

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

HELP II Loan Program

Six Rivers Planned Parenthood Agenda Item #6

Notice of Default Authorization

October 30, 2014

BACKGROUND

On January 29, 2009 and February 24, 2011, the Authority approved two (2) HELP II loans for Six Rivers Planned Parenthood (the "Borrower") in the amount of \$245,000 to refinance an existing loan and \$196,500 to purchase equipment, respectively. As of October 23, 2014, the combined principal only balance of the HELP II loans is approximately \$123,415.52, and the amount thus far including interest is approximately, \$123,648.74.

ISSUE

On July 9, 2014, the Borrower notified the Authority that it will cease providing health services at the end of July 2014 and had changed its name from Six Rivers Planned Parenthood to Six Rivers, Inc. Upon receipt of the notification, staff contacted the Borrower to obtain more information on the changes. In August 2014, the Borrower confirmed with staff that it would no longer operate as a clinic and pharmacy. The Borrower ceased to maintain its license as a Community Clinic and is no longer a qualified health facility pursuant to Government Code section 15432(d).

The Borrower has failed to comply with the following terms of the Loan and Security Agreement for each of the HELP II loans:

Section 4(h): "all proceeds of this Loan will be used by the Borrower solely for the Project as described in the Recitals and as has been approved by the Lender ..."

Section 6(f): "Borrower shall at all times maintain its corporate existence and shall do or cause to be done all things necessary to preserve and keep in full forces and effect its rights, licenses, and franchises".

Section 6(g): "Borrower shall not, without the prior written notification to Lender, change its name or place of business ... or otherwise substantially change its corporate structure or the general character of its business as it is presently conducted".

Section 6(j): "Borrower shall not use or permit any required collateral to be used ... in violation of any provision of this Agreement ..."

RECOMMENDATION

Staff recommends that the Authority authorize the Executive Director to issue a notice of default to the Borrower for each HELP II loan, which includes notification that both HELP II loans must be paid in full.