

**CHFFA HELP II PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Mentally and Educationally Retarded Citizens, Inc. ("MERC") 525 N Chandler Avenue Monterey Park, CA 91754 Los Angeles County</p> <p>Project Site: 525-527 North Chandler Avenue, Monterey Park, CA 91754 (Los Angeles County)</p> <p>Facility Type: An Adult Day Health Center and Community Care Facility</p> <p>Eligibility: A qualified health facility pursuant to Government Code section 15432(d)(7) and(13)</p> <p>Prior HELP II Borrower: No</p>	<p>Amount Requested: \$1,000,000</p> <p>Requested Loan Term: 15 year fixed</p> <p>Authority Meeting Date: Oct. 25, 2012</p> <p>Resolution Number: HII-276</p>
---	---

Background: Established in 1955, MERC offers a variety of outreach programs and services to individuals with mental retardation, cerebral palsy, epilepsy and autism. MERC's mission is to provide individuals with severe to profound developmental disabilities the right to an education in life skills, the opportunity to maximize their independence and to advocate for their choices through its programs that are designed to encourage independence by focusing on several key areas: self-care, independent living skills, prevocational/vocational training, and recreation/socialization skills. MERC currently serves 107 clients in the San Gabriel Valley of the County of Los Angeles. Please see Exhibit 3 for more details.

Uses of Loan Proceeds: Loan proceeds will be used to fund the construction of phases two and three of this three phase construction project. Specifically, funds will be used to construct an administration building and multi-purpose building. MERC indicates this three-phase project will nearly double MERC's capacity.

- Financing Structure:**
- Funding approximately \$500,000 for the beginning of Phase II construction (Nov. 2012) and another \$500,000 for the end of Phase III construction (Sept. 2013)
 - 180 equal monthly payments of approximately \$3,453 (yearly payments of approximately \$41,435) for each of the two \$500,000 loans.
 - Corporate gross revenue pledge
 - First (1st) lien positions on the properties located at 523, 525 & 527 N. Chandler Ave, Monterey Park, CA 91754
 - Loan to value ratio not to exceed 95% (estimated combined loan to value ratio of 45.8%)
 - Verification of approval of another funding source in the amount of approximately \$1.7 million or any other amount that would provide the remaining funds to complete the three-phase project that is acceptable to the Authority, prior to funding any HELP II loan.
 - Verification of borrower's funds.
 - Receipt of executed construction contract.

Financial Overview: MERC's income appears to be sound with slightly above breakeven operations in FY 2011 and it appears to have adequate financial strength with a proforma debt service coverage ratio of 1.11x.

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
HELP II loan, (1 st lien)	\$ 1,000,000	Construction	\$ 4,219,800
Nonprofit Finance Fund loan (2 nd lien) ^(a)	1,765,000	Purchase equipment	200,000
Borrower funds	991,600	Other fees	383,900
City of Monterey Park/ Rose Hills		Financing costs	14,500
Foundation grants ^(b)	864,100		
Donor Funds	197,500		
Total Estimated Sources	<u>\$ 4,818,200</u>	Total Estimated Uses	<u>\$ 4,818,200</u>

^(a) Nonprofit Finance Fund will hold a 2nd lien position on the property behind the Authority. If MERC is unable to obtain funds from Nonprofit Finance Fund, any other funding source(s) in its place would have to be acceptable to the Authority.

^(b) The grants have been approved and partially received by MERC.

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

Parties of Interest: *(Included for the purpose of discerning conflicts of interest)*
 Edge Construction LLC Lawyer's Title Nonprofit Finance Fund
 Wells Fargo Bank Facility and Erectors, Inc. Appraisal Pacific

Staff Recommendation: Staff recommends approval of Resolution Number HII-276 for Mentally and Educationally Retarded Citizens, Inc. in an amount not to exceed \$1,000,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst, concurs with the Authority's staff recommendations.

