

County of El Dorado
Traffic Impact Mitigation (TIM) Fee
Offset Program for Developments
with Affordable Housing

TIM Fee Offset Application

Board of Supervisor's Policy B-14
Effective date: 12/11/2007

7/2009

09-1271.D.1 of 124

TIM Fee Offset Application
Return to Planning Services, Attn: Shawna Purvines, 2850 Fair Lane Court, Bldg. C, Placerville, CA 95667 prior to deadline.

County of El Dorado
Traffic Impact Mitigation (TIM) Fee
Offset Program for Developments
With Affordable Housing

SECTION 1 – APPLICATION SUMMARY

Project Name: Sunset Lane Apartments

Project Location: Sunset Lane and Mother Lode Drive, Shingle Springs, CA 95682

TIM Fee Zone: 2

Project Address: Sunset Lane and Mother Lode Drive, Shingle Springs, CA 95682

Parcel Number: 090-430-21 and 090-430-22

Developer Name: Mercy Housing California

Developer Address: 3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691

Contact Name: Jeffrey Riley

Phone: (916) 414 - 4406 Fax: (916) 414 - 4490

Email Address: jriley@mercyhousing.org

Anticipated date of project completion: March, 2013

TOTAL PROJECT COST \$13,130,099 Cost per Unit: \$ 238,729

TOTAL NUMBER OF UNITS 55 Total Affordable Units 54

TIM FEE OFFSET REQUEST \$ 1,467,720 Per Unit Offset \$ 27,180

TARGET INCOME GROUP(S): Extremely Low (30%) and Low Income (60%)

AFFORDABILITY LEVEL: XX **20 years** 15 years 10 years

Income Category - Target Income Groups		Number of Persons in Household					
2009 County Income Limits*		1	2	3	4	5	6
Extremely Low	<30% MFI	\$15,300	\$17,500	\$19,650	\$21,850	\$23,600	\$25,350
Very Low Income	<50% MFI	\$25,500	\$29,100	\$32,750	\$36,400	\$39,300	\$42,200
Low Income	<80% MFI	\$40,800	\$46,600	\$52,450	\$58,250	\$62,900	\$67,550
Moderate Income	<120% MFI	\$61,150	\$69,900	\$78,600	\$87,350	\$94,350	\$101,350
Median Income		\$50,950	\$58,250	\$65,500	\$72,800	\$78,600	\$84,450
* HUD Income Limits effective 3/19/09							

Note: HUD Income Limits change annually. Visit <http://www.huduser.org/datasets/il.html> or <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html> for current limits.

PROJECT TYPE

- Ownership Housing

Ownership Units *
 Target Income Group: _____
 Affordability Level in Years: _____

- Rental Housing

55 Rental Units **
 Target Income Group: Very Low and Low
 Affordability Level in years: 20 yr. min. Percent of TIM Offset: 100

Table 1 TIM Fee Offset			
*Applies to Ownership Units			
Affordability Level	Very Low	Low	Moderate
20 years	100%	75%	25%
15 years	75%	50%	0%
10 years	50%	25%	0%
**Applies to Rental Units			
Affordability Level	Very Low	Low	Moderate
20 years (minimum)	100%	75%	25%

- Second Dwelling Units

New Construction of Second Units in a New Subdivision
 (Minimum 20 year affordability for 100% offset.)
 New Construction of Second Unit on Owner Occupied Property
 Level of Affordability in Years: _____ Percent of TIM Offset: _____
 Target Income Group: _____

Table 2 Second Units			
Existing Homeowner building a 2 nd Unit		New Construction	
Length of Affordability	% of TIM Offset	Length of Affordability	% of TIM Offset
20 years	100%	Not less than 20 years	100%
15 years	75%		
10 years	50%		

DEVELOPER INFORMATION CHECKLIST

Please mark one and include all listed information when you submit the application:

- Not-For-Profit Organization
 - evidence of 501(c)(3) or 501(c)(4) status * **Please see attached.**
 - articles of incorporation and by-laws * **Please see attached.**
 - certified financial statement (or recent certified audit) * **Please see attached.**

- Private For-Profit Organizations
 - certified financial statement
 - nature of ownership entity:
 - partnership - evidence of current ownership percentages of partners
 - sole proprietorship
 - corporation
 - if a corporation, Articles of Incorporation and by-laws; if a partnership, Partnership Agreement and, if applicable, Certificate of Limited Partnership

- Private Homeowner (Owner Occupied)
 - evidence of current ownership
 - provide as much information as possible in Section 3, Project/Program Narrative, including potential tenant information, if available.

501 (c)(3)

Mercy Housing California

JUL 07 2008

Internal Revenue Service
District Director

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: July 1, 2008

Person to Contact:
James Blair
ID # 31-07578
Telephone Number:
877-829-5500
FAX Number:
513-263-4330

Ms. Delrdre Dessingue
Associate General Counsel
United States Conference
of Catholic Bishops
3211 4th Street, N.E.
Washington, D.C. 20017-1194

Dear Ms. Dessingue:

In a ruling dated March 25, 1946, we held that the agencies and instrumentalities and all educational, charitable and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in *The Official Catholic Directory* 1946, are entitled to exemption from federal income tax under the provisions of section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1986 Code. This ruling has been updated annually to cover the activities added to or deleted from the Directory.

The Official Catholic Directory for 2008 shows the names and addresses of all agencies and instrumentalities and all educational, charitable, and religious institutions operated by the Roman Catholic Church in the United States, its territories and possessions in existence at the time the Directory was published. It is understood that each of these is a non-profit organization, that no part of the net earnings thereof inures to the benefit of any individual, that no substantial part of their activities is for promotion of legislation, and that none are private foundations under section 509(a) of the Code.

Based on all information submitted, we conclude that the agencies and instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in *The Official Catholic Directory* for 2008 are exempt from federal income tax under section 501(c)(3) of the Code.

Donors may deduct contributions to the agencies, instrumentalities and institutions referred to above, as provided by section 170 of the Code. Bequests, legacies, devises, transfers or gifts to them or for their use are deductible for federal estate and gift tax purposes under sections 2055, 2106, and 2522 of the Code.

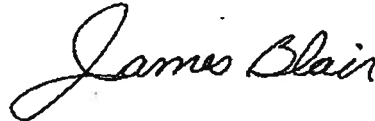
Ms. Deirdre Dessingue

Beginning January 1, 1984, unless specifically excepted, you and your subordinates must pay tax under the Federal Insurance Contributions Act (Social Security taxes) for each employee who is paid \$100 or more in a calendar year, as indexed for inflation. You and your subordinates are not liable for the tax under the Federal Unemployment Tax Act (FUTA).

By May 31, 2009, please send three (3) copies of *The Official Catholic Directory* for 2009 to IRS TE/GE in Cincinnati; one copy to the Processing Campus in Ogden; two copies each to the EO Area Managers in Newark, Brooklyn, Chicago, St. Paul, Atlanta, Los Angeles, the IRS National Headquarters and the Director, EO Examinations, Dallas.

The conditions concerning the retention of your group exemption as set forth in our previous determination letter of August 17, 1983, remain in full force and effect.

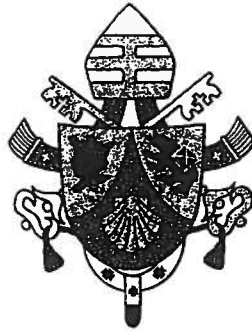
Sincerely,

A handwritten signature in cursive script that reads "James Blair".

for Robert Choi, Director,
Exempt Organizations Rulings & Agreements

CALIFORNIA • MICHIGAN • MINNESOTA • MISSISSIPPI • MISSOURI • WEST VIRGINIA • NEW YORK • NEVADA
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1817



2008

The Official Catholic Directory

Anno
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2008

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 P.J. Kennedy & Sons

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Caritas Business Services, 206 Redwood Shire Pkwy., Redwood City, 94065. Tel: 650-917-4528.

Catholic Kolping Society (1887) 440 Taraval St., 94116. Tel: 415-661-8305. Hubert Brinkmann, Pres.; Catherine Vennemeyer, Treas.

Catholic Scouting, Tel: 415-614-5652.

Catholics for Truth & Justice (1991) P.O. Box 26756, 94126-0756. Tel: 415-982-0920. Rev. Msgr. Harry G. Schlitt.

Congregation of the Holy Family of Blessed Mariam Theresia, India, 3112 Turk Blvd., 94118. Tel: 415-666-3237. Email: chfsa@yahoo.com. Web: www.blessedmariamtheresia.org.

Equestrian Order of the Holy Sepulchre of Jerusalem - Northwest Lieutenancy, Two Ashbury Ter., 94117-4502. Tel: 415-566-9639; Fax: 415-566-9639. Sir John H. McGuckin Jr., Lieutenant.

Father Raphael Piperni Charitable Trust, 1100 Franklin St., 94109. Tel: 415-441-7144; Fax: 415-441-7155. Email: suosec@aol.com. (The FRPC (R) Trust)

Franciscan Friars of California, Provincial Office of Communications Consultanti (1990) 121 Golden Gate Ave., 94102-3809. Tel: 415-592-2740; Fax: 415-863-8240. Email: falfonso@aol.com. Rev. Floyd A. Lottio, O.F.M., Dir.

Italian Catholic Federation, St. Brendan Church, 29 Rockaway, 94127. Tel: 415-681-4225; Fax: 415-681-3976. Email: navigator@stbrendanparish.org. Revs. Thomas M. Parenti, San Francisco Chapter Chap.; Francis K. Murray, Chap. Archdiocese (Retired).

Legion of Mary (1921) 1425 Bay Rd., East Palo Alto, 94303. Tel: 650-322-2152; Fax: 650-322-7319. Email: sfassisi@abeglobal.net. Rev. Lawrence C. Goode, Spiritual Dir., San Francisco Senatus.

St. Mary's Medical Center Foundation, 450 Stanyan St., 94117-1079. Tel: 415-750-5790; Fax: 415-750-8132.

Mercy Housing California, 1360 Mission St., Suite 300, 94103. Tel: 415-355-7100; Fax: 415-355-7101. Email: VAgostino@mercyhousing.org. Web: www.mercyhousing.org. Housing development for low-income families, elderly, and singles.

Mercy Family Plaza, c/o Mercy Housing California, 1360 Mission St., Suite 300, 94103. Tel: 415-355-7100; Fax: 415-355-7101. Thirty-six affordable units for families.

M.H.R. AIDS Support Group, 100 Diamond St., 94114-2426. Tel: 415-863-1581; Fax: 415-552-8786. Email: mhr@mhr-asg.com. Web: www.mhr-asg.com.

The Ordinary Mutual, RRG, P.O. Box 191867, 94119-4002. Tel: 415-536-8440; Fax: 415-536-4002. Email: dennis_o'hara@ajg.com. Dennis O'Hara, Underwriting Mgr.; Randolph E. Steiner, Pres. A Risk Retention Group Corporation, incorporated in Vermont, serving the Dioceses of Tucson, Fresno, Monterey, Oakland, Orange, Sacramento, Santa Rosa, and Stockton, and the Archdioceses of Los Angeles and San Francisco.

St. Paul High School Alumnae Assoc., 221 Valley St., 94131. Tel: 415-648-7538. Email: sphalumnae@aol.com. Sr. Maureen O'Brien, B.V.M., Mod. Not-for-profit charitable outreach.

Pauline Books & Media, 2640 Broadway, Redwood City, 94063. Tel: 650-369-4230; Fax: 650-369-4390. Email: sanfrancisco@paulinemedia.com. Web: www.pauline.org. Sr. Domenica Vitello, F.S.P., Supr. Daughters of St. Paul. Sisters 5.

Philip Rinaldi Charitable Trust, 1100 Franklin St., 94109. Tel: 415-441-7144; Fax: 415-441-7155. Email: suosec@aol.com. For the care of needy youth and for the formation needs of Salesians of St. John Bosco.

The Ricci Institute for Chinese-Western Cultural History at the Center for the Pacific Rim, University of San Francisco, 2130 Fulton St., 94117-1080. Tel: 415-422-6401; Fax: 415-422-2291. Email: ricci@usfca.edu. Web: www.usfca.edu/ricci.

