CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY ("Authority")

HELP II Loan Program

Resolution No. 2015-05

April 30, 2015

Executive Summary

At the February 26, 2015 meeting, the Authority directed staff to analyze the HELP II Loan Program ("Program") and develop possible additional initiatives given the Program's robust fund balance of approximately $23 million.

Staff has prepared the attached PowerPoint presentation (Exhibit A) providing an overview of the Program as it exists today, potential programmatic adjustments (e.g., lowering the interest rate, extending the loan term, increasing the lending limit, taking on riskier borrowers) concepts for additional grant programs, and possible effects to the HELP II fund balance if the Authority implements the programmatic adjustments.

Staff recommends the following programmatic adjustments to the Program and actions to be taken in anticipation of the May board meeting, all of which will be discussed in further detail at the upcoming April meeting:

(1) Increase the loan term from 15 years to 20 years to finance real property acquisition, construction, or renovation to help borrowers improve cash flow by reducing monthly payments. This change would also align with the industry standard, which typically provides a 20 to 30 year amortization schedule for real property financings.

(2) Increase the maximum loan amount from $1,000,000 to $1,500,000 to allow borrowers access to more funds for larger projects involving real property acquisition, construction or renovation, and equipment acquisition.

(3) Direct staff to develop a program within HELP II that on a case-by-case basis, may assist struggling health facilities that do not meet one or more of the financial eligibility guidelines of the Program. Staff will prepare and present the framework of such a concept at the May 28, 2015 meeting.

(4) Direct staff to present grant program concepts from one or more of the ideas presented in Exhibit A to be heard and considered at the May 28, 2015 meeting.

Staff requested the Authority's financial advisor, Sperry Capital, to analyze the Program fund balance and evaluate the potential consequences of implementing one or more of these suggestions. Sperry Capital will discuss the results of its analysis at the Authority meeting. Also, attached is a PowerPoint presentation (Exhibit B) of Sperry Capital's financial analysis.

RESOLUTION NO. 2015-05

RESOLUTION OF THE CALIFORNIA HEALTH FACILTIES FINANCING AUTHORITY APPROVING PROGRAMMATIC CHANGES FOR THE HELP II LOAN PROGRAM

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to provide secured or unsecured loans to participating health institutions to finance or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, the Authority established the HELP II Loan Program (the "Program") to issue loans to participating health institutions that meet the eligibility guidelines of the Program; and

WHEREAS, the Authority desires to adjust aspects of the existing Program with the purpose of enhancing access under the Program;

NOW, THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The Authority hereby amends the Program to increase the maximum loan term from 15 years to 20 years to finance property acquisition, construction, or renovation.

Section 2. The Authority hereby amends the Program to increase the maximum cumulative loan amount from $1,000,000 to $1,500,000 to finance real property acquisition, construction or renovation, and equipment acquisition.

Section 3. The Authority hereby amends the Program to decrease the interest rate from 3% to 2% to finance real property acquisition, construction or renovation, and equipment acquisition. The 2% interest rate shall remain in effect until April 30, 2017 and will be reset to 3% thereafter for Program loans approved after April 30, 2017.

Section 4. The Authority shall establish a minimum floor of $6,000,000 for the Program fund balance, as a mechanism to safeguard the Program's fund balance. If the Program's fund balance decreases to the minimum floor, staff may not consider loan applications which request funds in excess of a $1,000,000 cumulative loan amount without Authority approval.

Section 5. All other aspects of the Program remain unchanged.

Date Approved: ____________________________

HELP II
Strategic Analysis

1

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

EXHIBIT A

HELP II Loan Program

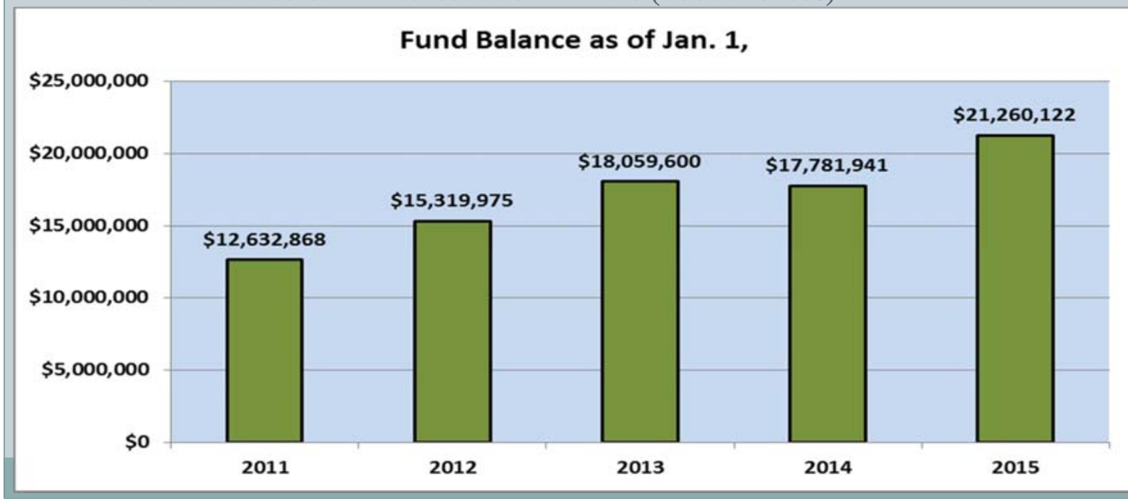
2

- Product
  - Loans up to $1 million
  - 3% fixed interest rate
  - 3-15 year financing

