

**CHFFA HELP II LOAN PROGRAM  
EXECUTIVE SUMMARY**

|   |  |
|---|--|
| <p><b>Applicant:</b> Interim, Inc. (“Interim”)<br/>604 Pearl Street<br/>Monterey, CA 93942<br/>Monterey County</p> <p><b>Project Sites:</b> 601, 603, &amp; 613 Bayonet Circle, Marina, CA 93933</p> <p><b>Facility Type:</b> Residential Treatment Program</p> <p><b>Eligibility:</b> Government Code section 15432(d)(13)</p> <p><b>Prior HELP II Borrower:</b> Yes – Interim has an outstanding amount of \$331,710.68 as of 8/24/16. Payments are timely.</p> | <p><b>Amount Requested:</b> \$1,000,000</p> <p><b>Requested Loan Term:</b> 20-year fixed</p> <p><b>Authority Meeting Date:</b> Sept. 22, 2016</p> <p><b>Resolution Number:</b> HII-305</p> |
|---|--|

**Background:** Interim, Inc. is a 501(c)(3) non-profit organization established in 1975 in order to provide services and affordable housing supporting members of the community with mental illness in building productive and satisfying lives. Interim works in partnership with Monterey County Department of Mental Health Bureau to provide a continuum of residential treatment, affordable housing, employment and educational services, dual recovery services for individuals with mental illness and substance abuse disorders, and consumer-operated mental health, wellness, and recovery services for adults with psychiatric disabilities residing in Monterey County. In FY 2015, Interim served 51 clients in the Monterey County area.

**Use of Loan Proceeds:** Loan proceeds will be used to demolish and construct multiple buildings on one site at 601, 603, and 613 Bayonet Circle, Marina, CA 93933.

**Financing Structure:**

- Second lien on real property located at 601, 603, & 613 Bayonet Circle, Marina, CA 93933
- 20-year, two percent (2%) fixed rate loan
- 240 equal monthly payments of approximately \$5,058 (annual payments of approximately \$60,706)
- A current appraisal that is acceptable to the Authority
- Corporate gross revenue pledge
- Loan to value ratio not to exceed 95% (estimated loan to value ratio is approximately 17%)
- Verification of borrower funds to close escrow
- Verification of additional source of funding to complete project

**Financial Overview:** Interim’s income statement appears to exhibit strong operating results over the review period, and its balance sheet appears steady with a pro-forma debt service coverage ratio of 3.38x.

|   |                            |  |                            |
|---|----------------------------|--|----------------------------|
| <b><u>Estimated Sources of Funds:</u></b> |                            | <b><u>Estimated Uses of Funds:</u></b> |                            |
| HELP II loan                              | \$ 1,000,000               | Construction                           | \$ 3,484,528               |
| Borrower funds                            | 12,028                     | Financing costs                        | 27,500                     |
| Medi-Cal Capacity Grant                   | 2,500,000                  |  |                            |
| <b>Total Estimated Sources</b>            | <b><u>\$ 3,512,028</u></b> | <b>Total Estimated Uses</b>            | <b><u>\$ 3,512,028</u></b> |

**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:** Chicago Title Company

**Staff Recommendation:** Staff recommends approval of Resolution Number HII-305 for Interim, Inc. in an amount not to exceed \$1,000,000 for a term not to exceed 20 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 recommendation.

**I. PURPOSE OF FINANCING:**

As part of Interim’s plan to increase services to meet its growing demand for day services, Interim is requesting a HELP II loan to be used to demolish an existing building and construct two facilities, which will help serve more clients involved in the “Bridge House” program. The program provides residential treatment for clients with mental illness and substance abuse disorders. In addition to the \$1 million requested from the HELP II Loan Program, \$12,028 is from Interim funds, and \$2.5 million will be provided through a Medi-Cal Capacity grant from the Central California Alliance for Health.

**Construction ..... \$3,484,528**

HELP II loan proceeds will fund construction for Interim’s “Bridge House” program, which will relocate from its current address to the project address once construction is complete. Interim expects the existing housing at the site will be both demolished and rebuilt, and new construction of an add-on to an existing building will be built to suit the program’s needs, which will begin in February 2017.