Xiaoxin Wu, Ed.D., Dir.; Melissa Dale, Asst. Dir. Research; Mark Mir, Research Fellow & Chinese Library Cataloguer; May Lee, Prog. Asst.

St. Rose Corporation, 2501 Pine St., 94115. Tel: 415-440-9568; Fax: 415-440-9568. Email: rayaop@sanrafael.org.

Officers of the Board: Sr. Raya Hanlon, O.P., Pres.; Thomas Bertelsen Jr., CFO & Sec.; Sr. Catherine Murray, O.P., Dir.; Jack R. Bertges, Dir.; Sr. Kristin Wombacher, O.P., Dir.; Thomas Bertelsen Jr., Dir.; Kathleen Connolly, Dir.; Jeffrey K. Mori, Dir.

Shrine of St. Jude Thaddeus 2390 Bush St., 94115. Tel: 415-931-5919. Email: info@stjude-shrine.org. Web: www.stjude-shrine.org. Rev. Emmerich Vogt, O.P., Dir.

Sisters of the Presentation Community Support Trust Fund, 2340 Turk Blvd., 94118. Tel: 415-564-9455; Fax: 415-731-3071. Email: SRRT12@aol.com. Mailing Address: 1409 12th Ave., 94122. Sisters Patricia Marie Mulpeters, P.B.V.M., Chm.; Patricia Boss, O.P., Trustee; Patricia Anne Cloherty, P.B.V.M., Trustee; Conception V. Del Rosario, Trustee; Sisters Rose Therese Sousa, P.B.V.M., Trustee; Judith Cunningham, Trustee; Nancy McLaughlin, P.B.V.M., Trustee; Nanette Miller, Trustee; Sr. Stephanie Still, P.B.V.M., Trustee. Trust used for the religious and charitable needs of the Sisters of the Presentation of the Blessed Virgin Mary.

***Together in the Mission of Education (T.I.M.E.)**, 925 Chenery St., 94131. Tel: 415-584-8383; Fax: 415-584-8359. Email: principal@stjohnseagles.com. Mr. Kenneth J. Willers, Exec. Dir.; Adriene Gualco, Treas.

BURLINGAME. Music at Kohl Mansion, Inc., 2750 Adeline Dr., 94010. Tel: 650-762-1130; Fax: 650-343-8464. Email: director@musicatkoh.org. Web: www.musicatkoh.org. To develop and promote public knowledge and appreciation of musical arts by sponsoring chamber music concerts and other public performances of music, as well as music education activities.

DAILY CITY. Association of Catholic Student Councils, 86 Cityview Dr., 94014-3400. Tel: 415-584-9877; 650-270-9259; Fax: 415-584-9877. Email: taccs@taccs.org. Web: www.taccs.org. Marilyn Thickett, Exec. Dir.

Vincentian Service Corps West, 25 San Fernando Way, Suite B, 94015-2065. Tel: 650-991-6465; Fax: 650-991-3905. Email: vscwest@dochs.org. Web: www.vscorps.org. Sisters Judith Schomisch, D.C., Exec. Dir.; Eileen Kenny, D.C., Chairperson; James Comstock, M.A., Sec. & Treas.

REDWOOD CITY. The Catholic Worker Community (1975) 545 Cassia St., 94063. Tel: 650-366-4415. Lawrence P. Purcell, Dir. A foster home for teenagers.

***St. Francis Center of Redwood City**, 154 Buckingham Ave., 94063. Tel: 650-365-7829; Fax: 650-365-7829. Email: SChristina@aol.com. Web: www.stfranciscanwc.org. P.O. Box 7134, 94063. Sr. Christina Heltsley, O.P., Exec. Dir.

SAN RAFAEL. *Center Interfaith Housing, 164 N. San Pedro Rd., 94903. Fax: 415-453-8367.

Mission Holding Corporation (1995) 1520 Grand Ave., 94901-2236. Tel: 415-453-8303; Fax: 415-453-8367. Email: patsimpsonop@sanrafaelop.org. Web: sanrafaelop.org.

Governing Board: Sisters Patricia Simpson, O.P.; Margaret Diener, O.P.; Raya Hanlon, O.P.; Maureen McInerney, O.P.; Lois Silva, O.P.

The Sisters of Nazareth of San Rafael Real Estate Holdings, Inc., 245 Nora Albion Way, 94903. Tel: 415-479-8282.

Sisters of the Third Order of St. Dominic Support Charitable Trust Fund, 1520 Grand Ave., 94901-2236. Tel: 415-453-8303; Fax: 415-453-8367. Email: patsimpsonop@sanrafaelop.org. Web: sanrafaelop.org. Sisters Patricia Boss, O.P., Staff; Patricia Simpson, O.P., Trustee; Lois Silva, O.P., Trustee; Cathryn deBack, O.P.; Dr. Dennis Burke, Trustee; Mr. Thomas Bertelsen, Staff; John R. Burgis, Trustee; Marcia A. Fitzgerald, Trustee; Sr. Imelda Maurer, C.D.P., Trustee; Patricia L. Weir, Trustee.

Sisters of the Third Order of St. Dominic, Congregation of the Most Holy Name, Support Charitable Trust Fund, Trust used for the religious and charitable needs of the Sisters of the Third Order of St. Dominic, Congregation of the Most Holy Name.

TIBURON. Charismatic Movement (1982) 761 Hilary Dr., 94920. Tel: 415-435-1122; Fax: 415-435-1862. Web: sfspirit.com. Revs. James T. Tarantino, Liaison; Jose M. Corral, Liaison to Spanish Speaking; Vacant, Asst. Liaison Filipino Charismatics; Ernie von Emster, Asst. Liaison, Anglo Charismatics.

[T] CLOSED INSTITUTIONS

SAN FRANCISCO. All Hallows Church For sacramental records please contact Our Lady of Lourdes, 1715 Oakdale Ave., San Francisco 94124, Tel: 415-285-3377; Fax: 415-285-2191.

St. Brigid Church For sacramental records please contact St. Vincent de Paul, 2320 Green St., San Francisco 94123, Tel: 415-992-1010; Fax: 415-922-7203.

St. Edward the Confessor Church For sacramental records please contact St. Dominic, 2390 Bush St., San Francisco, 94115. Tel: 415-567-7854; Fax: 415-567-1608.

St. Francis of Assisi Church For sacramental records please contact SS. Peter and Paul, 666 Filbert St., San Francisco, 94133. Tel: 415-421-0809; Fax: 415-421-0217.

Holy Cross Korean Church For sacramental records please contact Chancery Office, One Peter Taraval Way, San Francisco, 94109, Tel: 415-614-5555; Fax: 415-614-5555.

Immaculate Conception Church For sacramental records please contact St. Anthony of Padua, 4111 Cesar Chavez St., San Francisco, 94110, Tel: 415-647-2704; Fax: 415-647-7282.

St. Joseph Church For sacramental records please contact St. Patrick, 756 Mission St., San Francisco, 94103, Tel: 415-421-0547; 512-9730.

Our Lady of Guadalupe Church For sacramental records please contact SS. Peter and Paul, 666 Filbert St., San Francisco, 94133, Tel: 415-421-0809; Fax: 415-421-0217.

Sacred Heart Church For sacramental records please contact the Chancery Office, One Peter Taraval Way, San Francisco, 94109.

SAN RAFAEL. Blessed Sacrament Church For sacramental records please contact St. Isabella, One Trinity Way, San Rafael, 94901, Tel: 415-479-1560; Fax: 415-479-8303.

St. Sylvester Church For sacramental records please contact St. Raphael, 1104 Fifth Ave., San Rafael, 94901, Tel: 415-453-2314; Fax: 415-453-5402.

WOODSIDE. St. Marcella Mission, For sacramental records please contact St. Denis, 2250 Ary Ave., Menlo Park, 94025, Tel: 650-854-5976; Fax: 650-854-3754.

RELIGIOUS INSTITUTES OF MEN REPRESENTED IN THE ARCHDIOCESE

For further details refer to the corresponding bracketed number in the Religious Institutes of Men or Women section.

[]—Apostolic Life Community of Priests Monks, Tanzania

[0200]—Benedictine Monks (Hungary)—O.S.B.

[0330]—Brothers of the Christian Schools (Prov. of San Francisco)—F.S.C.

[0470]—The Capuchin Franciscans (Irish Prov.)—O.F.M. Cap.

[0310]—Congregation of Christian Brothers—C.F.C.

[0480]—Conventual Franciscans—O.F.M. Conv.

[0520]—Franciscan Friars (Santa Barbara Prov.)—O.F.M.

[0650]—Holy Ghost Fathers—C.S.Sp.

[0690]—Jesuit Fathers and Brothers (California Prov.)—S.J.

[0780]—Marist Fathers (American Prov.)—S.M.

[]—Marist Fathers & Brothers (Atlanta Prov.)—S.M.

[0800]—Maryknoll—M.M.

[]—Order of Carmelites—O.Carm.

[0430]—Order of Preachers (Dominicans) (Western Prov.)—O.P.

[0897]—Paris Foreign Mission Society—M.E.P.

[1030]—Paulist Fathers—C.S.P.

[1190]—Salesian Don Bosco—S.D.B.

[1260]—Society of Christ (Chicago Prov.)—S.Ch.

[0760]—Society of Mary (Marianists) (U.S. Prov.)—S.M.

[]—Society of St. Paul (Philippine-Macau Prov.)

[1290]—Society of the Priests of Saint Sulpice (American Prov.)—S.S.P.

[]—Verbum Dei Missionary Fraternity—V.D.M.F.

RELIGIOUS INSTITUTES OF WOMEN REPRESENTED IN THE ARCHDIOCESE

[]—Apostolic Society, Society of the Divine Will—D.D.W.

[]—Congregation of Divine Providence—C.D.P.

[]—Congregation of the Holy Family of Blessed Mariam Theresia, India

[3242]—Congregation of the Sisters of Nazareth—C.S.N.

[1920]—Congregation of the Sisters of the Holy Cross (Notre Dame, IN)—C.S.C.

[1940]—Congregation of the Sisters of the Holy Faith—C.H.F.

[1710]—Congregation of the Third Order of St. Francis of Mary Immaculate, Joliet, IL—O.S.F.

[0730]—Daughters of Charity of Canossa—F.D.C.C.

[0760]—Daughters of Charity of St. Vincent de Paul (Prov. of the West)—D.C.

[0880]—Daughters of Mary and Joseph—D.M.J.

[0850]—Daughters of Mary Help of Christians—F.M.A.

[0420]—Discalced Carmelite Nuns—O.C.D.

[]—Dominican Sisters of the Philippines

[1050]—Dominican Contemplative Nuns—O.P.

[1070-03]—Dominican Sisters—O.P.

[1070-13]—Dominican Sisters—O.P.

[1070-19]—Dominican Sisters of Houston—O.S.F.

[1070-04]—Dominican Sisters of San Rafael—O.P.

[]—Franciscan Missionaries of Mary—F.M.M.

[]—Franciscan Missionaries, Our Lady of Peace—M.E.P.

Articles of Incorporation

Mercy Housing California

**State of California
Secretary of State**



I, BRUCE McPHERSON, Secretary of State of the State of California, hereby certify:

That the attached transcript of 4 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

OCT 16 2006

A handwritten signature in black ink, appearing to read "Bruce McPherson".

BRUCE McPHERSON
Secretary of State

10651436

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

OCT 12 2006

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
MERCY HOUSING CALIFORNIA

Jane Graf and Amy Bayley certify that:

1. They are the President and the Secretary, respectively, of Mercy Housing California, a California nonprofit public benefit corporation.
2. The Articles of Incorporation of this Corporation are amended and restated to read as follows:

ARTICLE I
NAME

The name of this Corporation shall be Mercy Housing California.

ARTICLE II
PERIOD OF EXISTENCE

This Corporation shall have perpetual existence.

ARTICLE III
PURPOSES

Section 1. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable purposes. The general purpose of this corporation is to have and exercise all rights and powers conferred on nonprofit corporations under the laws of California, provided that this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of this corporation.