- Target Market
  - Small or rural nonprofit health facilities located in California
  - Annual gross revenues are less than or equal to $30 million

HELP II Fund Balance

- Approximately $35M outstanding in FY 2013-14
  - Generates approximately $1M in interest annually
  - Generates approximately $4M in principal annually
  - Idle funds also earn interest at SMIF rate (about 0.25%)



Strategies for Employing the HELP II Fund Balance

- Increase number of HELP II loans
- Implement programmatic changes
- Allocate a portion of the funds for HELP II Sub-Programs
- Utilize a portion of the funds to create a CHAMP sequel or consider other possible grant programs

Barriers to Increasing the Number of HELP II Loans

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- Program Awareness
  - Do potential borrowers know of HELP II?
  - Do potential borrowers think of HELP II first when in need of financing?
- Prevailing Wage Requirement
  - Nullifies HELP II interest rate advantage in a low interest rate environment
  - Impacts construction & renovation loans
  - Increases costs by 20%-35%
- Procedures/Requirements to obtain a HELP II loan
  - Application process
  - Loan closing process

Overcoming Barriers

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- Program Awareness
  - Marketing campaign
- Prevailing Wage requirement
  - Programmatic changes
- Procedures/Requirements for a HELP II loan
  - Streamline Application and loan closing procedures/requirements

Marketing Campaign

7

- Proactive Promotion - Increasing Brand Awareness
  - Attend Healthcare Association Conferences
    - Direct interaction w/ health facilities
  - Attend Healthcare Association monthly meetings
    - Develop relationships w/ Associations
  - Social Media - Promote accomplishments of borrowers, Association events, and communicate CHFFA updates
    - Facebook
    - Twitter
    - LinkedIn
    - Instagram

Possible Programmatic Changes

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- Increase Maximum Loan Amount
  - $1M ➔ $1.5M or $2M
  - Example – M.E.R.C.I.
    - Project exceeded $1M max. – sought additional financing elsewhere
- Lower Interest Rate
  - 3% ➔ 2%
- Extend Loan Term
  - 15 years ➔ 20 years

Possible Programmatic Changes cont.

9

- Broaden Eligibility Parameters
  - Private for-profit providers serving > 50% Medi-Cal patients
  - Require legislative change
- Working Capital
  - Maximum of $100,000 – $200,000
  - In business at least 3 years
- Consider Marginal Borrowers
  - DSC ratio < 1.25x
  - Total loans not to exceed $X million (e.g. $3M = 1% default rate)
  - Example – Creative Alternative for Learning and Living
    - DSC of 0.43
    - Little use of debt, equity twice amount of loan, business plan

Effects of Programmatic Changes

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- Cash-flow Sensitive – monthly payments
  - Interest rate change ($1M @ 15 year term)
    - 3% – $6,900
    - 2% – $6,400
    - Difference – monthly payment <u>decreases</u> by $500
  - Loan term change ($1M @ 3% interest)
    - 15 years – $6,900
    - 20 years – $5,500
    - Difference – monthly payment <u>decreases</u> by $1,400

Effects of Programmatic Changes cont.

- Cost Sensitive - total interest paid
  - Interest rate change ($1M @ 15 year term)
    - 3% – $243,000
    - 2% – $158,300
    - Difference – total cost of loan <u>decreases</u> by $84,700
  - Loan term change ($1M @ 3% interest)
    - 15 years – $243,000
    - 20 years – $331,000
    - Difference – total cost of loan <u>increases</u> by $88,000

Alternate Program Considerations

- CHAMP II
- Physician Recruitment/Physician Residency Grant Program
- Energy Efficiency Grant Program
- Audited Financials Grant Program
- Health Expansion – New Equipment Grant Program
- CalCAP (CPCFA) Loan Program

California Health Facilities Financing Authority

HELP II

Program Financial Analysis

April 20, 2015

Sperry Capital Inc.
Jim Gibbs, Principal
Martha Vujovich, Principal
Michelle Parra-Guedez, Associate

EXHIBIT B

Executive Summary

- The balance sheet of the HELP II Program as of December 31, 2015 was:

Assets	
Cash (including interest earned @ 0.25%)	*$22,864,620*
Outstanding Loans @ 3%	*$31,090,173*
Total Assets	*$53,954,793*
Liabilities	*$0*
Net Assets	***$53,954,793***