The HELP II loan will help Interim expand the program from 13 beds for residential clients to 14 beds upon completion of the 6,514-square-foot two-story facility and provide services for up to 25 day program participants at the new location. The building will have four offices, one medication room, a dining room, kitchen and two meeting rooms. The add-on building, a 2,565-square-foot two-story facility, will include six offices, two meeting rooms, a file room, a kitchenette and a large multi-purpose room. Currently, clients must be residents to participate in the “Bridge House” program due to restrictions imposed by California Department of Social Services Community Care Licensing because of the small size of the current site and the facility does not serve clients through a day program.

The new HELP II loan will be secured by a second (2<sup>nd</sup>) lien position on one property located at 601, 603, 613 Bayonet Circle Marina, CA. CHFFA will be in the second lien position due to an outstanding loan on this property with the County of Monterey. Interim’s management estimates the property value at \$5.9 million, leading to a loan-to-value of approximately 17%. An appraisal acceptable to the Authority will need to be completed prior to closing to reflect a loan-to-value ratio of less than 95%. As of June 30, 2015, there is one outstanding loan amount of \$82,951 on the property located at 613 Bayonet Circle Marina, CA.

|                                  |               |                           |
|----------------------------------|---------------|---------------------------|
| <b>Financing Costs.....</b>      |               | <b><u>27,500</u></b>      |
| Authority Fees .....             | \$12,500      |                           |
| Title and Escrow Fees .....      | <u>15,000</u> |                           |
| <b>Total Uses of Funds .....</b> |               | <b><u>\$3,512,028</u></b> |

## FINANCIAL STATEMENTS AND ANALYSIS:

**Interim, Inc.**  
**Statement of Financial Position**  
**(Unrestricted)**

|   | <b>As of June 30,</b> |                      |                      |
|---|-----------------------|----------------------|----------------------|
|   | <b>2015</b>           | <b>2014</b>          | <b>2013</b>          |
| <b>Revenue and Other Support</b>                      |                       |                      |                      |
| Contract fees:  |                       |                      |                      |
| Monterey County Contract                              | \$ 8,018,839          | \$ 7,159,318         | \$ 6,639,870         |
| Government grants                                     | 916,365               | 1,381,772            | 1,172,846            |
| Management fees                                       | 534,973               | 487,295              | 456,587              |
| Rents   | 432,204               | 433,258              | 443,529              |
| Contributions   | 89,504                | 365,037              | 68,759               |
| Developer fee   | 50,000                |                      |                      |
| Forgiveness of debt                                   | -                     | -                    | -                    |
| Program income  | 192,023               | 189,791              | 247,534              |
| Special events  | -                     | -                    | -                    |
| Realized gain on investment                           | 9,713                 | 164,486              | 1,625                |
| Unrealized gain (loss) on investments                 | (37,056)              | (27,430)             | 88,495               |
| Interest and dividends                                | 112,225               | 65,825               | 57,150               |
| Gain on disposal property and equipment               | 15,781                | 2,000                | 5,941                |
| Miscellaneous   | 171                   | 3,848                | 455                  |
| Total revenues and support                            | <u>10,334,742</u>     | <u>10,225,200</u>    | <u>9,182,791</u>     |
| Net assets released from restrictions -               |                       |                      |                      |
| Satisfaction of program restrictions                  | <u>147,853</u>        | <u>324,840</u>       | <u>1,912,619</u>     |
| Total unrestricted support, revenues and other income | <u>10,482,595</u>     | <u>10,550,040</u>    | <u>11,095,410</u>    |
| <b>Expenses</b>                                       |                       |                      |                      |
| Salaries and wages                                    | 5,959,765             | 5,434,983            | 5,053,681            |
| Employee benefits                                     | 1,232,951             | 1,154,188            | 1,179,494            |
| Payroll taxes   | 448,741               | 403,113              | 374,483              |
| Professional services                                 | 298,117               | 324,398              | 265,691              |
| Supplies and equipment                                | 206,853               | 183,617              | 183,560              |
| Rent  | 187,593               | 258,968              | 220,436              |
| Utilities   | 182,464               | 168,129              | 159,078              |
| Repairs and maintenance                               | 242,657               | 232,494              | 200,947              |
| Food  | 128,094               | 130,411              | 133,819              |
| Interest  | 106,409               | 68,289               | 83,203               |
| Insurance   | 115,887               | 122,912              | 123,451              |
| Telephone   | 93,537                | 82,106               | 83,244               |
| Client services                                       | 219,124               | 157,614              | 122,362              |
| Meetings and trainings                                | 71,794                | 61,830               | 43,504               |
| Printing and publications                             | 35,537                | 35,748               | 29,593               |
| Payroll processing fees                               | 46,343                | 42,513               | 41,804               |
| Travel and vehicle                                    | 20,032                | 15,234               | 11,896               |
| Tax and licenses                                      | 34,932                | 20,759               | 19,910               |
| Fundraising expenses                                  | 9,518                 | 29,028               | 10,487               |
| Miscellaneous   | 22,313                | 15,452               | 20,248               |
| Membership dues                                       | 15,279                | 13,161               | 15,688               |
| Advertising   | 11,636                | 11,946               | 4,446                |
| Postage   | 11,283                | 10,017               | 6,921                |
| Marketing   | 20,733                | 9,942                | 7,279                |
| Board expenses  | 14,589                | 3,011                | 3,505                |
| Depreciation expense                                  | <u>539,354</u>        | <u>482,136</u>       | <u>459,949</u>       |
| Total Expenses  | <u>10,275,535</u>     | <u>9,471,999</u>     | <u>8,858,679</u>     |
| Contribute to (from) Affiliate                        | <u>188,011</u>        | <u>(449,999)</u>     | <u>-</u>             |
| <b>Changes in Net Assets</b>                          | <u>395,071</u>        | <u>628,042</u>       | <u>2,236,731</u>     |
| Net assets, beginning of year                         | <u>12,621,059</u>     | <u>12,435,598</u>    | <u>10,198,867</u>    |
| <b>Net assets at end of year</b>                      | <u>\$13,016,130</u>   | <u>\$ 13,063,640</u> | <u>\$ 12,435,598</u> |