I. PURPOSE OF FINANCING: MERCI is in the process of a three phase construction project to expand its services as part of its strategic plan to address a community shortage of day programs. MERCI plans to utilize the HELP II loan proceeds for the second and third phases of its planned construction project, to build administrative and multi-purpose buildings. Though MERCI will undertake substantial new debt before sufficient revenues are realized to service the debt, staff is comfortable MERCI can service this debt with existing revenues from operations, cash on hand and other anticipated revenues as described more particularly in this report. The demand for MERCI services and consequently revenues associated with these anticipated services appears evident. Currently, MERCI maintains an active waiting list of 30 individuals for both its day and residential programs due to MERCI's limited capacity. In addition, with the closure of the Lanterman Developmental Center ("LDC"), a state operated center that provides services and support to individuals with developmental disabilities (closure occurring in phases and is planned for 2012-13), MERCI estimates as many as 340 individuals will soon be in need of other day programs or support systems. MERCI has incorporated already four individuals from LDC into its programs. MERCI seeks and intends to capture a sufficient number of those individuals for its planned expanded day programs (with a planned expanded capacity of roughly 90) and has already identified 44 individuals in its area alone. MERCI's three phase construction project includes the addition of a second group home (with a planned capacity of six clients) for which MERCI has already identified 11 prospective clients on its waiting list.

***Construction of a three phase project* \$4,219,800**

MERCI began phase one (construction of a new residential home) of its proposed three-phase construction project in June 2011 with grant funding from the City of Monterey Park Home Funds. MERCI expects construction to be completed in December 2012. So far, MERCI has demolished two of its four existing buildings, a total of 7,290 square feet located at 525-527 North Chandler Avenue in Monterey Park, CA. In place of these demolished facilities, MERCI plans to build a new residential home, an administrative building and a multi-purpose building. After the completion of the three buildings, MERCI will have a total of five buildings to use for services. Phase I of the project consists of constructing a two-story, 4,434 square foot residential home for individuals with developmental disabilities, which will accommodate wheelchairs and include six bedrooms (each with its own bathroom), a living room, dining room, laundry room, kitchen, and an office also with its own bathroom.

MERCI plans to use HELP II loan funds for phases two and three of the three phase project. Phase two consists of constructing a two-story, 3,664 square foot administration building to replace an old house built in 1919 that was used as office space, and it will include administrative offices, a conference room, planning rooms, and an instructional kitchen. This building with all its amenities enhances the operations of the organization and its instructional kitchen will be used on a daily basis to teach self-help skills such as cooking, nutrition, and cleaning for the clients. In order to reduce the Authority's exposure associated with the delay between taking on substantial new debt burdens and the actual generation of new revenues to support the debt and the exposure associated with ensuring that the large construction project is completed, staff recommends funding only \$500,000 for this second phase with the Nonprofit Finance Fund (or acceptable alternative funder) financing the remaining balance. MERCI anticipates beginning construction in late November 2012 and completion of phase two in May 2013.

The remaining \$500,000 in HELP II funds, along with funding from the Nonprofit Finance Fund (or acceptable alternative funder) will be used for phase three of the planned construction project, to construct a one-story, 5,024 square foot multi-purpose building to be used for classroom space, increasing capacity by at least 75-90 clients (MERCIs current capacity is 107 and its waitlist numbers roughly 30 individuals). MERCIs plans to begin phase three in May 2013 with an estimated completion date of December 2013. MERCIs expects to reach full capacity by April 2014. The HELP II funds for this third phase will be disbursed toward the end of the project to ensure the entire project is near completion. MERCIs expects to generate additional revenues shortly after the building is completed.

According to MERCIs, it is currently paying prevailing wages on its construction project. The land where the project is being built was appraised at \$2.24 million prior to construction commencing in May 2011. It was recently appraised in August 2012 at a value of approximately \$5.9 million based upon the completion of all three phases of construction.

Other Fees		383,900
These fees include permit fees, architectural fees, site tests and surveys and will not be financed by the HELP II loan funds.		
Purchase Equipment		200,000
MERCIs plans to furnish and equip the three new facilities; however, the equipment will not be financed by HELP II loan funds.		
Financing Costs		<u>14,500</u>
Authority Fees.....	\$12,500	
Title and Escrow Fees.....	<u>2,000</u>	
Estimated Uses of Funds		<u>\$4,818,200</u>

Staff plans to conduct a site visit before releasing the 2nd \$500,000 portion of the loan.