- Outflow of funds to make loans has not kept pace with the inflow of funds from loan payments and the cash balance has risen.
  - Based on the average loan activity over the past 8 years, the loan portfolio is averaging over $5 M/year in principal and interest payments based upon a 3% loan interest rate.(Of the $5 M, about $930,000 is interest and $4.07 M is repaid principal.)
  - Several factors have contributed to decreased loan volume (recovering economy, low rates from commercial lenders, prevailing wage mandate for projects, stringent eligibility requirements)

Executive Summary

- The cash balance is invested in the PMIA earning ~0.25% annually.
- No administrative expenses are deducted.
- The portfolio has a 0% default rate since inception.
- Examining New Objectives:
  - Can surplus funds be withdrawn and used for other purposes while still maintaining sufficient funds to maintain HELP II long term, i.e. creating a grant program, etc.?
  - Can the maximum loan amount increase from $1,000,000 to $1,500,000?
  - Can credit standards be eased to attract wider segment of applicants?
  - As volume increases, can the fund absorb loan delinquencies and defaults ?
  - Can the interest rate be reduced to compete with commercial loan rates?
  - Can program administrative expenses be deducted?

Executive Summary

- Conclusions:
  - As long as repaid principal is consistently used to originate new loans and expenses don't exceed interest earnings, the fund can remain viable indefinitely.
  - The Cash Balance can be regarded as surplus to the loan fund needs and can be used for other purposes if current loan demand is being met by principal repayments, defaults remain at zero, and interest earnings meet annual administrative expenses.
  - By increasing loan volume, the rate of earnings on the loan fund will increase from 0.25% on the cash in PMIA to 3.0% on the new loans outstanding. If the full $54 M were in loans earning 3%, interest income would be $1.6 M/year.
  - The loan fund can remain self-sustaining if annual administrative expense is equal to or less than the annual interest income of the portfolio.

Executive Summary – Analysis Assumptions

- Base Case is average of past 8 years of program experience *(see pages 7-8):*
  - Average loan amount: $543,351 (maximum loan amount is $1,000,000)
  - Average # of loans originated per year: 11.25
  - Interest rate: 3%
  - Term for real estate & refinancing is 15 years; equipment loans is 5 years
  - 15% in equipment loans, 49% in real estate loans, 37% in refinancing loans
  - Loan origination fee = 1.25%
  - Annual interest earnings on cash balance = 0.25% (PMIA)
  - 0% default rate
  - Target loan cash balance = $6,000,000
- Scenario A: annual # of loans = 11; increase average loan amount to $643,351 (maximum loan amount is $1,500,000); increase loan term for real estate loans to 20 years; all other assumptions remain the same as Base Case *(see pages 9-10)*

Executive Summary – Analysis Assumptions cont'd.

- Scenario B: same assumptions as Scenario A, add 1% default rate *(see pages 11-12)*
  - *Scenario B1: same as Scenario B, include admin expenses of $450 K per year*
  - *Scenario B2: same as Scenario B, include admin expenses of $250 K per year*
- Scenario C: same assumptions as Scenario A, (0% default rate), reduce interest rate to 2% for years 1-2; 3% thereafter *(see pages 13-14)*
  - *Scenario C1: same as Scenario C, include admin expenses of $450 K per year*
  - *Scenario C2: same as Scenario C, include admin expenses of $250 K per year*

BASE CASE: Average of Past 8 Years' Performance of Fund

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$ 6,000,000
Average loan amount	$ 543,351
Maximum loan amount	$ 1,000,000
Interest rate on loans	3%
Default rate	0%
Loan term for real estate/refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Average # of loans originated per year	11.25
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%

SUMMARY:

IF no changes made to HELP II Program:

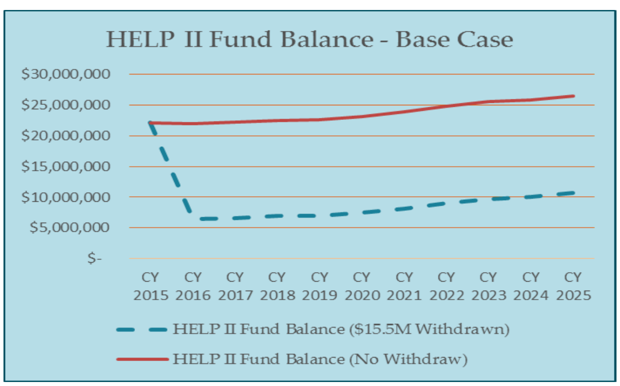
Beg Fund Balance (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$4,136,824
Total new loans 2015 (11)*	- $ 6,051,572
Loan payments, new loans	$399,246
Interest earned .25%/yr	$ 55,280
Ending balance 12/31/15	**$22,166,859**
Withdraw funds 2015	- $15,500,000
Fund Balance end of 2015	$ 6,666,859
Fund Balance end of 2025	**$10,656,691**