Section 2. The specific purposes for which the corporation is organized are:

- (a) To provide housing for low income and homeless persons, potentially homeless persons or otherwise disadvantaged persons with housing facilities and educational and supportive services; and,
- (b) To contribute to the fulfillment of the purposes of Mercy Housing, Inc., a Nebraska not-for-profit corporation, which is exempt from federal income tax as an

organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

This Corporation shall be operated exclusively for charitable purposes and in a manner which is consistent with and supportive of the mission and philosophy of its Member.

Section 3. The Property of this Corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this Corporation shall ever inure to the benefit of any director, officer, or member thereof or to the benefit of any private persons.

Section 4. No substantial part of the activities of this Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and this Corporation shall not participate in or intervene in any political campaign on behalf of, or in opposition to, any candidate for public office.

Section 5. Notwithstanding any other provision of these Articles of Incorporation, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or corresponding sections of any future federal tax code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code or corresponding sections of any future federal tax code.

ARTICLE IV **POWERS**

Section 1. This Corporation, in order to carry out its purposes, shall have the power to do any and all things as fully and to the same extent as natural persons could do, and this Corporation shall have such powers as may be necessary or incidental to the attainment of the purposes of this Corporation as set forth in Article III hereof.

Section 2. The enumeration of the powers hereinabove shall not be deemed a renunciation of any of the powers conferred in the California Nonprofit Corporation Law, for nonprofit corporations, charitable societies or religious associations, but rather all such powers shall be deemed fully vested in this Corporation as though hereinabove specifically enumerated.

ARTICLE V **MEMBERSHIP**

This Corporation shall have only one member who is entitled to vote on matters relating to this Corporation and that member shall be Mercy Housing, Inc., hereinafter "Member," a Nebraska not-for-profit corporation. The powers, duties and rights reserved to the Member shall be identified in the Corporation's Bylaws. The Member is qualified as a charitable organization under Section 501(c)(3) of the Code.

ARTICLE VI
DISSOLUTION

In the event that this Corporation shall be dissolved or wound up at any time, then all of the properties, monies, and assets of this Corporation remaining after provision has been made for payment of its known debts and liabilities as provided by law, shall become the exclusive property of Mercy Housing, Inc. which is organized and operated for charitable purposes under Section 501(c)(3) of the Code, or other entity that is designated by Mercy Housing, Inc., and which is organized and operated for charitable purposes under Section 501(c)(3) of the Code, or the corresponding provision of any future Internal Revenue Code. In the event that Mercy Housing, Inc. no longer exists or is no longer organized and operated for charitable purposes under Section 501(c)(3) of the Code, such properties, monies and assets of this Corporation shall be transferred exclusively to and become the property of such nonprofit funds, foundations or corporations, organized and operated exclusively for charitable purposes, as are selected and designated by the Board of Directors and the Member of this Corporation; provided, however, that any such funds, foundations and/or corporations shall be organized and operated for charitable purposes under Section 501(c)(3) of the Code as that Section exists or may subsequently be amended; provided further, however, that prior to taking any action to permit or cause the voluntary or involuntary dissolution of this Corporation, the Board of Directors shall obtain all approvals required of the Member.

ARTICLE VII
REVISION OF ARTICLES OF INCORPORATION

These Articles of Incorporation may be amended only upon receiving the affirmative vote of a two-thirds (2/3) majority of the Directors in office and the approval of the Member or upon action initiated by the Member in a manner provided by law.

3. The foregoing Amended and Restated Articles of Incorporation shall supersede all prior Articles of Incorporation and all amendments thereto.
4. The foregoing Amended and Restated Articles of Incorporation has been duly approved by the required vote of the Board of Directors.
5. The foregoing Amended and Restated Articles of Incorporation has been duly approved by the required vote of the Member of the Corporation.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth herein are true and correct of our own knowledge.

IN WITNESS WHEREOF, the undersigned have executed these Amended and Restated Articles of Incorporation on this 7th day of October, 2006.

By: Jane Graf
Jane Graf, President

By: Amy Bayley
Amy Bayley, Secretary

Approved by Mercy Housing, Inc.,
a Nebraska not-for-profit corporation,
MEMBER

By: Lillian Murphy
Lillian Murphy, RSM, President/CEO



Bylaws

Mercy Housing California

**FOURTH AMENDED AND RESTATED
BYLAWS OF
MERCY HOUSING CALIFORNIA**

A Subsidiary Corporation of Mercy Housing, Inc.

**ARTICLE I
NAME; OFFICE**

Section 1. **Name.** The name of this Corporation shall be Mercy Housing California.

Section 2. **Offices.** The principal office for the transaction of the business of this Corporation shall be located in the County of San Francisco, State of California. This Corporation may also have such other offices within or without the State of California as the Board of Directors may from time to time establish.

**ARTICLE II
PURPOSE**

Section 1. This Corporation is organized for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, as amended, exclusively to:

- (a) Provide low income and homeless persons, potentially homeless persons or otherwise disadvantaged persons with housing facilities and educational and supportive services; and,
- (b) Contribute to the fulfillment of the purposes of Mercy Housing, Inc., a Nebraska not-for-profit corporation, which is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

Section 2. This Corporation shall be operated exclusively for charitable purposes and in a manner which is consistent with and supportive of the Mission and philosophy of its Sponsor.

**ARTICLE III
MEMBERSHIP**

Section 1. **Member.** This Corporation shall have only one member and that member shall be Mercy Housing, Inc., a Nebraska not-for-profit corporation which is herein designated "Member."

Section 2. Reserved Powers of Member. The Member of this Corporation reserves unto itself the right and authority to approve certain actions as set forth in Section 3 below.

Section 3. The Member reserves to itself the right to:

- A. Approve the adoption or amendment of Mission, Philosophy, and purpose statements of this Corporation;
- B. Approve the amendment, revision or restatement of the Articles of Incorporation or Bylaws of this Corporation and any of its subsidiary corporations;
- C. Approve the merger or consolidation of this Corporation, into or with any other corporation or association, and the dissolution or otherwise wrapping up of the affairs of this Corporation;
- D. Approve the purchase, sale, lease, exchange, mortgage, pledge, encumbrance or other disposition of all, or substantially all, of the assets of this Corporation;
- E. Approve the establishment or incorporation of any new affiliated entities, organizations, or associates of this Corporation;
- F. Approve any indebtedness to be incurred by this Corporation in amounts in excess of limits to be fixed, from time to time, by the Member;
- G. Appoint or remove, with or without cause, members of the Board of Directors of this Corporation;
- H. Appoint or remove the President of this Corporation.
- I. Approve the Strategic Plan of this Corporation;
- J. Approve the annual Capital and Operating Budgets for this Corporation;
- K. Approve the unbudgeted expenditures to be incurred by this Corporation in amounts in excess of limits to be fixed, from time to time, by the Member;
- L. Approve the external audit firm and approve the annual auditor's report of this Corporation.
- M. Approve the selection of the Management Agent for properties/partnerships sponsored by Mercy Housing, Inc., and its subsidiary corporations.

Neither the Board of Directors, nor any officer or employee of the Corporation, shall take any

action either in contradiction of any of the foregoing rights or without first having secured the necessary approvals as may be required by these Bylaws. In the exercise of its approval rights, the Member may simply grant or withhold its approval in whole or in part, or, in its complete discretion, prescribe such other or different action as it may deem appropriate.

Section 4. Meetings of Member.

Section 4.1 Annual Meeting. There shall be an annual meeting of the Member of the Corporation at such time and place as determined by the Member for the purpose of appointing directors and for such other matters as are determined appropriate and necessary. Failure of the Member to take action constituting an annual meeting as set out here shall not work a forfeiture or dissolution of the Corporation or invalidate any action taken by the Board of Directors or Officers of the Corporation.

Section 4.2 Special Meetings. Special Meetings of the Member for any purpose may be called at any time by the President or Chairperson of the Member or by request of any two of the Member's Board of Trustees.

Section 4.3 Notice of Meetings; Waiver. Written or printed notices stating the date, place and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered either personally or by mail, not less than ten (10) nor more than fifty (50) days before the date of the meeting, by or at the direction of the President or the Secretary of the Member, or the persons calling the meeting. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Board of Trustees of the Member with postage thereon prepaid; provided, however, such written notice may be waived by written consent of the Member through appropriate action of its Board of Trustees. Attendance at any meeting of the Member's Board of Trustees shall constitute a waiver of notice of such meeting, except where attendance is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4.4 Action Without Meeting. Any action required or permitted to be taken at a meeting of the Member may be taken without a meeting, if a written consent (which may be signed in counterparts) setting forth the action to be taken is signed by all of the Board of Trustees of the Member and filed with the records of the Corporation.

Section 4.5 Meetings By Telephone. Meetings of the Member sitting as a Board or in Committee may be held by telephone conference or similar communications equipment in accord with the Bylaws of the Member Corporation.

Section 4.6 Quorum. The quorum of a meeting of the Member Corporation shall be determined in accordance with the Bylaws of the Member Corporation.

ARTICLE IV
BOARD OF DIRECTORS

Section 1. General Powers. The Board of Directors shall constitute the policy making body of the Corporation and shall have and may exercise, subject to law, the reserved rights of the Member, and the Articles of Incorporation, all control and management of property, affairs and funds of this Corporation, and the power and authority to do and perform all acts and functions on behalf of this Corporation.

Section 2. Number and Tenure of the Board of Directors. The Board of Directors shall consist of not less than five (5) nor more than fifteen (15) members with the exact number fixed within such limits by the Member. No Director shall serve for more than nine (9) consecutive years; however, after one year's absence from the Board a former Director may be reappointed to the Board. Each director shall normally serve for three (3) years or until his/her successor is duly appointed and qualified.

Section 3. Method of Appointment. The Member shall appoint individuals to serve on the Board of Directors. The Nominating Committee of the Board of Directors shall present a slate of nominees, together with the credentials of such nominees, to the Board of Directors. From this slate of nominees, the Board of Directors shall make recommendations to the Member for appointment. Nominees to the Board of Directors will meet criteria for board membership adopted by the Member. The Member may approve or reject any nominee, or call for the recommendation of one or more additional nominees, or elect individuals directly to the Board of Directors by giving written notice of the same to the Chairperson of the Board of Directors.

Section 4. Vacancies. In the event an interim vacancy occurs on the Board of Directors, the Member shall appoint a qualified person as a member of the Board of Directors, and such person may either be independently selected by the Member or may be recommended to the Member by the Nominating Committee of the Board of Directors. Any Director so appointed shall remain a Director for the duration of his or her predecessor's unexpired term and may be reappointed in accordance with the provisions of this Article.

Three consecutive absences of a Board member shall constitute an automatic resignation from the Board.

Section 5. Removal of Directors. Any Director may be removed either with or without cause at any time by action of the Corporate Member.

Section 6. Compensation. Directors shall not receive any stated compensation for their services as a Director, but may be reimbursed for the expenses incurred in attending meetings of the Board or of any committees thereof. This Section shall not be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation for such services.

Section 7. Conflicts of Interest. If any person who is a Director or Officer of the Corporation is aware that the Corporation is about to enter into any business transaction directly or indirectly with such person, any member of such person's family, or any entity in which such person has any legal, equitable or fiduciary interest or position, including without limitation as a director, officer, shareholder, partner, beneficiary or trustee, such person shall (a) immediately inform those charged with approving the transaction on behalf of the Corporation of such person's interest or position, (b) aid the persons charged with making the decision by disclosing any material facts within such person's knowledge that bear on the advisability of such transaction from the standpoint of the Corporation, and (c) not be entitled to vote on the decision to enter into such transaction.

Section 8. Meetings. Meetings of the Board of Directors may be held within or without the State of California.

Section 8.1 Annual Meeting. An annual meeting of the Board of Directors shall be held at a time and place as shall be designated by the Board. At the annual meeting the Board may elect corporate officers (except that appointed by the Member) pursuant to a policy adopted by the Board.

Section 8.2 Regular Meetings. Regular meetings shall be held at least quarterly.

Section 8.3 Special Meetings. Special meetings may be called by the Chairperson of the Board or by the President of the Corporation or by two members of the Board of Directors for the purpose of acting only on items included in the notice of the meeting. Special meetings shall require three (3) day's notice. The date, time and place at which said meetings will be held shall be determined by those calling the meeting.