(INTENTIONALLY LEFT BLANK)

II. FINANCIAL STATEMENTS AND ANALYSIS
Mentally and Educationally Retarded Citizens, Inc.
Statement of Financial Position

	As of August 31,		
	2011	2010	2009
Assets			
Current assets:			
Cash and cash equivalents	\$ 209,412	\$ 263,779	\$ 85,425
Cash - restricted for Ernie's Place rep. reserve	2,100	2,000	2,000
Accounts receivable	150,529	143,698	129,796
Grants receivable	687,587	72,662	72,662
Pledges receivable, current	4,670	4,370	-
Prepaid expenses	16,764	13,865	19,805
Total current assets	<u>1,071,062</u>	<u>500,374</u>	<u>309,688</u>
Investments	33,804	22,544	32,388
Pledges receivable	7,259	12,322	-
Property and equipment - net	1,141,051	990,292	974,123
Deposits	14,660	1,658	1,723
Total assets	<u>\$2,267,836</u>	<u>\$1,527,190</u>	<u>\$1,317,922</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 69,371	\$ 18,195	\$ 31,192
Accrued wages	35,315	32,319	26,359
Accrued vacation	44,578	50,106	63,274
Other accrued expenses	9,297	17,443	25,903
Current portion of long-term debt	13,816	11,813	11,153
Total current liabilities	<u>172,377</u>	<u>129,876</u>	<u>157,881</u>
Long term liabilities:			
Long-term debt	<u>576,972</u>	<u>593,063</u>	<u>605,280</u>
Total liabilities	<u>749,349</u>	<u>722,939</u>	<u>763,161</u>
Net assets			
Unrestricted	692,786	688,140	513,015
Temporarily restricted	<u>825,701</u>	<u>116,111</u>	<u>41,746</u>
Total net assets	<u>1,518,487</u>	<u>804,251</u>	<u>554,761</u>
Total liabilities & net assets	<u>\$2,267,836</u>	<u>\$1,527,190</u>	<u>\$1,317,922</u>

Financial Ratios:	Proforma ^(b) Proforma ^(a)				
	FYE 2014	FYE 2011			
Debt Service Coverage (x)	1.47	1.11	1.59	6.73	4.34
Debt/Unrestricted Net Assets (x)	1.72	0.72	0.85	0.88	1.20
Margin (%)			0.28	10.35	2.24
Current Ratio (x)			6.21	3.85	1.96

^(a) Recalculates August 2011 results to include the impact of CHFFA funding \$500K for the beginning of Phase II and does not include the Nonprofit Finance Fund's interest only payments during the construction, which will be paid from borrower's cash reserves (it would be .58x if we included them at MERCI's current operation level).

^(b) Calculates August 2014 estimated projections in revenues and expenses with the completion of the multi-phase project and includes the impact of CHFFA's initial funding of \$500K and an additional \$500K for the end of Phase III (anticipated in FY 2014) as well as a \$1.765 million loan from a second lender.

Mentally and Educationally Retarded Citizens, Inc.
Statement of Activities
(Unrestricted)

	For the year ended August 31,		
	2011	2010	2009
Support			
Individuals	\$ 4,128	\$ 4,068	\$ 5,039
Foundations	2,000	-	-
Special events	23,852	46,889	52,887
United way	224	278	680
Corporations	1,579	2,126	552
Total Support	<u>31,783</u>	<u>53,361</u>	<u>59,158</u>
Revenue			
Instructional reimbursement	1,454,929	1,482,905	1,454,453
Rental income	91,554	99,682	117,426
Loss on disposal of fixed assets	-	-	(35,705)
Investment income	13,375	(9,061)	(13,859)
Miscellaneous	1,872	49,162	1,721
Total Revenue	<u>1,561,730</u>	<u>1,622,688</u>	<u>1,524,036</u>
Donated materials	3,907	2,750	3,059
Total Support and Revenue	<u>1,597,420</u>	<u>1,678,799</u>	<u>1,586,253</u>
Net assets released from restrictions			
Restrictions satisfied	55,928	13,000	14,500
Total Support, Revenue and reclassifications	<u>1,653,348</u>	<u>1,691,799</u>	<u>1,600,753</u>
Expenses			
Salaries, payroll taxes & employee benefits	1,267,032	1,162,033	1,225,226
Insurance	102,650	81,431	103,811
Supplies	74,432	59,886	70,635
Professional services	38,316	29,253	23,320
Repairs and maintenance	27,636	27,579	5,724
Depreciation	27,088	30,320	43,567
Utilities	23,159	20,636	19,713
Interest	22,206	22,770	19,485
Special events	13,976	32,472	34,725
Transportation	13,359	13,072	9,770
Rental equipment	10,753	12,772	15,220
Telephone	7,716	6,827	7,526
Real estate taxes	5,036	4,697	6,878
Donated equipment and materials	3,907	2,750	3,059
Miscellaneous	8,007	6,696	8,604
Taxes and licenses	3,429	3,480	2,534
Total expenses	<u>1,648,702</u>	<u>1,516,674</u>	<u>1,599,797</u>
Change in Unrestricted Net Assets:	4,646	175,125	956
Net Assets:			
Unrestricted Net assets, beginning of year	688,140	513,015	512,059
Unrestricted Net assets, end of year	<u>\$ 692,786</u>	<u>\$ 688,140</u>	<u>\$ 513,015</u>