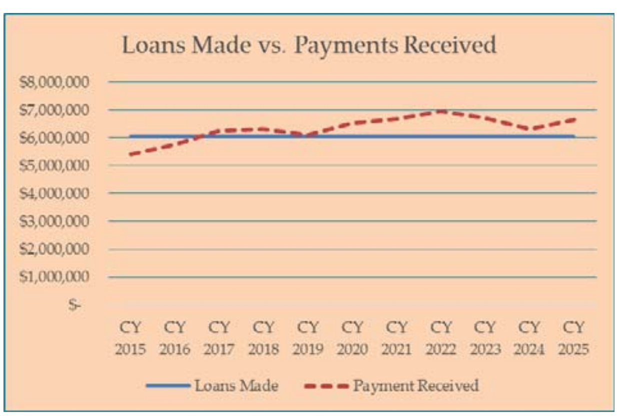
** 11 loans @ $543,351 average size plus 1.25% loan fee*

TARGET FUND BALANCE MET

Sperry

BASE CASE: Average of Past 8 Years' Performance of Fund





Conclusion: If **no changes** are made to the Program, $15,500,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will increase to $10,656,691 by the end of 2025.

Sperry

Scenario A: 11 loans per year; various terms, 0% default

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$6,000,000
Average loan amount	**$ 643,351**
Maximum loan amount	$ 1,500,000
Interest rate on loans	3%
Default rate	0%
Loan term for real estate/construction	**20 years**
Loan term for refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Loans originated per year	11
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%

SUMMARY: Increase loan size, various terms, 11 loans per year, 0% default rate

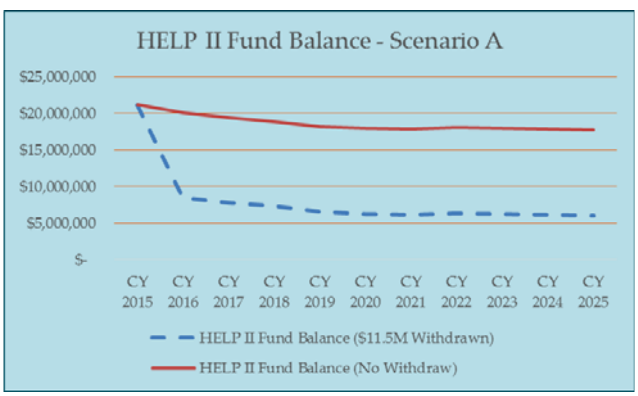
Beg Fund Balance (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$4,136,824
Total new loans 2015 (11) *	- $ 7,076,854
Loan payments, new loans	$ 448,411
Interest earned .25%/yr	$ 52,839
Ending balance 12/31/15	**$21,188,301**
Withdraw funds 2015	- $11,500,000
Fund Balance end of 2015	$ 9,688,301
Fund Balance end of 2025	**$ 6,040,491**

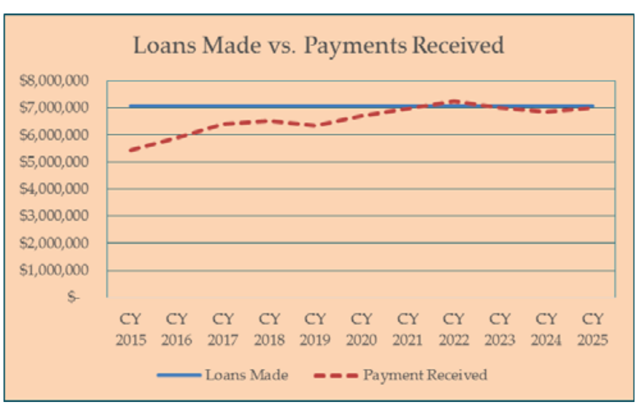
** 11 loans @ $643,351 average size plus 1.25% loan fee, various loan terms, 0% default*

TARGET FUND BALANCE MET

Sperry

Scenario A: 11 loans per year; various terms; 0% default





Conclusion: If average loan amount increases to $643,351, and the loan term is increased to 20 years for real estate loans, $11,500,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will decrease slightly to $6,040,491 by the end of 2025.

