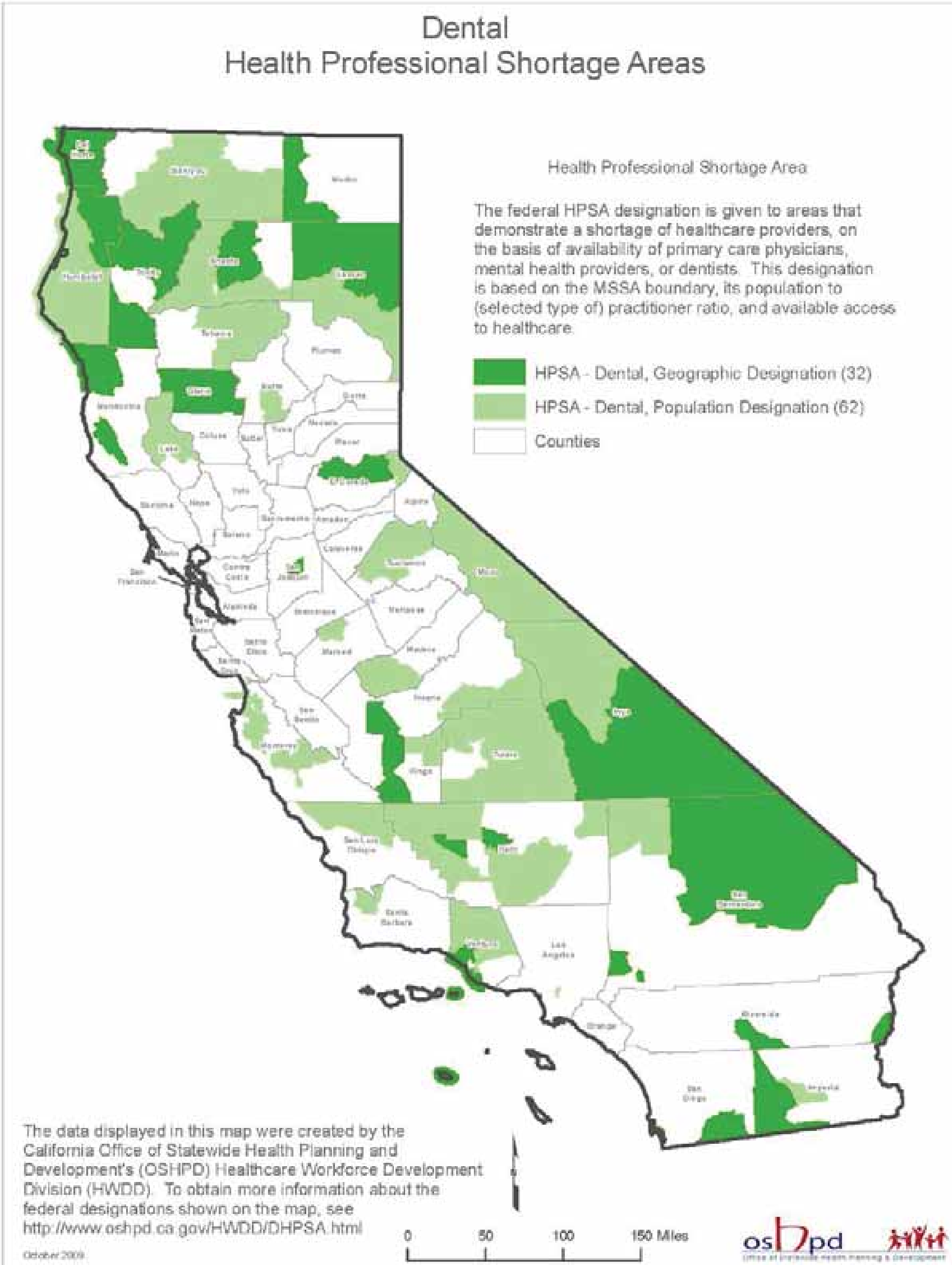
Exhibit XXI



Primary Care
Health Professional Shortage Areas
Health Professional Shortage Area
The federal HPSA designation is given to areas that demonstrate a shortage of healthcare providers, on the basis of availability of primary care physicians, mental health providers, or dentists. This designation is based on the MSSA boundary, its population to (selected type of) practitioner ratio, and available access to healthcare.
HPSA - Primary Care, Geographic Designation (117)
HPSA - Primary Care, Population Designation (61)
Counties
The data displayed in this map were created by the California Office of Statewide Health Planning and Development's (OSHPD) Healthcare Workforce Development Division (HWDD). To obtain more information about the federal designations shown on the map, see http://www.oshpd.ca.gov/HWDD/HPSA.html
October 2009
0
50
100
150 Miles
oshpd

Exhibit XXII

Exhibit XXIII



Additional copies of this report may be obtained by contacting:

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