Section 8.4 Notice. Written notice of any regular meeting of the Board of Directors shall be delivered to each Director either personally or by United States mail, at least seven (7) days prior to the date of such meeting, and such written notice shall state the date, hour and place of such meeting, and shall set forth an agenda of specific items to be discussed.

Section 8.5 Quorum. A majority of all duly appointed Directors shall constitute a quorum at any meeting of the Board of Directors. The act of a majority of the Directors present at a meeting where a quorum has been established shall be the act of the Board of Directors, except as otherwise required by the laws of the State of California, the Articles or these Bylaws. For purposes of quorum, discussion, voting and all other matters dependent upon a Director's presence at a regular or special meeting of the Board of Directors, a Director shall be regarded as being present at a meeting of the Board of Directors if such Director is in telephonic or video and audio contact with each of the other Directors actually present at such meeting.

Section 8.6 Action Without a Meeting. Any action, required or permitted to be taken at a meeting of the Board of Directors, may be taken without a meeting if a written consent (which may be signed in counterparts), setting forth the action so taken, shall be signed by each member of the Board of Directors and filed with the records of the Corporation.

Section 8.7 Meetings By Telephone. Meetings of the Board of Directors or any committee thereof may be held by conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

Section 8.8 Reports To Member. The Board of Directors shall annually prepare and submit, for the review of the Member, a report which shall include, but not be limited to, the following information in reasonable detail:

- (a) The manner in which the Mission and Philosophy of the Religious Sponsors are being implemented by the Corporation;
- (b) A financial audit or review report of the Corporation by the approved external auditor;
- (c) An evaluation of the Board of Directors' duties and performance (every other year);
- (d) An evaluation of the President's duties and performance and
- (e) Any information required by California Corporations Code Sections 6322 and 6324, as from time to time amended.

Section 8.9 Reports to Board of Catholic Charities. The Board of Directors shall annually prepare and submit to the Board of Directors of Catholic Charities of the Archdiocese of San Francisco ("Catholic Charities") a report which shall include:

- (a) The manner in which the Mission and the Philosophy of this Corporation is being implemented; and
- (b) Development and program activity since the last report.

ARTICLE V **OFFICERS**

Section 1. Officers of the Board. The Board of Directors shall elect a Chairperson and a Vice Chairperson of the Board of Directors from among its members. The term of the

Chairperson and Vice Chairperson shall be for a period of two (2) years or until such time as their successors are duly elected and qualified. No Director shall serve more than four (4) consecutive years as Chairperson or Vice Chairperson of the Board. The Chairperson shall preside over all meetings of the Board and, in the absence of the Chairperson, the Vice Chairperson shall preside over the meeting.

Section 2. Officers of the Corporation. The officers of the Corporation shall be the President, a Vice President, a Secretary, a Treasurer and such other officers as the Board of Directors may from time to time establish. The President shall be appointed by the Member. The President shall not be a member of the Board of Directors. All corporate officers, except the President, shall be appointed annually by the Board of Directors.

Section 2.1 President. The President shall serve as chief executive officer of this Corporation and shall have the authority and responsibility necessary to operate the business of this Corporation in all its day-to-day activities, subject to such policies as may be adopted, and such orders as may be issued, by the Board of Directors and the Chief Executive Officer of Mercy Housing, Inc. The President shall carry out those duties usually incident to the office of President. The President shall execute all documents on behalf of this Corporation unless the Board of Directors has generally or specifically delegated the authority to execute the document in question to another officer of this Corporation.

Supervision and Evaluation. The President will be selected according to the process adopted by the Member, which will include participation by the Board of Directors. Notwithstanding this elective power retained by the Member as to the President, the President shall be directly accountable to the Board of Directors and the Chief Executive Officer of Mercy Housing, Inc. for his/her supervision, appraisal, and administration of the day-to-day operations of the Corporation.

Section 2.2 Vice President of the Corporation. The Vice President shall act as President in the absence of the President, and when so acting, shall have the power and authority of the President. A Vice President shall carry out all duties delegated to him or her by the President.

Section 2.3 Secretary of the Corporation. The Secretary shall keep the minutes of all meetings, provide written notice of all meetings and copies of previous meetings in accordance with these Bylaws or as required by the laws of the State of California, and shall act as the custodian of this Corporation's records.

Section 2.4 Treasurer of the Corporation. The Treasurer shall be the principal financial officer of this Corporation and shall ensure that there is an adequate and correct accounting of the property and business transactions of this Corporation.

Section 3. Appointment. Subject to the reserved right of the Member to appoint the

President, all other corporate officers shall be appointed annually by the Board of Directors.

Section 4. Removal. Any officer, other than the President, elected by the Board of Directors, may be removed at any time, for cause or without cause, by an affirmative vote of two-thirds (2/3) of all the members of the Board of Directors; the removal of the President shall be by affirmative vote of the Member in full consultation with the Board of Directors.

Section 5. Vacancy. In the event a vacancy occurs in any office other than that of the President of the Corporation, the Board of Directors shall elect, at a regular meeting or a special meeting of the Board of Directors, a person to succeed to such office.

Section 6. Surety Bonds. The Board of Directors may require any officer or agent of the Corporation to execute to the Corporation a bond in such sums and with such sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of such person's duties and for the restoration to the Corporation of all books, papers, vouchers, money and other property of whatever kind which may be in such person's possession or under such person's control and belonging to the Corporation.

ARTICLE VI **COMMITTEES OF THE BOARD**

Section 1. General. The members and the Chairpersons of all committees of the Board of Directors, including those identified below, shall be appointed by the Chairperson of the Board of Directors, or in the absence of the Chairperson, by the Vice Chairperson presiding at a meeting of the Board of Directors and such committees shall be approved by a majority of the Directors then holding office. The membership, number and function of such committees may be established and altered by the Board as it sees fit, provided that no committee shall have authority to exercise powers prohibited by statute. Members of such committees may be non-members of the Board of Directors as the Board may determine except that the Membership of the Executive Committee and the Nominating Committee shall be comprised of only members from the Board of Directors. An agenda of each meeting of a committee of the Board shall be prepared and provided to the members of the committee. A simple majority of all the members of a committee shall constitute a quorum, and the vote of the majority of such members present at a committee meeting where such a quorum has been established shall be the act of such committee. Minutes of the committee meetings shall be recorded and copies of such minutes shall be forwarded to the Board.

Section 2. Executive Committee. An Executive Committee shall consist of at least three (3) Directors, including the Chairperson of the Board of Directors. The Executive Committee shall have the authority to act on all matters assigned to it by the Board of Directors and not inconsistent with the provisions of the laws of the State of California, the Articles of Incorporation and these Bylaws. The Chairperson of the Board, or in his/her absence, the Vice

Chairperson, shall preside at all meetings of the Executive Committee.

Section 3. Nominating Committee. The Nominating Committee shall consist of at least three (3) persons, two (2) of whom shall be Directors of this Corporation, including the Chairperson of the Board, and a representative from Catholic Charities. The Nominating Committee shall have the duty of identifying potential Board Nominees and presenting them to the Board of Directors of this Corporation and to the Member, in accordance with the policies of the Member from time to time in effect.

Section 4. Other Committees. Additional standing committees and special committees of the Board of Directors may be appointed by the chairperson for such special tasks as circumstances warrant. A special committee of the Board of Directors shall limit its activities to the accomplishment of the tasks for which it is appointed, shall present a written report of its activities to the Board of Directors, and shall have no power to act except as is specifically conferred on such committee by the Board of Directors. Upon completion of the task for which it is appointed, a special committee of the Board of Directors shall stand discharged.

ARTICLE VII **AFFILIATED GROUPS**

The Board of Directors may authorize the formation of such auxiliary and affiliated organizations as would, in the opinion of the Board, assist in the fulfillment of the purposes of the Corporation. Subject to the reserved rights of the Corporate Member, any auxiliary or affiliated organization so authorized shall be subject to these Bylaws, and all authorizations, irrespective of their terms, shall be revocable at any time in the discretion of the Board of Directors. For any authorized auxiliary or organization, the Board of Directors shall require Bylaws, rules, and regulations setting forth the purpose, function, organization and government of said auxiliary or organization. Subject to the reserved rights of the Member, Bylaws, rules and regulations, and subsequent changes therein, changes may be recommended to the Board of Directors by said auxiliary or organization, but only those approved by the Board of Directors of this Corporation shall be effective.

ARTICLE VIII **CONTRACTS, AGREEMENTS, LEGAL INSTRUMENTS,** **CHECKS, DEPOSITS AND GIFTS**

Section 1. Contracts, Agreements and Legal Instruments. Subject to any limitation contained in the Articles of Incorporation or in the Bylaws, the President or any Vice President or the Secretary of the Corporation may, in the name and on behalf of the Corporation, execute and deliver any contract or other instrument authorized in writing by the Board of Directors.

Section 2. Loans. No loan or advance shall be contracted by or on behalf of the Corporation, no negotiable paper or other evidence of its obligation under any loan or advance shall be issued in its name and no property of the Corporation shall be mortgaged, pledged, hypothecated, transferred or conveyed as security for the payment of any loan, advance indebtedness or liability of the Corporation, unless and except as authorized in writing by the Board of Directors. Any such authorization may be general or confined to specific instances but shall be in compliance with these Bylaws.

Section 3. Deposits. All funds and other valuable assets of the Corporation not otherwise employed shall be deposited from time to time to its credit in such banks or trust companies or with such bankers or other depositories as the Board of Directors may select or as from time to time may be selected by any officer or agent authorized to do so by the Board of Directors.

Section 4. Checks, Drafts, Etc. All notes, drafts, acceptances, checks, endorsements, and, subject to the provisions of these Bylaws, evidence of indebtedness of the Corporation shall be signed by such officer or officers or such agent or agents of the Corporation and in such manner as the Board of Directors from time to time may determine. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories shall be in such manner as the Board of Directors from time to time may determine.

Section 5. Gifts. The Board of Directors may accept on behalf of the Corporation any gift, bequest or device for the general purposes or for any special purpose of the Corporation.

ARTICLE IX

INDEMNIFICATION AND INSURANCE

Section 1. Indemnification. The Corporation shall indemnify any Director or officer or former Director or officer of the Corporation or any person who may have served at its request as a Director or officer of another corporation, against expenses actually and necessarily incurred by him/her in connection with the defense of any action, suit or proceeding in which s/he is made a party by reason of being or having been such Director or officer, except in relation to matters as to which s/he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty; but such indemnification shall not be deemed exclusive of any other rights to which such Director or officer may be entitled under the statute, bylaws, agreement, vote of Board of Directors or otherwise.

Section 2. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him/her and incurred by him/her in any such capacity or arising out of his/her status as such.

ARTICLE X
LIMITATION OF LIABILITY

Neither the Member, nor the Officers or Directors of this Corporation, nor any corporation affiliated with this Corporation, shall be liable for the debts and obligations of this Corporation.

ARTICLE XI
DISSOLUTION

In the event that this Corporation shall be dissolved or wound up at any time, then all of the properties, monies, and assets of this Corporation remaining after provision has been made for payment of its known debts and liabilities as provided by law, shall be transferred exclusively to, and become the property of Mercy Housing, Inc. or if such corporation is no longer in existence and exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, such nonprofit funds, foundations or corporations, organized and operated exclusively for charitable or educational purposes, as are selected and designated by the Board of Directors of this Corporation; provided, however, that any such funds, foundations and/or corporations shall qualify as an exempt organization or organization under Section 501(c)(3) of the Internal Revenue Code of the United States as that Section exists or may be subsequently be amended; provided further, however, that prior to taking any action to permit or cause the voluntary or involuntary dissolution of this Corporation, the Board of Directors shall obtain all approvals required of the Member.

ARTICLE XII
CONFIDENTIALITY

Except as otherwise publicly disclosed, or in order to conduct appropriately the Corporation's business, the records and reports of the Corporation shall be held in confidence by those persons with access to them.