Sperry

Scenario B: 11 loans per year; various terms; 1% default rate

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$6,000,000
Average loan amount	**$ 643,351**
Maximum loan amount	$ 1,500,000
Interest rate on loans	3%
Default rate	**1%**
Loan term for real estate/construction	**20 years**
Loan term for refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Loans originated per year	11
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%

SUMMARY: Increase loan size, various terms, 11 loans per year, 1% default rate

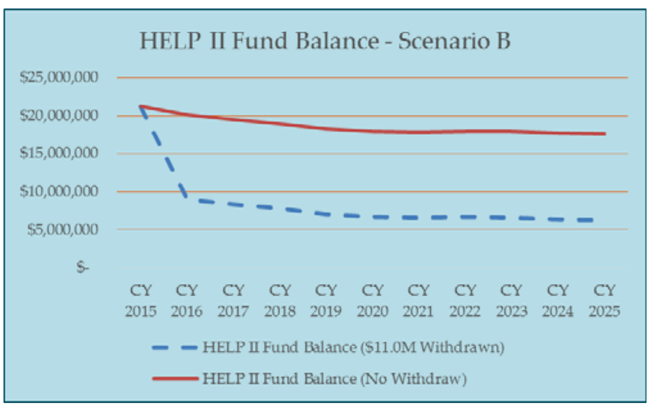
Beg Fund Balance (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$4,136,824
Total new loans 2015 (11) *	- $ 7,076,854
Loan payments, new loans	$ 448,411
Interest earned .25%/yr	$ 52,839
Ending balance 12/31/15	**$21,188,301**
Withdraw funds 2015	- $11,000,000
Interest earned .25%/yr	$ 25,534
Fund Balance end of 2015	$10,188,301
Fund Balance end of 2025	**$ 6,248,744**

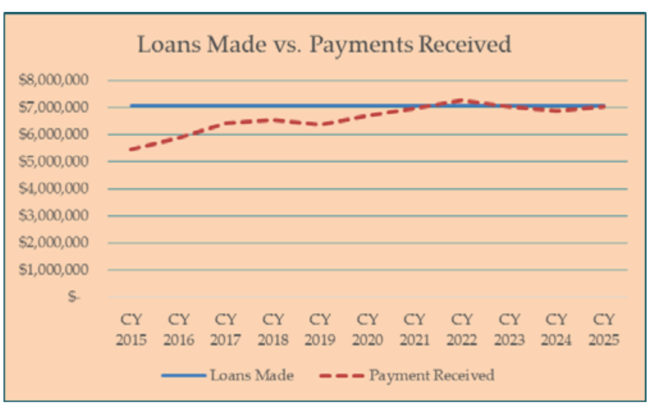
** 11 loans @ $643,351 average size plus 1.25% loan fee, various loan terms; 1% default rate*

TARGET FUND BALANCE MET

Sperry

Scenario B: 11 loans per year; various terms; 1% default rate





Conclusion: If average loan amount increases to $643,351, the loan term is increased to 20 years for real estate loans, a 1% default rate assumed, $11,000,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will decrease slightly to $6,248,744 by the end of 2025.

Sperry

Scenario B1: 11 loans per year; various terms; 1% default rate

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$6,000,000
Average loan amount	$ 643,351
Maximum loan amount	$ 1,500,000
Interest rate on loans	3%
Default rate	1%
Loan term for real estate/construction	20 years
Loan term for refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Loans originated per year	11.25
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%
Administrative expenses per year	$450,000

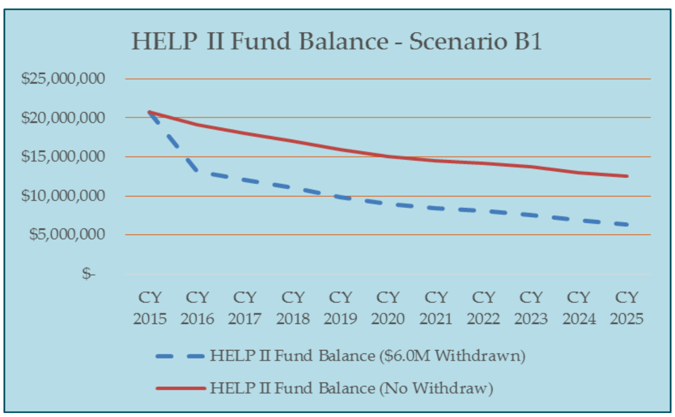
SUMMARY: Increase loan size, various terms, 11 loans per year, 1% default rate, admin expense of $450 K

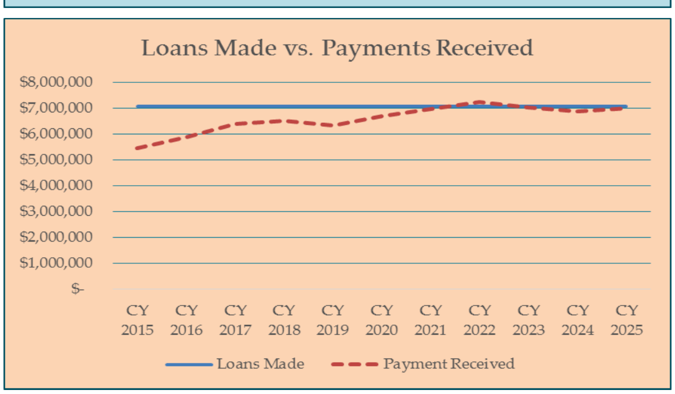
Beg Balance Loan Fund (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$ 4,136,824
Total new loans 2015 (11)*	- $ 7,076,854
Loan payments, new loans	$ 448,411
Interest earned .25%/yr	$ 52,839
Admin expenses	- $ 450,000
Ending Balance 12/31/15	**$20,737,176**
Withdraw funds 2015	- $ 6,000,000
Fund Balance end of 2015	$14,737,176
Fund Balance end of 2025	**$ 6,350,287**