**\*Revenue and Other Support for FYE June 30, 2015**

| <b>Payor Source</b>          | <b>Amount</b>     | <b>Percent</b> |
|------------------------------|-------------------|----------------|
| Grants:                      |                   |                |
| Monterey County Contract     | \$8,018,839       | 84.7           |
| Department of Rehabilitation | 476,733           | 5.0            |
| HUD                          | 374,878           | 4.0            |
| City of Salinas              | 50,754            | 0.5            |
| City of Monterey             | 14,000            | 0.2            |
| Management Fees              | 534,973           | 5.6            |
| <hr/> Total                  | <hr/> \$9,470,177 | <hr/> 100.00   |

**Interim, Inc.**  
**Statement of Financial Position**  
**(Unrestricted)**

|   | <b>As of June 30,</b> |                      |                      |
|---|-----------------------|----------------------|----------------------|
|   | <b>2015</b>           | <b>2014</b>          | <b>2013</b>          |
| <b>Assets</b>                             |                       |                      |                      |
| <i>Current Assets</i>                     |                       |                      |                      |
| Cash and cash equivalents                 | \$ 303,354            | \$ 724,928           | \$ 1,080,430         |
| Investments                               | 1,022,631             | 1,592,668            | 3,151,997            |
| <i>Accounts receivable</i>                |                       |                      |                      |
| Grants receivable                         | 1,726,222             | 876,050              | 466,206              |
| Pledges receivable                        | -                     | -                    | 42,377               |
| Related parties                           | 160,063               | 565,065              | 331,003              |
| Bequest receivable                        |                       | 72,853               |                      |
| Other                                     | 2,808                 | 6,191                | 2,038                |
| Prepaid expenses                          | 227,411               | 254,168              | 287,754              |
| Deposits                                  | 11,033                | 18,624               | 18,624               |
| <b>Total Current Assets</b>               | <b>3,453,522</b>      | <b>4,110,547</b>     | <b>5,380,429</b>     |
| <i>Noncurrent Assets</i>                  |                       |                      |                      |
| Investments                               | 3,609,422             | 3,406,584            | 1,204,587            |
| Security Deposits - held in trust         | 28,883                | 27,310               | 31,182               |
| Assets held as required reserves          | 910,068               | 885,700              | 744,125              |
| Property and equipment - net              | 9,570,341             | 9,737,276            | 8,992,802            |
| <b>Total Noncurrent Assets</b>            | <b>14,118,714</b>     | <b>14,056,870</b>    | <b>10,972,696</b>    |
| <b>Total Assets</b>                       | <b>\$ 17,572,236</b>  | <b>\$ 18,167,417</b> | <b>\$ 16,353,125</b> |
| <b>Liabilities and Net Assets</b>         |                       |                      |                      |
| <i>Current Liabilities</i>                |                       |                      |                      |
| Accounts payable                          | \$ 124,497            | \$ 355,253           | \$ 131,941           |
| Accrued liabilities                       | 1,025,521             | 992,697              | 920,363              |
| Deferred revenue                          | -                     | 85,000               | -                    |