ARTICLE XIII
AMENDMENT OF BYLAWS

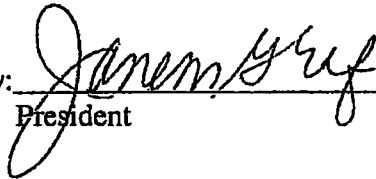
These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by a two-thirds (2/3) majority vote of the Board of Directors at any regular or special meeting provided that such alteration, amendment, repeal or new Bylaws is approved by the Member or upon action initiated by the Member in the manner provided by law.

ARTICLE XIV
FISCAL YEAR

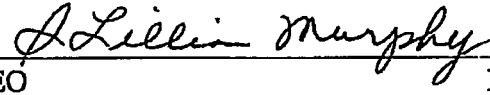
The fiscal year of this Corporation shall end December 31 of each year.

Adopted on this 6th day of SEPTEMBER, 2006.

MERCY HOUSING CALIFORNIA

By: 
President

APPROVED BY MERCY HOUSING, INC.

By:  Date 12/28/06
CEO

CERTIFICATE OF SECRETARY

The undersigned certifies that she is the Secretary of Mercy Housing California, a California nonprofit public benefit corporation, and that, as such, she is authorized to execute this certificate on behalf of said corporation, and further certifies that attached hereto is a complete and correct copy of the presently effective Bylaws of said Corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 29th day of December, 2006.

Amy Bayley
SECRETARY

Audit

Mercy Housing California

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTAL INFORMATION**

MERCY HOUSING CALIFORNIA

DECEMBER 31, 2008 AND 2007

Mercy Housing California

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Reznick Group, P.C.
525 North Tryon Street
Suite 1000
Charlotte, NC 28202

Tel: (704) 332-9100
Fax: (704) 332-6444
www.reznickgroup.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mercy Housing California

We have audited the accompanying consolidated statements of financial position of Mercy Housing California as of December 31, 2008 and 2007, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mercy Housing California as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as whole. The supplemental information on pages 27 to 56 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statement and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Charlotte, North Carolina
April 24, 2009

Reznick Group, P.C.

Mercy Housing California

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 8,351,284	\$ 6,113,046
Cash, tenant security deposits	616,986	646,132
Cash, restricted	6,579,089	4,176,826
Investments, restricted	548,913	1,045,598
Accounts receivable, net	311,939	4,580,698
Due from affiliate, net	5,176,859	5,047,186
Pledges receivable	202,929	265,314
Grants receivable	1,810,752	2,887,659
Current portion of notes and interest receivable	179,620	20,793
Current portion of notes and interest receivable,	920,985	1,294,926
Prepaid expenses and other assets	497,616	941,217
	<u>25,196,972</u>	<u>27,019,395</u>
Property and equipment, net	<u>155,430,106</u>	<u>140,883,727</u>
Other long-term assets		
Restricted property reserves	9,170,893	13,632,005
Long-term investments, restricted	1,265,000	801,876
Due from affiliates	4,159,054	4,390,623
Pledges receivable, net	229,740	271,802
Investments in limited partnerships	325,723	70,004
Notes and interest receivable, net	5,618,552	7,226,819
Notes and interest receivable, affiliates	4,953,078	2,466,173
Allowance for impaired assets	-	27
Other assets	1,442,105	974,865
	<u>27,164,145</u>	<u>29,834,194</u>
Total other long-term assets	<u>27,164,145</u>	<u>29,834,194</u>
Total assets	<u>\$ 207,791,223</u>	<u>\$ 197,737,316</u>

(continued)

Mercy Housing California

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,603,381	\$ 3,966,871
Due to affiliates	715,211	219,399
Accrued interest	1,245,650	2,483,122
Current portion of notes payable	7,959,948	10,666,590
Current portion of notes payable, affiliates	3,826,742	1,478,292
Deferred revenue	15,656	22,855
Tenant security deposits	<u>535,759</u>	<u>475,370</u>
Total current liabilities	<u>22,902,347</u>	<u>19,312,499</u>
Long-term liabilities		
Accrued interest	3,053,496	2,059,783
Notes payable, less current portion	63,825,386	52,095,519
Notes payable, less current portion, affiliates	3,700,000	3,700,001
Deferred revenue and other liabilities	<u>4,069,842</u>	<u>4,677,669</u>
Total long-term liabilities	<u>74,648,724</u>	<u>62,532,972</u>
Total liabilities	<u>97,551,071</u>	<u>81,845,471</u>
Non-controlling interest	<u>1,564,418</u>	<u>-</u>
Net assets		
Unrestricted net assets	22,221,677	26,728,376
Temporarily restricted net assets	84,418,351	86,792,763
Permanently restricted net assets	<u>2,035,706</u>	<u>2,370,706</u>
Total net assets	<u>108,675,734</u>	<u>115,891,845</u>
Total liabilities and net assets	<u>\$ 207,791,223</u>	<u>\$ 197,737,316</u>

See notes to financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2008

	Programs					Total	Unrestricted	Temporarily Restricted	Permanently Restricted
	Property Operations	Resident Services	Housing Development						
Revenues	\$ 15,164,351	\$ -	\$ -	\$ 15,164,351	\$ -	\$ 15,164,351	\$ -	\$ -	\$ -
Rent - net of vacancies	-	-	6,496,162	6,496,162	-	6,496,162	-	-	-
Developer fees	1,112,481	1,289,093	-	2,401,574	-	2,401,574	-	-	-
Services fees	77,249	574,539	1,006,410	1,658,198	-	593,080	1,065,118	-	-
Fund raising	1,569,543	-	830,000	2,399,543	-	1,569,543	830,000	-	-
Capital grants	-	10,625	1,317,174	1,327,799	-	1,327,799	-	-	-
Consulting	730,036	-	247,690	977,726	-	977,726	-	-	-
Interest	671,572	15,041	348,531	1,035,144	-	1,035,144	-	-	-
Other	-	-	-	-	-	4,604,530	(4,269,530)	-	(335,000)
Release of restricted assets	-	-	-	-	-	-	-	-	-
Total revenue	19,325,232	1,889,298	10,245,967	31,460,497	34,169,909	(2,374,412)	(335,000)		
Expenses									
Compensation	4,306,567	2,744,483	4,761,694	11,812,744	-	11,812,744	-	-	-
Administrative	2,258,871	438,951	366,891	3,064,713	-	3,064,713	-	-	-
Professional services	522,489	83,065	276,948	882,502	-	882,502	-	-	-
Depreciation and amortization	5,070,363	3,463	46,478	5,120,304	-	5,120,304	-	-	-
Grants	1,834,635	-	64,686	1,899,321	-	1,899,321	-	-	-
Facility	4,250,940	(3,135)	350,371	4,598,176	-	4,598,176	-	-	-
Interest and fees	2,673,564	-	(38,266)	2,635,298	-	2,635,298	-	-	-
Bad debts	30,398	-	(300)	30,098	-	30,098	-	-	-
Provision for impaired assets	1,922,884	-	489,043	2,411,927	-	2,411,927	-	-	-
Project expenses	33,051	-	226,801	259,852	-	259,852	-	-	-
Allocation	383,011	269,860	931,537	1,584,408	-	1,584,408	-	-	-
(Gain) loss on sale of assets	2,230,273	-	-	2,230,273	-	2,230,273	-	-	-
(Gain) loss on investment in limited partnership	-	-	(35,858)	(35,858)	-	(35,858)	-	-	-
Non-controlling interest	(5,582)	-	-	(5,582)	-	(5,582)	-	-	-
Total expenses	25,511,464	3,536,687	7,440,025	36,488,176	36,488,176	(2,374,412)	(335,000)		
Excess (deficiency) of revenue over expense	(6,186,232)	(1,647,389)	2,805,942	(5,027,679)	(5,027,679)	(2,318,267)	(335,000)		
Net assets, at beginning of year	96,990,409	(6,196,304)	25,097,740	115,891,845	26,728,376	86,792,763	2,370,706		
Other transfers to (from) net assets	(3,798,703)	-	1,610,271	(2,188,432)	(2,188,432)	-	-		
Net assets at end of year	\$ 87,005,474	\$(7,843,693)	\$ 29,513,953	\$ 108,675,734	\$ 22,221,677	\$ 84,418,351	\$ 2,035,706		

See notes to financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2007

	Programs					Total	Unrestricted	Temporarily Restricted	Permanently Restricted
	Property Operations	Resident Services	Housing Development						
Revenues									
Rent - net of vacancies	\$ 14,673,589	\$ -	\$ -	\$ -	\$ 14,673,589	\$ 14,673,589	\$ -	\$ -	\$ -
Developer fees	-	-	9,152,887	-	9,152,887	9,152,887	-	-	-
Services fees	1,191,584	1,087,142	-	-	2,278,726	2,278,726	-	-	-
Fund raising	3,252,594	393,396	2,817,163	-	6,463,153	6,463,153	222,065	-	-
Capital grants	1,962,981	-	-	-	1,962,981	1,674,981	288,000	-	-
Consulting	-	4,400	2,468,924	-	2,473,324	2,473,324	-	-	-
Interest	633,815	-	171,361	-	805,176	805,176	-	-	-
Other	326,910	-	1,082,032	-	1,408,942	1,408,942	-	-	-
Release of restricted assets	-	-	-	-	-	2,996,869	(2,835,551)	-	(161,318)
Total revenue	22,041,473	1,484,938	15,692,367	-	39,218,778	41,705,582	(2,325,486)	(161,318)	(161,318)
Expenses									
Compensation	4,204,447	2,377,230	4,219,090	-	10,800,767	10,800,767	-	-	-
Administrative	1,812,673	388,950	363,089	-	2,564,712	2,564,712	-	-	-
Professional services	2,520,623	93,957	411,741	-	3,026,321	3,026,321	-	-	-
Depreciation and amortization	4,491,838	2,294	54,175	-	4,548,307	4,548,307	-	-	-
Grants	5,000	(139,568)	520,194	-	385,626	385,626	-	-	-
Facility	4,114,367	(6,959)	417,378	-	4,524,786	4,524,786	-	-	-
Interest and fees	2,900,700	-	(108,922)	-	2,791,778	2,791,778	-	-	-
Bad debts	(410,494)	129,034	-	-	(281,460)	(281,460)	-	-	-
Provision for impaired assets	1,361,680	-	2,020,158	-	3,381,838	3,381,838	-	-	-
Project expenses	37,713	-	187,596	-	225,309	225,309	-	-	-
Allocation	397,582	235,164	928,670	-	1,561,416	1,561,416	-	-	-
(Gain) loss on sale of assets	(6,923,376)	-	(150,421)	-	(7,073,797)	(7,073,797)	-	-	-
(Gain) loss on investment in limited partnership	-	-	(71,679)	-	(71,679)	(71,679)	-	-	-
Total expenses	14,512,753	3,080,102	8,791,069	-	26,383,924	26,383,924	(2,325,486)	(161,318)	(161,318)
Excess (deficiency) of revenue over expense	7,528,720	(1,595,164)	6,901,298	-	12,834,854	15,321,658	(2,325,486)	(161,318)	(161,318)
Net assets, at beginning of year	89,461,689	(4,601,140)	17,636,471	-	102,497,020	10,846,747	89,118,249	2,532,024	-
Other transfers to (from) net assets	-	-	559,971	-	559,971	559,971	-	-	-
Net assets at end of year	\$ 96,990,409	\$ (6,196,304)	\$ 25,097,740	\$ -	\$ 115,891,845	\$ 26,728,376	\$ 86,792,763	\$ 2,370,706	\$ -