Financial Discussion – Statement of Activities (Income Statement)

MERCI's income statement appears adequate with slightly above breakeven operations in FY 2011.

Over the review period, total support and revenue modestly increased from approximately \$1.6 million in FY 2009 to \$1.65 million, a 3% increase which MERCI primarily attributes to increases in clients. During the review period, operating margins appear to have significantly increased from 2.24% in FY 2009 to 10.35% in FY 2010, yet declined back down to near breakeven at .28% in FY 2011. In FY 2010, MERCI received capital campaign donations and a grant in a total amount of approximately \$76,000, which overstates operating margins in FY 2010.

Particular Facts to Note:

- MERCI's instructional reimbursement remained relatively stable at \$1.45 million from FY 2009 to FY 2011 despite a 1.25% California state budget deficit reduction in state reimbursements in FY 2009 because MERCI's clients served increased by approximately 12% from FY 2009 to FY 2011. In FY 2008, the state reduced reimbursement rates by 3%, and another 1.25% reduction the following year for a total revenue reduction impact of 4.5%. Effective July 1, 2012, the state restored 3% of the reductions with a net impact of 1.25% in reductions.
- According to MERCI, repairs and maintenance expenses increased in FY 2010 to \$27,579 from \$5,724 in FY 2009 due to a mold and water damage problem to a residential group home.
- MERCI is aware that further budget cuts could arise if Governor Brown's budget ballot does not pass this November. According to MERCI, it has no shortage of clients due to being one of the most cost effective vendors for the Department of Developmental Services at one of the lowest rates in the State of California. MERCI's management explains that one of the reasons for being one of the most cost effective vendors is due to the longevity of MERCI (in business for 57 years), the rate freeze currently in place, and it is one of a few agencies in its area that serve individuals with severe to profound developmental disabilities.
- MERCI's interim financials continue to exhibit similar operating results as FY 2011 with slightly above breakeven operations.

Financial Discussion – Statement of Financial Position (Balance Sheet)

MERCI's financial strength appears adequate with a proforma debt service coverage ratio of 1.11x for FY 2011.

MERCI's debt-to-unrestricted net assets ratio as of FY 2011 is an acceptable .85x, while MERCI is highly liquid with a current ratio of 6.21x. The existing operating debt service coverage ratio is an adequate 1.59x and the proforma debt service coverage ratio becomes 1.11x (includes the Authority's first phase \$500,000 loan, but not the additional funding planned from the NonProfit

Finance Fund¹). In FY 2014, at the time when the Authority plans to disburse the remaining \$500,000 HELP II loan, the estimated proforma debt service coverage ratio with estimated projections in revenues and expenses with the completion of the three phase project would be approximately 1.47x (including the Nonprofit Finance Fund loan of approximately \$1.765 million).

MERCI expects to double its capacity with this planned project. MERCI believes and staff's review of MERCI's financials and plans supports MERCI's view that MERCI should be able to service all the debt (Authority and Non Profit Finance Fund) with forthcoming funds from the City of Monterey Park grant, current cash on hand of approximately \$750,000, potential additional grants (conditioned upon MERCI obtaining financing approval from the Authority and the Non Profit Finance Fund for the multiphase project), and additional expected annual revenue of approximately \$80,000 associated with MERCI's termination of a lease on an existing classroom. Staff concludes this financing plan indicates that MERCI should be able to repay the HELP II loan and all of its other debt obligations during construction and until such time as the projected revenues from the new facilities are realized.