** 11 loans @ $643,351 average size plus 1.25% loan fee, various loan terms; 1% default rate*

TARGET FUND BALANCE MET

Scenario B1: 11 loans per year; various terms; 1% default rate





Conclusion: If average loan amount increases to $643,351, the loan term is increased to 20 years for real estate loans, a 1% default rate assumed, and **$450 K** of admin expense per year, $6,000,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will decrease slightly to $6,350,287 by the end of 2025.

April 20, 2015

Scenario B2: 11 loans per year; various terms; 1% default rate

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$6,000,000
Average loan amount	**$ 643,351**
Maximum loan amount	$ 1,500,000
Interest rate on loans	3%
Default rate	**1%**
Loan term for real estate/construction	**20 years**
Loan term for refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Loans originated per year	11
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%
Administrative expenses per year	**$250,000**

SUMMARY: Increase loan size, various terms, 11 loans per year, 1% default rate, admin expense of $250 K

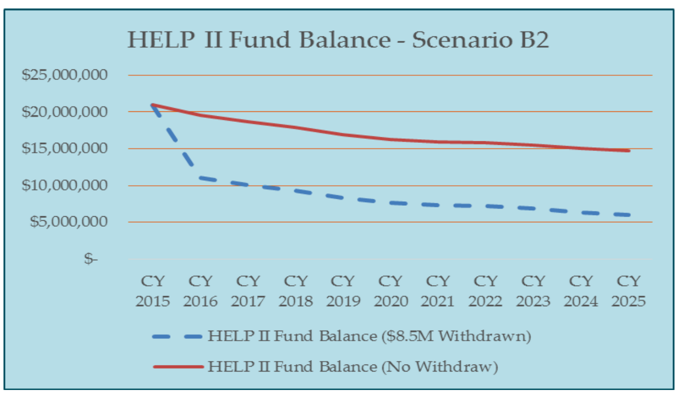
Beg Balance Loan Fund (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$ 4,136,824
Total new loans 2015 (11) *	- $ 7,076,854
Loan payments, new loans	$ 448,411
Interest earned .25%/yr	$ 52,214
Admin expenses	- $ 250,000
Ending Balance 12/31/15	**$20,937,676**
Withdraw funds 2015	- $ 8,500,000
Fund Balance end of 2015	$ 12,437,676
Fund Balance end of 2025	**$ 6,020,356**

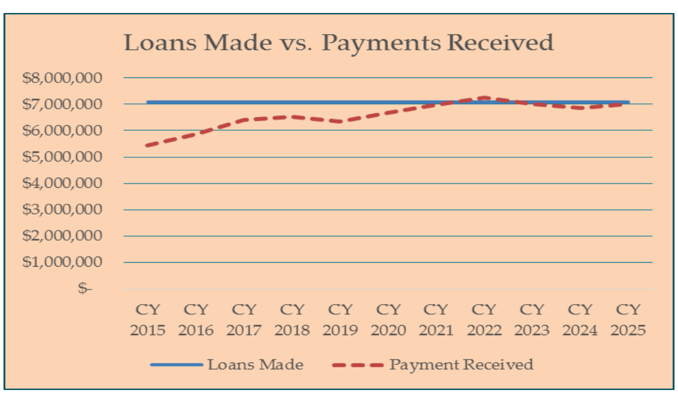
** 11 loans @ $643,351 average size plus 1.25% loan fee, various loan terms; 1% default rate*

TARGET FUND BALANCE MET

April 20, 2015

Scenario B2: 11 loans per year; various terms; 1% default rate





Conclusion: If average loan amount increases to $643,351, the loan term is increased to 20 years for real estate loans, a 1% default rate assumed, and **$250 K** of admin expense per year, $8,500,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will decrease to $6,020,356 by the end of 2025.

Scenario C: 11 loans per year; interest rate 2% to 3%

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$ 6,000,000
Average loan amount	**$ 643,351**
Maximum loan amount	$ 1,500,000
Interest rate on loans 2% for 2 yrs; 3% thereafter	2%-3%
Default rate	0%
Loan term for real estate/construction	20 years
Loan term for refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Loans originated per year	11
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%