See notes to financial statements

Mercy Housing California

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (5,027,678)	\$ 12,834,854
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,120,304	4,548,307
Provision for loan losses and impaired assets	2,411,927	3,381,838
(Gain) loss on sale of assets	2,230,273	(7,073,797)
(Gain) loss on investment in limited partnership	(35,858)	(71,679)
Non-controlling interest	(5,582)	-
Forgiveness of debt	(259,109)	-
Net changes in assets and liabilities and provided (used) cash		
Cash, tenant security deposits	29,146	(39,388)
Accounts receivable and due from affiliates	4,139,086	(2,864,785)
Grants and pledges receivable	1,181,354	20,067
Prepaid expenses and other assets	42,282	(404,393)
Accounts payable and due to affiliates	855,975	805,685
Accrued interest payable	(243,759)	422,084
Deferred revenue	(697,325)	1,334,227
Tenant security deposits	60,389	(51,680)
	<u>9,801,425</u>	<u>12,841,340</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in restricted cash and restricted reserves	2,058,849	(5,779,773)
Net change in investments	33,561	(251,023)
Net change in loans to affiliates	231,569	(2,861,994)
Additions to property and equipment	(29,007,081)	(6,274,413)
Net change in investments in partnerships	(219,861)	213,748
Net change in notes receivable	(3,075,424)	(10,392,083)
Proceeds on sale of property	2,450,300	9,469,565
	<u>(27,528,087)</u>	<u>(15,875,973)</u>
Net cash provided by (used in) investing activities		

(continued)

Mercy Housing California

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	25,738,275	9,753,499
Principal payments on notes payable	(6,823,532)	(3,999,486)
Due to affiliates	-	185,064
Financing fees	(519,843)	(869,311)
Capital contributions from investor partners	<u>1,570,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>19,964,900</u>	<u>5,069,766</u>
Net increase (decrease) in cash and cash equivalents	2,238,238	2,035,133
Cash and cash equivalents, beginning of year	<u>6,113,046</u>	<u>4,077,913</u>
Cash and cash equivalents, end of year	<u>\$ 8,351,284</u>	<u>\$ 6,113,046</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 2,879,057</u>	<u>\$ 2,369,694</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net noncash net assets of transferred entities to (from) MHC	\$ (2,188,432)	\$ 559,971
Property and equipment and other assets transferred (to) from MHC	9,407,673	(559,971)
Debt and other liabilities transferred to (from) MHC	(7,219,241)	-
Net property and equipment in accounts payable	(4,293,927)	(1,101,139)
Increase in accounts payable	4,293,927	1,101,139
Increase in unrestricted net assets	2,709,412	2,996,869
Release of temporarily and permanently restricted net assets	<u>(2,709,412)</u>	<u>(2,996,869)</u>
Total noncash investing and financing activities	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mercy Housing California (MHC) (formerly known as Mercy/Charities Housing California) is a 501(c)(3) nonprofit corporation incorporated in 1988 for the purpose of developing affordable housing and providing services to low-income families, elderly, handicapped, homeless, potentially homeless, or otherwise disadvantaged persons in California. These activities are considered to comprise the major programs of MHC. Accordingly, the consolidated statements of activities include three separate programs, as follows: property operations, resident programs and services, and housing development. MHC has been classified as an entity that is not a private foundation within the meaning of Section 509(a). MHC is a subsidiary of Mercy Housing, Inc. (MHI).

MHC and its affiliates receive significant funding from federal, state, and local government subsidies in various forms, including low-income housing tax credits, low-interest loans, grants, and rent subsidies for qualifying very low, low, and moderate-income tenants.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHC and corporations or investments in limited partnerships in which MHC has a controlling interest (the Company). Additionally, the consolidated statements for the year ended December 31, 2008 include the accounts of one limited partnership in which MHC has a non-controlling interest. This entity is included in the consolidation in accordance with EITF 04-5 "Determining Whether a General Partner, or the General Partners as a Group, controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." This EITF ruling requires that partnership accounts be consolidated for all limited partnerships which are deemed to be controlled by MHC. All significant intercompany transactions have been eliminated in consolidation.

The following entities are included in the consolidated financial statements of the Company:

- Access to Housing, Inc. (Junipero Serra)
- Affordable Housing Initiative (AHI)
- All Hallows Community
- Cantabria Senior Homes
- EH/CC Housing Corp. (Eden House)
- Fairfax Nonprofit Housing Development Corp. (Bennett House)

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Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Francis of Assisi Community
Garden Park Apartment Community
Gault Street Senior
John W. King Senior Housing
MacLeav Nonprofit Housing Development Corp. (Dorothy Day)
Maria B. Freitas Senior Housing Corporation
Marin Homes for Independent Living (Camino Alto)
Marin Housing Corp. (Martinelli)
Mercy Family Plaza LP
Mercy Gardens
Mercy Housing CalWest
 365 Fulton (Parcel G)
 Mercy Housing California XXXVIII (Pittsburg Family Housing)
 Mercy Housing California XL (Arlington Hotel)
 Mercy Housing California XLII (Budget Inn)
 Mercy Housing California XLIV (1000 Fourth Street)
Mercy Housing Senior Properties LLC
 Bennett House LP
 Dorothy Day Community LP
 Junipero Serra LP
 Mercy Riverside LP
 Monsignor Lyne LP
 St. Andrew Community LP
 Villa Columba LP
Mercy Oaks Village
Mercy Properties California
 Acacia Meadows
 Foster Youth
 The Haven
 Leland House
 Magnolia Village LLC
 Mercy Oak Forest LLC
 Osocales (McIntosh Mobile Homes)
 Power Inn
 Richmond Hills
 Santa Monica Street
 Sierra Vista

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Surreal Estates
Sycamore Center (Red Bluff)
Walnut Grove
Wherry Housing
Mercy Riverside Manor, Inc.
Mercy Senior Housing Oxnard (Casa Merced)
Most Holy Redeemer Senior Housing (Monsignor Lyne)
Notre Dame Senior Housing Corp.
Oceana Senior Housing Corporation
Presentation Senior Community
Russell Manor
St. Andrew Senior Housing Corp.
St. Elizabeth Senior Housing Corp.
Tierra del Sol, Inc.

Basis of Presentation

The Company conforms with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Company also conforms with SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In conformity with SFAS No. 116, contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Revenue Recognition

Rental income, principally from short-term leases on apartment units and commercial space, is recognized as the rentals become due.

The Company reports gifts of cash and other assets as unrestricted revenue unless they are received with donor stipulations that limit the use of the donated assets. Gifts with restrictions are reported as restricted revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets with restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue and are reclassified to unrestricted net assets ratably over the useful life (typically 27.5 to 40 years) of the related long-lived asset.

Unconditional promises to give are recorded as revenue at estimated net realizable value. Conditional promises to give are not included as revenue until the conditions are substantially met or unless the possibility that the condition will not be met is remote. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue in the period of receipt. Unconditional promises to give with payments due in future periods are discounted to present value and reported as temporarily restricted revenue.

Cash and Cash Equivalents

The Company maintains its cash balances in several banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to a certain amount. In October 2008, the FDIC temporarily increased the insurance limit on savings accounts and certificates of deposit from \$100,000 to \$250,000. Also in October 2008, the FDIC temporarily removed the insurance limits on checking accounts. Both increases are scheduled to expire at the end of 2009. Cash and cash equivalents for the Company include demand deposits, deposits in money market accounts, deposits in pooled funds (which invest in certificates of deposit, treasury bills and other short-term, low risk instruments), individual certificates of deposits, treasury instruments and government agency notes. For the consolidated statements of cash flows, all unrestricted investment instruments with original maturities of 90 days or less are considered cash equivalents.

Restricted Cash

The Company is subject to restrictions on certain funds received by MHC and its affiliates. These funds are included in the restricted cash balance.

Many of the MHC subsidiaries are required to make monthly deposits for replacement of project assets, which are controlled by the Department of Housing and Urban Development (HUD) or other financing authorities. These subsidiaries are also required to make yearly deposits of surplus cash, if any, to residual receipts accounts. Use of residual receipt funds is contingent upon the prior written approval of HUD.

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Many of the MHC subsidiaries are required to make monthly escrow deposits for taxes and insurance. The mortgagee for the subsidiary controls these escrow deposits.

Amounts received by MHC subsidiaries from HUD and other financing authorities for construction of low-income housing projects are included in the restricted cash balance.

Investments

MHC invests cash in individual certificates of deposits, treasury instruments and government agency notes. Securities with maturities greater than 90 days are recorded as investments. Debt instruments are recorded at fair value, and realized and unrealized gains and losses are recorded as unrestricted operating income or loss. MHC's intention is to hold the investments to maturity.

Accounts Receivable and Bad Debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on up a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Non-tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Property and Equipment

Property and equipment have been stated at cost. The provision for depreciation is computed using the straight-line method based on estimated useful lives of the related assets. Buildings and improvements are depreciated over 27.5 to 40 years, equipment is depreciated over 3 to 7 years, and land improvements are depreciated over 15 years.

Amortization

Financing costs associated with mortgages are being amortized over the life of the loans using the straight-line method, which approximates the effective interest method.

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Amortization expense for the years ended December 31, 2008 and 2007 was \$50,103 and \$13,083, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2013 is as follows:

2009	\$	29,744
2010		29,744
2011		29,744
2012		29,744
2013		29,744

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference.

Allowance for Loan Losses

The Company maintains an allowance for loans and notes receivable and accrued interest that may not be ultimately collected. The balance maintained is based upon prior experience and management's assessment of the collectability of existing specific loans. Individual loans are written off against the allowance when they are deemed uncollectible, and increases to the allowance are charged to provision for loan losses.

Because of the inherent uncertainties in making these estimates, it is at least reasonably possible that estimates used to calculate the allowance for loan losses and the impairment of assets will change within the near term.

Predevelopment Project Costs

The Company incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal and accounting costs. Predevelopment project costs are capitalized and recorded as predevelopment project costs until such time as the project is either abandoned or becomes an approved project with independent funding sources. Predevelopment project costs are

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

charged to operations at the time a potential project is no longer considered desirable or feasible.

Investment in Limited Partnerships

There are an additional two entities in which the Company has a non-controlling interest, which are not controlled by the Company and do not require inclusion in the consolidated statements in the current year:

Villa Caridad

Westbrook Plaza Commercial

The Company is a 50% investor in Westbrook Plaza Commercial whose intention is to develop a mixed use project including a community health center and low income housing. The investment is accounted for using the equity method.

Non-Controlling Interest in Limited Partnership

This amount represents the aggregate positive balance of Limited Partner equity interests in a non-wholly owned limited partnership that is included in the consolidated financial statements. The aggregate negative balances, if any, of Limited Partner interests remain in MHC's net assets.

Deferred Revenue

The Company provides loans to low income families for the purchase of single-family homes as part of the self-help opportunity program. The loans are forgivable over a 15-year period providing that the families remain in the home. The loans represent additional proceeds to the Company in the event the families sell their homes prior to the end of the restriction period. Given the uncertainty and low probability of this event, the potential proceeds are recorded as deferred revenue and amortized over the restriction period.

Net Assets

Unrestricted net assets are those that have no external restrictions. Temporarily restricted net assets are those net assets for which use is limited by donors to a specific time period and/or purpose. Permanently restricted net assets are those net assets for which use is restricted in perpetuity by donors.

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Developer and Consulting Fees

Developer and consulting fees are recognized during the construction period based on the percentage of construction completion. Any payments received during the construction period are recorded as deferred revenue until earned. Amounts not received when considered earned are recorded as a receivable. Developer fees that are earned during construction and paid for with investor equity or project debt are capitalized. The deferred developer fees paid from property operations are eliminated in consolidation.

Tenant Subsidy Payments

A portion of the rental income is in the form of subsidy payments from HUD under Section 8 of the National Housing Act. Tenants are subsidized based upon their level of income. Rent increases require HUD approval.

Income Taxes

MHC and its consolidated nonprofit corporations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes. AHI is a corporate subsidiary of MHC that is not exempt from federal and state taxes. No provision for income taxes has been recorded in connection with AHI based on the small amount of its pre-tax net income.

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes" an interpretation of FASB Statement No. 109. The effective date of FIN 48 was for fiscal years beginning after December 15, 2006. The effective date was delayed in 2007 and was delayed again in 2008 for nonpublic companies. The new effective date for FIN 48 for nonpublic companies is for fiscal years beginning after December 15, 2008. The Company has elected to defer application of FIN 48, as permitted by FSP FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises," until 2009. The Company does not anticipate that the provisions of FIN 48 will have any significant impact on its financial statements. However, additional disclosures may be required of situations, if any, where the Company's tax positions are considered uncertain. Currently, the FASB is deliberating the manner and extent to which pass-through entities such as the Company will need to apply the provisions of FIN 48.