| Prepaid rent                              | 2,296                 | 921                  | 3,368                |
| Interest payable                          | 73,961                | 23,773               | 38,580               |
| Current portion of long-term debt         | 140,762               | 131,359              | 109,203              |
| <b>Total Current Liabilities</b>          | <b>1,367,037</b>      | <b>1,589,003</b>     | <b>1,203,455</b>     |
| <i>Long-Term Liabilities</i>              |                       |                      |                      |
| Interest payable                          | 378,335               | 401,898              | 360,205              |
| Security deposits - held in trust         | 28,883                | 27,310               | 31,182               |
| Long-term debt                            | 2,781,851             | 3,085,566            | 2,322,685            |
| <b>Total Noncurrent Liabilities</b>       | <b>3,189,069</b>      | <b>3,514,774</b>     | <b>2,714,072</b>     |
| <b>Total Liabilities</b>                  | <b>4,556,106</b>      | <b>5,103,777</b>     | <b>3,917,527</b>     |
| <i>Net Assets</i>                         |                       |                      |                      |
| Unrestricted:                             |                       |                      |                      |
| Undesignated                              | 9,634,874             | 9,915,056            | 9,848,121            |
| Designated                                | 3,381,256             | 3,148,584            | 2,587,477            |
| Temporarily Restricted                    | -                     | -                    | 439,018              |
| <b>Total Net Assets</b>                   | <b>13,016,130</b>     | <b>13,063,640</b>    | <b>12,435,598</b>    |
| <b>Total Liabilities &amp; Net Assets</b> | <b>\$ 17,572,236</b>  | <b>\$ 18,167,417</b> | <b>\$ 16,353,125</b> |

|                                     | <b>Proforma (a)</b>      |             |             |             |
|-------------------------------------|--------------------------|-------------|-------------|-------------|
|                                     | <b>FYE June 30, 2015</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> |
| Debt Service Coverage - Net (x)     | 3.38                     | 4.38        | 6.64        | 15.33       |
| Debt to Unrestricted Net Assets (x) | 0.30                     | 0.22        | 0.25        | 0.20        |
| Margin (%)                          | 0.57                     | 7.37        | 3.53        | 3.53        |
| Current Ratio (x)                   | 2.53                     | 2.59        | 4.47        | 4.47        |

## **Financial Discussion – Statement of Activities (Income Statement)**

**Interim's income statement displays strong financials, with total revenue and support increasing each year, and positive net assets over the review period.**

Interim displays a continued increase in operating revenue and support from FY 2013 to FY 2015, moving from approximately \$9.1 million to \$10.3 million, an increase of 12.5%. However, expenses for total program services nearly mirrored that growth, moving from approximately \$8.8 million 2013 to \$10.2 million in 2015, an increase of 16%. According to Interim's management, one-time donations inflate the operating revenue and support and don't accurately reflect the financial health of the organization. For instance, in FY 2013, Interim received a one-time contribution of \$1.4 million, which inflated its support. Aside from fluctuating donations, Interim has a contract with Monterey County Behavioral Health and program expenses increased based on county needs and increases in the contract. Overall, Interim showed an increase of net assets at the end of year from \$12.4 million in FY 2013 to \$13 million in FY 2015, an increase of 4.7%.