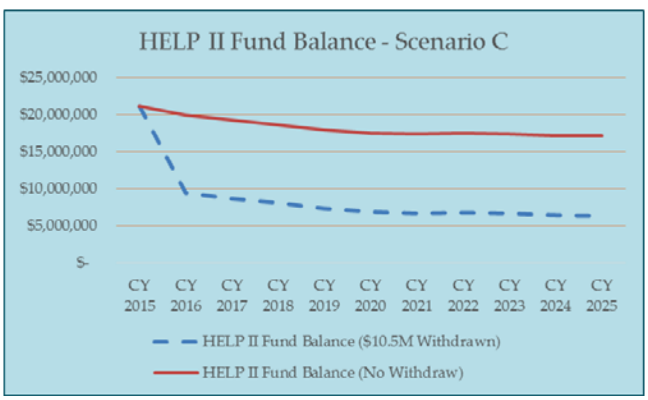
SUMMARY: Increase loan size, various terms, 11 loans per year, rate 2% to 3%

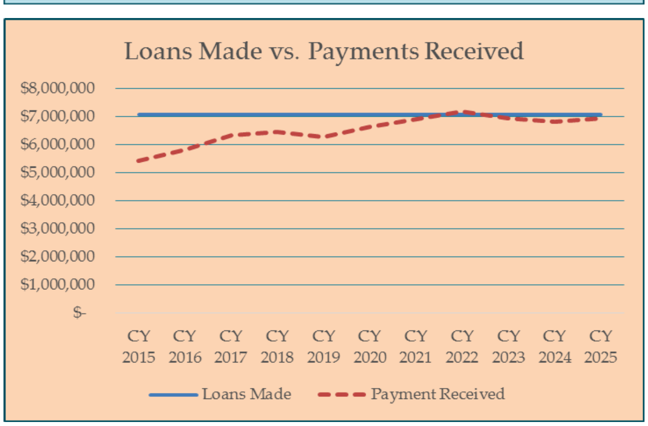
Beg Fund Balance (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$4,136,824
Total new loans 2015 (11)*	- $ 7,076,854
Loan payments, new loans	$ 426,814
Interest earned	$ 52,785
Ending balance 12/31/15	**$21,166,650**
Withdraw funds 2015	- $10,500,000
Fund Balance end of 2015	$10,666,650
Fund Balance end of 2025	**$ 6,358,358**

** 11 loans @ $643,351 average size plus 1.25% loan fee, various loan terms; 2% for 2 years, 3% thereafter, 0% default rate*

TARGET FUND BALANCE MET

Scenario C: 11 loans per year; 2% rate for 2 years; 3% after





Conclusion: If average loan amount increases to $643,351, the loan term is increased to 20 years for real estate loans, 0% default rate, and the interest rate is 2% for years 1-2, then 3% thereafter, $10,500,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will decrease slightly to $6,358,358 by the end of 2025.

Scenario C1: 11 loans per year; interest rate 2% to 3%

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$ 6,000,000
Average loan amount	**$ 643,351**
Maximum loan amount	$ 1,500,000
Interest rate on loans 2% for 2 yrs; 3% thereafter	**2%-3%**
Default rate	**0%**
Loan term for real estate/construction	**20 years**
Loan term for refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Loans originated per year	11
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%
Administrative expenses per year	**$450, 000**

SUMMARY: Increase loan size, various terms, 11 loans per year, rate 2% to 3%, admin expenses of $450 K

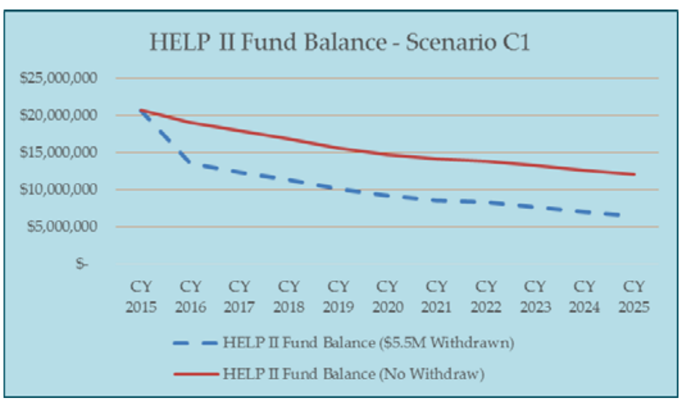
Beg Fund Balance (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$ 4,136,824
Total new loans 2015 (11)*	- $ 7,076,854
Loan payments, new loans	$ 426,814
Interest earned	$ 51,660
Admin expenses	- $ 450,000
Ending balance 12/31/15	**$20,715,525**
Withdraw funds 2015	- $ 5,500,000
Fund Balance end of 2015	$15,215,525
Fund Balance end of 2025	**$ 6,459,902**

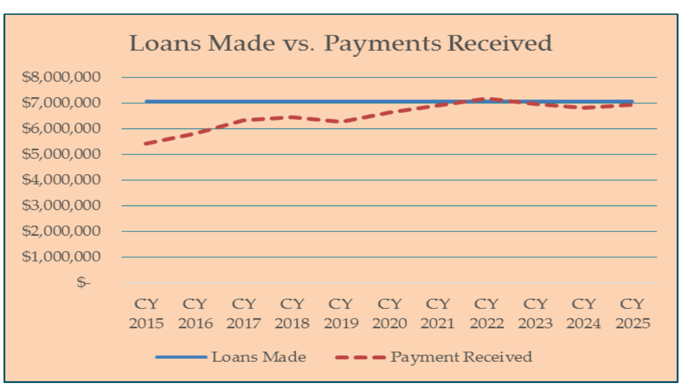
** 11 loans @ $643,351 average size plus 1.25% loan fee, various loan terms; 2% for 2 years, 3% thereafter, 0% default rate*