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Fair Value

The carrying amounts of the Company's cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Company's long-term notes receivable, due from affiliates and notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, "Fair Value Measurements" ("FAS No. 157"). FAS No. 157 provides guidance for using fair value to measure assets and liabilities, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. FAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. FAS No. 157 is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. In February 2008, the FASB issued FSP No. FAS 157-2, which delayed for one year the applicability of FAS No. 157's fair-value measurements to certain nonfinancial assets and liabilities. The Company adopted FAS No. 157 in 2008, except as it applies to those nonfinancial assets and liabilities affected by the one-year delay, for which the effective date is January 1, 2009. The partial adoption of FAS No. 157 did not have a material impact on the Company's consolidated financial position or results of operations. See Note 11 for additional information on the adoption of FAS No. 157.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in these financial statements and the accompanying notes. Actual results could differ from those estimates.

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 2 - PLEDGES

Pledges and unconditional promises to give are recorded as revenue at estimated net realizable value based on historical trends. Pledges with payments due in future periods are discounted to present value and are reported as temporarily restricted revenue.

Included in pledges is a non-revocable charitable remainder unitrust in which Mercy Housing California has been named as the charitable beneficiary under the trust agreements. Payments are made to the designated non-charitable beneficiaries during their lifetime based on fixed payout percentages ranging from 8% - 8.5%. Mercy Housing California will receive benefits under the trust agreements upon the death of the non-charitable beneficiaries. For December 31, 2008, pledge receivables were \$156,740, based on actuarial calculations using a discount rate of 3.8 percent. For December 31, 2007, pledge receivables were \$283,022, based on actuarial calculations using a discount rate of 4.2 percent. Actuarial calculations are revised annually, and changes in pledge receivables are recorded as operating income or loss.

As of December 31, 2008, future pledge payments are as follows:

For the year ending December 31,	
2009	\$ 202,929
2010	76,000
2011	1,000
2012	1,000
2013	-
Thereafter	<u>156,740</u>
Total pledges receivable	437,669
Allowance and discount	<u>(5,000)</u>
Total pledges receivable, net of allowance and discount	<u>\$ 432,669</u>

The amount of pledges written off was \$77 and \$5,815 for the years ended December 31, 2008 and 2007, respectively.

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of amounts due under grant awards for which the revenue has been recognized either as unrestricted or temporarily restricted. Of the amount due as of December 31, 2008 of \$1,810,753, approximately \$655,256 relates to development grants awarded to Tierra Del Sol, Inc. and Mercy Housing California XL (Arlington Hotel) which are all affiliates of the consolidated MHC.

Of the amount due as of December 31, 2007 of \$2,887,659, approximately \$2,380,000 relates to development grants awarded to Cantabria Senior Homes, Gault Street Senior, Tierra Del Sol, Inc., and Mercy Housing California XL (Arlington Hotel) which are all affiliates of the consolidated MHC.

NOTE 4 - NOTES AND INTEREST RECEIVABLE

Notes receivable consists of notes due from various affiliated and unaffiliated organizations and individuals. Interest rates on the notes receivable range from 0.0 percent to 3 percent. Maturity dates range from years 2009 to 2037. At December 31, 2008 and 2007, substantially all of the notes and interest receivable is collateralized by real estate.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, consisted of the following:

	2008	2007
Land and land improvements	\$ 24,651,300	\$ 24,793,512
Buildings	134,799,170	123,177,144
Furniture and equipment	3,799,958	3,052,108
Predevelopment project costs	1,413,089	920,627
Construction in progress	30,728,324	24,004,754
Total property and equipment	195,391,841	175,948,145
Less accumulated depreciation	(39,961,735)	(35,064,418)
Property and equipment, net	\$ 155,430,106	\$ 140,883,727

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

For the years ended December 31, 2008 and 2007, depreciation expense was \$5,070,201 and \$4,535,224, respectively.

NOTE 6 - NOTES PAYABLE

Notes payable consists of notes due to various affiliated and unaffiliated organizations and individuals that provide affordable housing and related services. Interest rates on the notes payable range from 0.0 percent to 9.75 percent. Maturity dates range from fiscal years 2009 to 2072. At December 31, 2008 and 2007, substantially all of the notes payable are collateralized by real estate or are made to entities in which the Company has an ownership interest.

For the year ending December 31,	
2009	\$ 11,786,690
2010	4,377,014
2011	6,407,628
2012	1,039,798
2013	947,728
Thereafter	<u>54,753,218</u>
Total maturities	79,312,076
Less current maturities	<u>(11,786,690)</u>
Notes payable, less current portion	<u>\$ 67,525,386</u>

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 7 - LEASE COMMITMENTS

The Company leases office space and equipment under non-cancelable operating lease agreements that expire through 2013. Future minimum lease payments as of December 31, 2008, are as follows:

	<u>Operating Leases</u>
For the year ending December 31, 2009	\$ 317,570
2010	321,419
2011	313,843
2012	318,556
2013	141,993
Thereafter	<u>36,187</u>
Total future minimum lease payments	<u>\$ 1,449,568</u>

Rent expense for operating leases for the years ended December 31, 2008 and 2007 was \$312,982 and \$407,898, respectively.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company has significant related party transactions with affiliates. It provides a considerable amount of funding in connection with the development of projects. It also provides development services, fund raising assistance, resident services and administrative services. In certain instances where individual properties may be experiencing cash flow difficulties, the Company provides the property with an advance of funds.

Due From Affiliates

Due from affiliates consists of amounts loaned to affiliates by MHC and its affiliates. The amounts loaned by the Company primarily represent development loans and advances. These loans and advances are generally collateralized with real estate of the funded property. As discussed previously, many of these loans and advances do not require payments until after the scheduled maturity of the related first mortgages. Interest payments generally are subject to available cash flow. In some cases, loans are required to be repaid earlier. This usually occurs in situations where the underlying source of the loan is required to be repaid earlier as well.

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Development Fee Income

Generally, all development fee income is earned in connection with affiliated entities. Development fees associated with subsidiaries are eliminated in consolidation to the extent paid for by operations. Many of these fees are required to be deferred and paid from cash flows of the related property.

Consulting Fee Income

MHC earns consulting fee income by providing property development services to affiliates.

NOTE 9 - RESTRICTED RESERVES AND DEPOSITS

Tenant Security Deposits

In accordance with state law, the Company holds a security deposit for each tenant, pursuant to specific lease agreements. These deposits are held in separate, federally insured accounts, and are either refunded to the tenants used to offset rents or repair costs upon termination of tenancy.

Operating Reserves

The Company maintains an operating reserve for the purposes of meeting operating expenses in excess of operations for any given year.

Other Reserves

The Company maintains other reserves for the purpose of paying insurance, taxes, annual audit fees, and various other purposes.

	<u>2008</u>	<u>2007</u>
Replacement reserves	\$ 5,184,669	\$ 4,481,689
Debt service reserves	1,162,893	5,750,733
Operating reserves	870,615	906,343
Residual reserves	520,776	635,619
Other reserves	<u>1,431,940</u>	<u>1,857,621</u>
Total reserves	<u>\$ 9,170,893</u>	<u>\$ 13,632,005</u>

Mercy Housing California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 10 - COMMITMENTS

Grant and Property Use Restrictions

Many of the properties owned and operated by MHC and its subsidiaries were developed using monies provided by grants and restrictive, low interest rate loans. The terms of these loans restrict the use of the property and generally require it be rented to low-income qualified tenants for the period of the grant or related loan term. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the proceeds received.

Rental Assistance Contracts

Several properties owned by or affiliated with the Company have entered into rental assistance contracts with HUD. These contracts have various terms and require the affiliate projects to operate as low-income housing properties and to obtain HUD approval of all rent increases.

Surplus Cash and Residual Receipts

Certain properties owned by MHC and its subsidiaries are subject to HUD regulatory agreements, which restrict the use of the property and limit the use of project cash. Under these regulatory agreements, many of the subsidiaries are precluded from receiving any distributions of operating cash. A surplus cash calculation is required to be prepared annually and any surplus cash, as defined, is required to be deposited in a residual receipts account controlled by HUD.

NOTE 11 - ECONOMIC DEPENDENCY

MHC obtains and employs substantial capital from various federal, state and local government agencies, including the department of Housing and Urban Development. In addition, MHC obtains funding from the private equity groups including national, state and local banks and financial institutions. The current economic environment has produced hardships on these agencies and institutions. Management continues to employ diversification strategies to offset their concentration with any one specific lending institution or government agency. Future operations may be affected by further erosion in the financial markets and continued change in the economic environment.

SUPPLEMENTAL INFORMATION

Mercy Housing California

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Consolidating Statement of Financial Position
 Mercy Housing California
 December 31, 2008

	Mercy Housing California	Affordable Housing Initiatives (AHI)	All Hallows Community	Marin Homes for Independent Living (Camino Alto)	Cantabria Senior Homes
Assets					
Current assets					
Cash and cash equivalents	\$ 6,726,985	\$ -	\$ 95,053	\$ 48,035	\$ 902
Cash, tenant security deposits	-	-	17,825	7,578	13,522
Cash, restricted	3,991,062	-	60,000	50,334	10,651
Investments	-	-	-	-	-
Investments, restricted	295,000	-	-	-	-
Accounts receivable, net	99,435	-	27,246	445	30,253
Due from affiliate, net	8,231,842	-	-	-	-
Pledges receivable	202,929	-	-	-	-
Grants receivable	1,155,496	-	-	-	-
Current portion of notes and interest receivable	179,585	-	-	-	-
Current portion of notes and interest receivable, affiliates	2,176,334	-	-	-	-
Prepaid expenses and other assets	89,160	-	10,841	10,238	3,854
Total current assets	23,147,828	-	210,965	116,630	59,182
Property and equipment					
Land and land improvements	1,044,500	-	164,430	389,000	20,827
Buildings	364,661	-	2,633,712	1,610,384	5,134,081
Furniture and equipment	284,709	-	137,037	107,034	19,879
Predevelopment project costs	1,413,089	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(391,942)	-	(1,537,571)	(1,447,286)	(694,601)
Net property and equipment	2,715,017	-	1,397,608	659,132	4,480,186
Other long-term assets					
Restricted property reserves	-	-	546,723	66,266	30,677
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	1,265,000	-	-	-	-
Due from affiliates	5,280,674	-	-	-	-
Pledges receivable, net	229,740	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	809,093	331,217	-	-	-
Notes and interest receivable, net	5,168,552	-	-	-	-
Notes and interest receivable, affiliates	1,133,100	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	-	-
Total other long-term assets	13,886,159	331,217	546,723	66,266	30,677
Total assets	\$ 39,749,004	\$ 331,217	\$ 2,155,296	\$ 842,028	\$ 4,570,045
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,516,459	\$ -	\$ 49,944	\$ 34,933	\$ 62,655
Due to affiliates	628,250	53,649	-	-	6,916
Accrued interest	163,231	-	14,990	7,524	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	3,480,000	-	59,789	32,570	-
Current portion of notes payable, affiliates	2,457,426	-	-	-	-
Deferred revenue	-	-	1,023	19	292
Tenant security deposits	-	-	11,055	5,657	12,119
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	8,245,366	53,649	136,801	80,703	81,982
Long-term liabilities					
Due to affiliates	60,000	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	1,769,000	-	1,884,890	943,545	-
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	4,302,145	-	-	-	-
Total long-term liabilities	6,131,145	-	1,884,890	943,545	-
Total liabilities	14,376,511	53,649	2,021,691	1,024,248	81,982
Non-controlling interest					
Net assets					
Unrestricted net assets	20,163,045	277,568	133,605	(182,220)	135,895
Temporarily restricted net assets	3,439,448	-	-	-	4,352,168
Permanently restricted net assets	1,770,000	-	-	-	-
Total net assets	25,372,493	277,568	133,605	(182,220)	4,488,063
Total liabilities and net assets	\$ 39,749,004	\$ 331,217	\$ 2,155,296	\$ 842,028	\$ 4,570,045

Consolidating Statement of Financial Position
 Mercy Housing California
 December 31, 2008