### **Particular Facts to Note:**

- Contribution revenue fluctuated greatly, increasing 30.2% over the duration of the time period, increasing 430.9% from FY 2013 to FY 2014, but subsequently dipping 75.5% from \$365,037 in FY 2014 to \$89,504 in FY 2015. According to Interim's management, the focus of fundraising campaigns changes based on the needs of the organization, which affects the amount of contributions raised. In FY 2013 and FY 2015, fundraising campaigns were focused on raising money for construction projects (restricted donations), while in FY 2014, the campaign was focused on unspecific donations (unrestricted).
- Government contracts display a 33.7% loss in a year-over-year basis in FY 2015. The grant amount of \$916,365 only accounts for 8.9% of the total revenues and support in FY 2015, down from 13.5% in FY 2014. According to Interim's management, the discrepancy in the amount of government contracts is due to receiving a one-time grant from the City of Salinas in the amount of \$453,456 to help pay for a new wellness center building.
- Program income decreased 22.4% from \$247,534 in FY 2013 to \$192,023 in FY 2015. According to Interim's management, some necessary program changes were made to accommodate for this decrease in program income, which included Bridge House collecting all unpaid past due program fees in FY 2013 and Shelter Cover suspended providing dinner services to clients and stopped billing clients for dinner fees. Interim does not consider the decrease significant to the organization's operating goals due to the small amount which has decreased.
- Salaries and wages, which make up approximately 58.1% of Interim's total expenses, increased from approximately \$5 million in FY 2013 to approximately \$5.9 million in FY 2015. According to Interim's management, staffing has increased due to the addition of a new intensive day treatment program, cost of living adjustments and scheduled step increases for Interim's staff.

## **Financial Discussion – Statement of Financial Position (Balance Sheet)**

**Interim's balance sheet appears strong with a pro-forma debt service coverage ratio of 3.38x.**

While Interim appears to display the ability to repay its debt multiple times, the organization shows a decreasing debt service coverage ratio, dropping from 15.33x in FY 2013 to 6.64x in FY 2014, before falling again in FY 2015 to 4.38x. The drop in debt service coverage ratio from FY 2013 to FY 2015 is primarily due to the decrease in operating income, specifically net assets released from restrictions, according to Interim's management. Additionally, FY 2013 included \$1.4 million in debt forgiveness, which affected operating income. With the proposed new loan, Interim's pro-forma debt service coverage appears to decrease to 3.38x. According to Interim's management, the organization has renewed a three-year contract with Monterey County Behavioral Health and expects to have paid down \$1.2 million in loans with funds from the operating budget by the end of FY 2020.

### **Particular Facts to Note:**

- Cash and cash equivalents greatly decreased by 71.9% from approximately \$1,080,430 in FY 2013 to \$303,354 in FY 2015. According to Interim's management, the drop in cash is due to an increase in receivables. Grant receivables increased by \$1.2 million between FY 2013 and FY 2015, which was partially due to receivables being overdue. According to Interim's management, the organization does not expect the increase to be a permanent change and it has been addressed with Monterey County.
- Total liabilities grew at a rate of 16.3% during the review period, while total assets trailed by comparison, increasing at a pace of only 7.5%. According to Interim's management, as of the end of FY 2013, Interim held \$653,288 in assets as construction was in progress for its affiliate Rockrose Housing, Inc. After the Rockrose Housing, Inc. construction was completed, Interim transferred the asset and liability to another corporation. As of the end of FY 2015, Interim is not holding assets for any of its affiliates.
- Investments under current assets fell substantially from \$3.1 million in FY 2013 to \$1 million in FY 2015, a decrease of 67.7%, while investments in noncurrent assets increased sharply from \$1.2 million in FY 2013 to \$3.6 million in FY 2015, an increase of 199.6%. According to Interim's management, the Board of Directors manages investment funds based on market conditions, which can fluctuate greatly from one fiscal year to the next. Additionally, Interim's management acknowledged the lack of need for the amount of investments under current assets and moved assets into noncurrent assets with the expectation of higher returns.
- According to Interim's management, none of the organization's outstanding debt is forgivable. Depending on the terms of the loan, Interim accrues the interest payable and the liability is set up to pay the loan and the interest when the loan matures.

## EXHIBIT 1

### Interim, Inc. UTILIZATION STATISTICS

#### Clients Served / (Patient Visits) for Fiscal Year Ending June 30,

| Year   | 2015       | 2014       | 2013       |
|--------|------------|------------|------------|
| Totals | 51 / (n/a) | 46 / (n/a) | 46 / (n/a) |

According to Interim's management, maximum program capacity is 13 clients at any given time. Clients typically graduate from the program in six months; however, the Monterey County Behavioral Health Director or his/her designee may extend a client's stay beyond the six months. The number of clients served each fiscal year takes into account the number of clients carried over from the previous fiscal year (as of July 1<sup>st</sup>), and the new number of clients admitted throughout the fiscal year. Over the past decade, this number has ranged from 42 to 54 clients. There is no specific reason that the same number of clients was served in FY 2014 and FY2013.