Particular Facts to Note:

- According to MERCI, cash and cash equivalents increased significantly to approximately \$263,000 in FY 2010 from \$85,000 in FY 2009 due to the receipt of the Rose Hills Grant and capital campaign contributions while decreasing to approximately \$209,000 in FY 2011 due to construction cost payments that were made and not timely billed for reimbursement as of the date of the audit. MERCI's unaudited interim financial statements for FY 2012 indicate MERCI has approximately \$440,000 in cash which equates to approximately 101 days cash on hand.
- MERCI received a partial payment of \$661,000 for its City of Monterey Park Home Funds grant (awarded for a total amount of approximately \$714,000) in FY 2011, which explains the significant increase in grant receivables from \$72,662 in FY 2009 to \$687,587 in FY 2011. MERCI will use this grant as a source of funds for the project to be financed by the HELP II loan.
- According to MERCI, the increases in property and equipment can be attributed to increases in net fixed assets, particularly in its construction-in-progress account.
- According to MERCI, temporarily restricted net assets increased significantly in FY 2011 to approximately \$825,000 from \$116,000 in FY 2010 mostly due to the City of Monterey grant it had received and that is currently being used for its construction project.

¹ The debt service coverage ratio would be .58x if we included the interest only payments for the funds from Nonprofit Finance Fund at MERCI's current operation level. MERCI will have opened Phase I of the project in April 2013, which will bring in additional revenue.

EXHIBIT 1

UTILIZATION STATISTICS

Patient Visits for Fiscal Year Ended August 31,

	As of May 2012	2011	2010	2009
Totals	107	105	97	94

(INTENTIONALLY LEFT BLANK)

EXHIBIT 2

OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding^(a) As of August 31, 2011</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing Long-Term Debt:			
Wells Fargo Bank Mortgage payable ^(b)	\$97,200	\$67,601	\$0
LA County Housing Authority Mortgage payable	259,200	259,200	259,200
Wells Fargo Bank Note payable ^(b)	280,688	263,987	0
Proposed New Debt:			
CHFFA HELP II Loan, 2012		N/A	1,000,000
Non-profit Finance Fund Loan		N/A	1,765,000
TOTAL DEBT		<u>\$590,788</u>	<u>\$3,024,200</u>

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

^(b) This loan is planned to be paid off prior to closing of HELP II Loan to clear title on property to be used as security.

(INTENTIONALLY LEFT BLANK)

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

MERCI began in 1955 by a group of parents who were concerned about the lack of education options for their developmentally disabled children. MERCI began classes in the basement of a church before finding a more permanent home on Chandler Avenue in Monterey Park in the 1960s. In 1959, MERCI was established as a not-for-profit corporation. It was established to provide education, socialization, and independent living skills training for children with severe developmental disabilities. Since its establishment, MERCI has offered a variety of outreach programs and services for individuals with mental retardation, cerebral palsy, epilepsy and autism. MERCI's mission is to provide people with severe to profound developmental disabilities the right to an education in life skills, the opportunity to maximize their independence and to advocate for their choices.

MERCI's programs are designed to encourage independence by focusing on several key areas: self-care, independent living skills, prevocational/vocational training, and recreation/socialization skills. It currently operates five programs:

Adult Development Center (ADC)

MERCI currently operates a day program for adults aged 22-59 in the severe to profound range of mental retardation. The program emphasizes community involvement and living skills, socialization and recreational skills as well as vocational skills. The level of instruction is tailored to the specific needs of the consumer, each of whom is assessed on a quarterly basis. Its staff to consumer ratio is 1:4. Consumers live off-site with their families or care providers.

Extended Services Program (ESP)

MERCI offers an extended care program for adults with developmental disabilities who attend school or day programs and need additional care in the morning (7-9 am) or afternoon (1-6pm). The program currently serves 26 consumers and focuses on social skill development using recreational activities such as basketball, crafts, gardening, and community outings.

Day Training Activity Center (DTAC)

MERCI currently operates a day training activity center program for adults aged 22-59 in the severe to profound range of mental retardation. The program emphasizes community involvement and independent living skills. Each day (Monday through Friday, 9am to 3pm) 16 adults participate in the program at our Monterey Park site. The curriculum focuses on teaching independent living skills, socialization and recreational skills and vocational skills. Our staff to consumer ratio is 1:8. Consumers live off-site with their families or care providers.

