

MINUTES

**California Health Facilities Financing Authority
September 23, 2010
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 1:30 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Cynthia Bryant for Ana J. Matosantos, Department of Finance
Dr. Oscar Sablan – Teleconference
Sumi Sousa
Ronald Joseph
Jack Buckhorn
Harry Bistrin - Teleconference (joined meeting already in progress)

Members Absent: Judith Frank

Staff Present: Barbara J. Liebert, Executive Director
Rosalind Brewer, Deputy Executive Director

The Chair declared a quorum present.

Item #2

Acacia Adult Day Services, Resolution No. 2010-15

Barbara Liebert, Executive Director for CHFFA, summarized the issue before the board concerning resolution of Acacia Adult Day Services' default on its existing HELP II loan (Resolution No. HII-132). Ms. Liebert reminded the board that the proposed resolution of the default was a condition for the intended release of additional funds recently authorized by the Authority pursuant to Resolution No. 2010-08 under the Medi-Cal Bridge Loan Program.

Chair Wynne recognized Mallory Vega, Executive Director of Acacia Adult Day Services, available via teleconference.

Ms. Liebert summarized that the Authority previously approved a \$400,000 HELP II loan for Acacia in December 2002 for the purpose of making various tenant improvements to one of its adult day health care facilities Acacia then operated. Though Acacia subsequently appeared to have utilized the HELP II funds appropriately and has since timely made all principal and interest payments, Acacia encountered financial challenges in 2007 which ultimately led Acacia to assign its leasehold interest in the improved facility to another non-profit (but HELP II ineligible) adult day health care provider (Alta-Med). Though the Authority's Loan and Security Agreement requires Acacia to provide written notice to and to seek written consent from the Authority prior to any such assignment, Acacia failed to do so. Authority staff discovered the assignment in August 2010 during the course of its review of Acacia's application for a \$151,000 Medi-Cal bridge loan.

In anticipation of the September 2, 2010 board meeting, staff analyzed Acacia's Medi-Cal Bridge Loan application like all other applicants, and included a brief summary regarding the default in the staff summary.

After publicly discussing Acacia's default during the September 2, 2010 meeting, the board approved the proposed Medi-Cal Bridge loan of \$151,000 expressly subject to satisfactory resolution of the existing HELP II loan default.

Ms. Liebert indicated that staff subsequently conferred with counsel and that staff recommended the following approach to resolve the existing default:

1. Acacia will be asked to liquidate and forfeit the existing Certificate of Deposit (CD) currently securing the HELP II loan (value of \$45,000) for immediate application to the outstanding principle balance due (\$111,500.10) under Acacia's existing HELP II loan.
2. Acacia will be asked to continue making monthly payments in the amount of \$3,682 which will effectively accelerate the maturity date from March 1, 2013 to March 1, 2012.
3. Staff will withhold disbursement of the approved Medi-Cal bridge loan until such time as all funds currently on deposit with the CD are received and applied to Acacia's outstanding principal balance.
4. Acacia's gross revenue pledge to the Authority will remain intact.

Ms. Liebert indicated that staff recommends the Authority approve the foregoing approach to resolve Acacia's default of its existing HELP II loan, subject to all the terms and conditions set forth in Resolution Number 2010-15. Ms. Liebert indicated that it was her understanding that Acacia was in agreement that this was an appropriate resolution to the default. If the Board concurs, then the Authority would be in a position to release their Medi-Cal Bridge Loan funding.

Chair Wynne asked Ms. Vega if she had anything to add. Ms. Vega provided her appreciation to the Board for this solution. Chair Wynne asked if there were any additional questions from the board members or public comments. Hearing none, Ms. Holton-Hodson moved adoption of Resolution Number HII-253 and Mr. Buckhorn seconded the motion. The motion was adopted with a 7-Aye vote.

Other Business

Ms. Liebert briefly mentioned a transaction that may be coming to the board at the end of October. The Department of Developmental Services (DDS) years ago funded the Bay Area Housing Project. DDS is now seeking to refinance that debt and has been working extensively with STO General Counsel Mark Paxson. The current plan appears to be for them to come to the Authority to refinance that debt, and for Cal-Mortgage to insure the transaction to make it a more marketable concept for the investment community. This transaction is based on both the Authority's and Cal-Mortgage's statutes being amended to allow this type of facility to be financed through our two entities. Ms. Liebert further explained that at the end of September, the Board will hear a more detailed information item on this subject presented by John Woodward, Director, Bank of America Merrill Lynch, and Jenna Magan, Partner of Orrick, Herrington & Sutcliffe LLP.

After additional discussion regarding this potential transaction amongst the Board, Chair Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 1:43 p.m.