**EXHIBIT 2**  
**OUTSTANDING DEBT**

| <u>Date Issued</u>  | <u>Original Amount</u> | <u>Amount Outstanding <sup>(a)</sup> As of June 30, 2015</u> | <u>Estimated Amount Outstanding after Proposed Financing</u> |
|---|------------------------|--|--|
| <b><i>-EXISTING LONG-TERM DEBT:</i></b>                         |                        |  |  |
| California Department of Housing & Community Development (2004) | \$ 708,792             | \$ 708,792   | \$ 708,792   |
| California Department of Housing & Community Development (2002) | 150,938                | 150,938  | 150,938  |
| California Department of Housing & Community Development (1991) | 109,980                | 109,980  | 109,980  |
| California Department of Housing & Community Development (1990) | 67,520                 | 67,520   | 67,520   |
| California Department of Housing & Community Development (1989) | 140,000                | 140,000  | 140,000  |
| City of Monterey (1994)   | 104,550                | 104,550  | 104,550  |
| City of Monterey (1989)   | 150,000                | 150,000  | 150,000  |
| County of Monterey (2005)                                       | 100,000                | 82,951   | 82,951   |
| County of Monterey (2002)                                       | 100,000                | 100,000  | 100,000  |
| County of Monterey (1996)                                       | 50,000                 | 22,641   | 22,641   |
| County of Monterey Redevelopment Agency (2007)                  | 150,000                | 116,550  | 116,550  |
| Financing Authority (CHFFA) (2012)                              | 750,000                | 456,488  | 456,488  |
| Rabobank, N.A. (2014)   | 900,000                | 712,203  | 712,203  |
| <b><i>- PROPOSED NEW DEBT:</i></b>                              |                        |  |  |
| <i>CHFFA HELP II Loan (2016)</i>                                |                        | -  | <b>1,000,000</b>   |
| <b><i>- TOTAL DEBT</i></b>                                      |                        | <b><u>\$ 2,922,613</u></b>                                   | <b><u>\$ 3,922,613</u></b>                                   |

## **EXHIBIT 3**

### **BACKGROUND AND LICENSURE**

#### **Background**

Interim, Inc., is a 501(c)(3) non-profit organization established in 1975 in order to provide services and affordable housing supporting members of the community with mental illness in building productive and satisfying lives. Interim works in partnership with Monterey County Department of Mental Health Bureau to provide a continuum of residential treatment, affordable housing, employment and educational services, dual recovery services for individuals with mental illness and substance abuse disorders, and consumer-operated mental health, wellness, and recovery services for adults with psychiatric disabilities residing in Monterey County.

Interim has successfully developed 16 housing projects, two treatment-facility projects, and a wellness center. It provides 284 beds including 186 units of permanent affordable housing, transitional housing for 38 individuals who are homeless or at-risk of homelessness, and 28 treatment beds in two separate programs, as well as support services to numerous additional programs.

Interim provides 14 support programs throughout Monterey County and serves more than 1,700 adults who have mental illnesses and their family members each year. Interim is the only agency in Monterey County that provides these services for adults with serious mental illness. Interim's programs provide clients with a bridge from institutionalization or homelessness to independent living and self-sufficiency.

#### **Licensure, Certification and Accreditation**

Interim's Bridge House program is certified by the California Department of Healthcare Services to operate and maintain a transitional residential program and social rehabilitation facility licensed by the California Department of Social Services.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**

**The HELP II Loan Program**

**Resolution Number HII-305**

**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, **Interim, Inc.** (the “Borrower”), a California 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 an amount not to exceed **\$1,000,000** for a term not to exceed **20 years** for the purpose described in the application filed with the Authority (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. 20-year, two percent (2%) fixed rate loan;
2. Second lien position on real property located at 601, 603, and 613 Bayonet Circle, Marina, CA 93933
3. Corporate gross revenue pledge;
4. A current appraisal that is acceptable to Authority staff;
5. Loan to value ratio not to exceed 95%;
6. Verification of Borrower’s funds to close escrow; and
7. Verification of additional source of funding to complete project.

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 loans may not be increased above the amount approved by the Authority and provided further that the loans continue 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 6 months from the date of approval.

Date of Approval: \_\_\_\_\_