DISCOVERY

DISCOVERY is a community based program that provides services to developmentally disabled adults with medically fragile conditions through individually structured and medically supervised support. MERCI provides 1:1 care and instruction to individuals in their own home. DISCOVERY consumers have a variety of medical needs including g-tube feeding, tracheotomy care, quadriplegia, severe diabetes as well as developmental disabilities. DISCOVERY currently serves 31 adults.

Ernie's Place

Ernie's Place is a group home for up to 6 adults with developmental disabilities. Rotating shifts of professional staff provide 24 hour care with a 1:3 ratio of staff to residents. MERCI provides the supervision and support necessary for each resident to live as independently as possible. Opportunities for decision-making, self-advocacy and personal empowerment are integral to the philosophy of Ernie's Place. Individuals are given their own bedrooms and share common living areas in a 9,000 square foot home.

Licensure, Certification and Accreditation

MERCI is licensed by the California Department of Social Services to operate and maintain an Adult Day Program "MERC School," which is located at 525 North Chandler, Monterey Park, CA 91754 and an Adult Residential Program "Ernie's Place," which is located at 630 N. Nicholson, Monterey Park, CA 91755. MERCI plans to obtain the same licenses on its new facilities.

(INTENTIONALLY LEFT BLANK)

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-276

**RESOLUTION APPROVING EXECUTION AND DELIVERY OF
HELP II LOAN PROGRAM AGREEMENTS WITH CERTAIN
PARTICIPATING HEALTH INSTITUTIONS**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to provide secured or unsecured loans to participating health institutions to refinance existing debt and finance 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 provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Mentally and Educationally Retarded Citizens, Inc.** (the “Borrower”), a California nonprofit corporation and participating health institution, has applied to the Authority for a loan through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, approval of the loan by the Authority is now sought;

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

Section 1. Pursuant to the Act, the Authority approves a loan to the Borrower, in the amount of **\$1,000,000** for a term not to exceed **15 years** for the purpose described in the application filed with the Authority and Exhibit A attached hereto (the “Project”), but solely to the extent there are available proceeds of the Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. 15-year fixed rate loan;
2. First (1st) lien positions on properties located at 523, 525 and 527 North Chandler Avenue, Monterey Park, CA 91754;
3. Loan to value ratio not to exceed 95%;
4. Corporate gross revenue pledge;
5. Verification of payoff of Wells Fargo loan and removal of lien on 525 North Chandler Avenue property;

6. Verification of approval of another funding source in the amount of approximately \$1.7 million or any other amount that would provide the remaining funds to complete the multi-phase project that is acceptable to the Authority;
7. The Authority may disburse construction funds in increments;
8. Disbursements of construction funds shall be dependent upon Borrower's submission of supporting documentation, as may be requested by Authority staff, evidencing proper expenditure of disbursed funds and detailing the progress of construction to the satisfaction of the Authority;
9. Borrower shall deposit construction funds disbursed by the Authority into an account established solely for the Loan proceeds separate from all of Borrower's other accounts to ensure a clear accounting of funds;
10. Verification of borrower's funds; and
11. Executed construction contract.

Section 2. The Executive Director is hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loan, and to approve any changes in the Project described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Act (provided that the amount of the loan may not be increased above the amount approved by the Authority and provided further that the loan continues to meet the Authority's guidelines for HELP II loans). Nothing in this resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding. Any notice to the Borrower shall indicate that the Authority shall not be liable to the Borrower in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Program fund not to exceed those amounts approved by the Authority for the Borrower. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower any and all documents necessary to complete the transfer of funds.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Section 5. This resolution expires one year from the date of approval.

Date of Approval: _____

EXHIBIT A

PROJECT DESCRIPTION

Loan proceeds will be used to help nearly double MERCI's capacity to service additional clients through partially financing a multi-phase project, specifically phase two and three, construction of an administration building and a multi-purpose building.

Project Site: 525-527 North Chandler Avenue, Monterey Park, CA 91754

New project site addresses: (as given by the city) 523 (residential home), 525 (administration building) and 527 (new classroom/multipurpose building) N. Chandler Avenue, Monterey Park, CA 91754