TARGET FUND BALANCE MET

Sperry

Scenario C1: 11 loans per year; 2% rate for 2 years; 3% after





Conclusion: If average loan amount increases to $643,351, the loan term is increased to 20 years for real estate loans, 0% default rate, the interest rate is 2% for years 1-2, then 3% thereafter, and admin expenses of **$450 K**, $5,500,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will decrease to $6,459,902 by the end of 2025.

Sperry

April 20, 2015

Scenario C2: 11 loans per year; interest rate 2% to 3%

ASSUMPTIONS	
HELP II fund balance as of 2/28/2015	$23,627,081
Target loan fund balance	$ 6,000,000
Average loan amount	**$ 643,351**
Maximum loan amount	$ 1,500,000
Interest rate on loans 2% for 2 yrs; 3% thereafter	2%-3%
Default rate	0%
Loan term for real estate/construction	20 years
Loan term for refinancing	15 years
Loan term for equipment	5 years
% of fund in equipment loans	15%
% of fund in facility/real property costs	49%
% of fund in refinancing debt	37%
Loans originated per year	11
Loan origination Fee	1.25%
Interest earnings on loan fund per year	.25%
Administrative expenses per year	$250, 000

SUMMARY: Increase loan size, various terms, 11 loans per year, rate 2% to 3%, admin expenses of $250 K

Beg Fund Balance (as of 2/28/2015)	$23,627,081
Payments rec'd before new loans made (3/15 – 12/15)	$4,136,824
Total new loans 2015 (11)*	- $ 7,076,854
Loan payments, new loans	$ 426,814
Interest earned	$ 52,160
Admin expenses	- $ 250,000
Ending balance 12/31/15	**$20,916,025**
Withdraw funds 2015	- $ 8,000,000
Fund Balance end of 2015	$12,916,025
Fund Balance end of 2025	**$ 6,129,970**

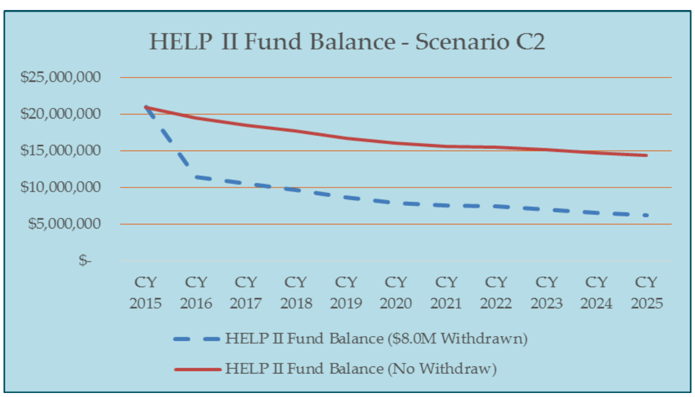
** 11 loans @ $643,351 average size plus 1.25% loan fee, various loan terms; 2% for 2 years, 3% thereafter, 0% default rate*

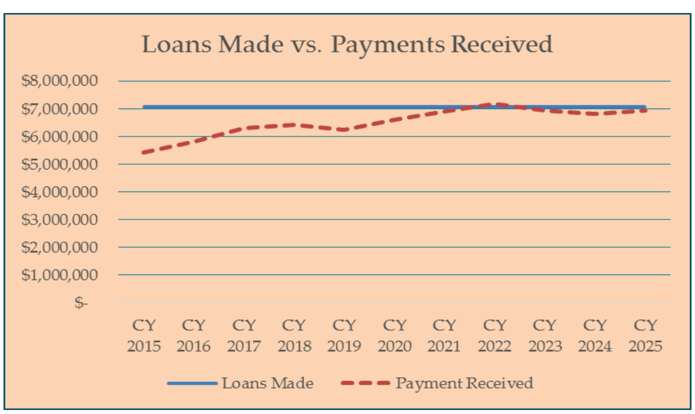
TARGET FUND BALANCE MET

Sperry

April 20, 2015

Scenario C2: 11 loans per year; 2% rate for 2 years; 3% after





Conclusion: If average loan amount increases to $643,351, the loan term is increased to 20 years for real estate loans, 0% default rate, the interest rate is 2% for years 1-2, then 3% thereafter, and admin expenses of **$250 K,** $8,000,000 of cash can be withdrawn in 2015 while maintaining sufficient fund balances which will decrease to $6,129,970 by the end of 2025.

Sperry