	Mercy Senior Housing Oxnard (Casa Mercet)	Macleav Nonprofit Housing Development Corp. (Dorothy Day)	EH/CC Housing Corp. (Eden House)	Francis of Assisi Community	Gault Street Senior
Assets					
Current assets					
Cash and cash equivalents	\$ 45,033	\$ -	\$ 70,694	\$ 44,461	\$ 20,608
Cash, tenant security deposits	10,800	-	73,146	34,122	16,746
Cash, restricted	-	-	-	27,249	10,481
Investments	-	-	-	-	-
Investments, restricted	-	-	-	253,913	-
Accounts receivable, net	696	-	1,386	7,515	203
Due from affiliate, net	-	-	7,800	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	6,228	-	25,871	39,333	9,225
Total current assets	62,757	-	178,897	406,593	57,263
Property and equipment					
Land and land improvements	323,400	-	530,400	445,912	-
Buildings	4,146,690	-	7,973,993	5,024,387	4,566,986
Furniture and equipment	92,484	-	135,924	551,025	66,363
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(1,561,139)	-	(3,058,475)	(4,106,882)	(768,126)
Net property and equipment	3,001,435	-	5,581,842	1,914,442	3,865,223
Other long-term assets					
Restricted property reserves	103,618	-	637,960	434,986	89,190
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	-	2,328
Total other long-term assets	103,618	-	637,960	434,986	91,518
Total assets	\$ 3,167,810	\$ -	\$ 6,398,699	\$ 2,756,021	\$ 4,014,004
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 56,555	\$ -	\$ 94,630	\$ 143,102	\$ 24,595
Due to affiliates	60,000	-	194,048	-	-
Accrued interest	-	-	2,735	14,910	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	108,408	167,427	-
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	62	-	414	-	915
Tenant security deposits	10,682	-	69,076	30,704	11,882
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	127,299	-	469,311	356,143	37,392
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	-	514,072	2,517,367	-
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	-	514,072	2,517,367	-
Total liabilities	127,299	-	983,383	2,873,510	37,392
Non-controlling interest					
-	-	-	-	-	-
Net assets					
Unrestricted net assets	(340,278)	-	5,415,316	(383,195)	(262,182)
Temporarily restricted net assets	3,380,789	-	-	-	4,238,794
Permanently restricted net assets	-	-	-	265,706	-
Total net assets	3,040,511	-	5,415,316	(117,489)	3,976,612
Total liabilities and net assets	\$ 3,167,810	\$ -	\$ 6,398,699	\$ 2,756,021	\$ 4,014,004

Consolidating Statement of Financial Position
 Mercy Housing California
 December 31, 2008

	John W. King Senior Housing	Access to Housing, Inc. (Junipero Serra)	Maria B. Freitas Senior Housing Corp.	Marin Housing Corp. (Martinelli)	Mercy Gardens
Assets					
Current assets					
Cash and cash equivalents	\$ 44,316	\$ -	\$ 84,371	\$ 20,432	\$ 14,957
Cash, tenant security deposits	28,129	-	30,359	-	6,105
Cash, restricted	11,700	-	27,574	-	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	7,070	-	349	-	10,263
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	27,977	-	15,948	-	4,874
Total current assets	119,192	-	158,601	20,432	36,199
Property and equipment					
Land and land improvements	1,032,798	-	773,219	-	74,646
Buildings	13,331,654	-	5,880,586	-	3,769,452
Furniture and equipment	269,503	-	198,138	-	28,571
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(3,522,762)	-	(2,637,278)	-	(958,282)
Net property and equipment	11,111,193	-	4,214,665	-	2,914,387
Other long-term assets					
Restricted property reserves	233,357	-	287,491	1	128,988
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	3,819,978	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	-	-
Total other long-term assets	233,357	-	287,491	3,819,979	128,988
Total assets	\$ 11,463,742	\$ -	\$ 4,660,757	\$ 3,840,411	\$ 3,079,574
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 107,958	\$ -	\$ 53,970	\$ -	\$ 19,360
Due to affiliates	10,000	-	-	20,432	8,019
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	27,794
Deferred revenue	138	-	160	-	-
Tenant security deposits	23,350	-	19,428	-	6,074
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	141,446	-	73,558	20,432	61,247
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	251,826
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	-	-	-	1,060,319
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	-	-	-	1,312,145
Total liabilities	141,446	-	73,558	20,432	1,373,392
Non-controlling interest					
Net assets					
Unrestricted net assets	(397,020)	-	141,041	3,819,979	(561,681)
Temporarily restricted net assets	11,719,316	-	4,446,158	-	2,267,863
Permanently restricted net assets	-	-	-	-	-
Total net assets	11,322,296	-	4,587,199	3,819,979	1,706,182
Total liabilities and net assets	\$ 11,463,742	\$ -	\$ 4,660,757	\$ 3,840,411	\$ 3,079,574

Consolidating Statement of Financial Position
 Mercy Housing California
 December 31, 2008

	Most Holy Redeemer Senior Hsg. (Monsignor Lyne)	Notre Dame Senior Housing Corp.	Oceana Senior Housing Corp.	Presentation Senior Community	Mercy Riverside Manor, Inc.
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 33,586	\$ 13,270	\$ 30,895	\$ -
Cash, tenant security deposits	-	28,638	16,506	40,183	-
Cash, restricted	-	22,176	-	-	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	401	86	-	-
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	15,727	9,510	33,125	-
Total current assets	-	100,528	39,372	104,203	-
Property and equipment					
Land and land improvements	-	2,000,000	400,000	1,774,481	-
Buildings	-	8,309,976	3,481,615	13,862,012	-
Furniture and equipment	-	270,266	208,673	297,185	-
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	-	(3,646,190)	(1,837,597)	(4,316,741)	-
Net property and equipment	-	6,934,052	2,252,691	11,616,937	-
Other long-term assets					
Restricted property reserves	-	126,295	174,081	635,298	-
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	3,167	-	-
Total other long-term assets	-	126,295	177,248	635,298	-
Total assets	\$ -	\$ 7,160,875	\$ 2,469,311	\$ 12,356,438	\$ -
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ 58,336	\$ 29,127	\$ 159,481	\$ -
Due to affiliates	-	10,980	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	-	11	980	972	-
Tenant security deposits	-	23,152	13,288	35,906	-
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	-	92,479	43,395	196,359	-
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	529,781	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	-	620,000	-	-
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	-	1,149,781	-	-
Total liabilities	-	92,479	1,193,176	196,359	-
Non-controlling interest					
Net assets	-	-	-	-	-
Unrestricted net assets	-	(373,791)	(1,014,228)	(152,825)	-
Temporarily restricted net assets	-	7,442,187	2,290,363	12,312,904	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	-	7,068,396	1,276,135	12,160,079	-
Total liabilities and net assets	\$ -	\$ 7,160,875	\$ 2,469,311	\$ 12,356,438	\$ -

Consolidating Statement of Financial Position
 Mercy Housing California
 December 31, 2008

	Russell Manor	Tierra Del Sol, Inc.	St. Elizabeth Senior Housing Corp.	Garden Park Apartment Community	Mercy Oaks Village
Assets					
Current assets					
Cash and cash equivalents	\$ 37,332	\$ 17,948	\$ -	\$ 23,552	\$ 50,480
Cash, tenant security deposits	20,267	23,083	-	9,737	25,022
Cash, restricted	-	1,074,347	-	-	17,741
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	448	4,919	-	83	333
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	195,008	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	10,309	37,887	-	9,699	8,961
Total current assets	68,356	1,353,192	-	43,071	102,537
Property and equipment					
Land and land improvements	224,377	1,180,289	-	561,834	-
Buildings	4,990,286	11,142,586	-	3,453,115	7,738,716
Furniture and equipment	220,551	31,415	-	46,691	70,916
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(2,201,883)	(409,592)	-	(537,323)	(678,073)
Net property and equipment	3,233,331	11,944,698	-	3,524,317	7,131,559
Other long-term assets					
Restricted property reserves	219,688	661	-	1,230,822	69,319
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	1,035	57,730	-	15,955	31,150
Total other long-term assets	220,723	58,391	-	1,246,777	100,469
Total assets	\$ 3,522,410	\$ 13,356,281	\$ -	\$ 4,814,165	\$ 7,334,565
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 61,436	\$ 302,355	\$ -	\$ 31,634	\$ 23,734
Due to affiliates	73,343	1,453,651	-	1,490	10,000
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	-	-
Current portion of notes payable, affiliates	-	270,000	-	-	-
Deferred revenue	1,450	2,740	-	485	1,059
Tenant security deposits	18,239	23,011	-	5,665	18,408
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	154,468	2,051,757	-	39,274	53,201
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	116,525	-	-	321,844	19,737
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	357,229	-	-	3,228,602	500,000
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	473,754	-	-	3,550,446	519,737
Total liabilities	628,222	2,051,757	-	3,589,720	572,938
Non-controlling interest					
-	-	-	-	-	-
Net assets					
Unrestricted net assets	(658,179)	368,409	-	370,451	(178,779)
Temporarily restricted net assets	3,552,367	10,936,115	-	853,994	6,940,406
Permanently restricted net assets	-	-	-	-	-
Total net assets	2,894,188	11,304,524	-	1,224,445	6,761,627
Total liabilities and net assets	\$ 3,522,410	\$ 13,356,281	\$ -	\$ 4,814,165	\$ 7,334,565

Consolidating Statement of Financial Position
 Mercy Housing California
 December 31, 2008

	Mercy Properties California	Mercy Family Plaza LP	Consolidated Mercy Housing Senior Properties, LLC	Mercy Housing CalWest	Mercy Housing California XL (Arlington Hotel)
Assets					
Current assets					
Cash and cash equivalents	\$ 581,194	\$ 28,560	\$ 292,540	\$ -	\$ -
Cash, tenant security deposits	48,606	31,202	135,410	-	-
Cash, restricted	46,659	32,910	995,186	-	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	102,723	2,017	11,946	-	-
Due from affiliate, net	199,653	3,266	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	44,543	7,403	96,239	-	-
Total current assets	1,023,378	105,358	1,531,321	-	-
Property and equipment					
Land and land improvements	8,160,294	1,029,580	2,047,727	-	-
Buildings	14,153,160	1,100,204	15,464,358	-	-
Furniture and equipment	146,798	30,634	286,162	-	-
Predevelopment project costs	-	-	-	-	-
Construction in progress	5,559,547	-	5,080,496	-	-
Accumulated depreciation	(4,993,129)	(597,730)	(838,866)	-	-
Net property and equipment	23,026,670	1,562,688	22,039,877	-	-
Other long-term assets					
Restricted property reserves	1,030,968	179,828	2,944,676	-	-
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	60,000	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	450,000	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	114,792	-	926,020	-	-
Total other long-term assets	1,655,760	179,828	3,870,696	-	-
Total assets	\$ 25,705,808	\$ 1,847,874	\$ 27,441,894	\$ -	\$ -
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 414,125	\$ 30,492	\$ 1,087,792	\$ -	\$ -
Due to affiliates	864,810	28,884	552,061	-	-
Accrued interest	260,923	6,118	373,141	-	-
Accrued interest, affiliates	402,078	-	-	-	-
Current portion of notes payable	3,682,108	76,944	352,702	-	-
Current portion of notes payable, affiliates	2,597,405	-	9,060	-	-
Deferred revenue	2,771	392	1,773	-	-
Tenant security deposits	63,177	32,233	102,653	-	-
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	8,287,397	175,063	2,479,182	-	-
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	337,021	899,380	444,181	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	8,337,751	1,101,289	24,404,931	-	-
Notes payable, less current portion, affiliates	3,700,000	-	-	-	-
Deferred revenue and other liabilities	-	-	1,444	-	-
Total long-term liabilities	12,374,772	2,000,669	24,850,556	-	-
Total liabilities	20,662,169	2,175,732	27,329,738	-	-
Non-controlling interest					
-	-	-	-	-	-
Net assets					
Unrestricted net assets	(1,201,840)	(327,858)	112,156	-	-
Temporarily restricted net assets	6,245,479	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	5,043,639	(327,858)	112,156	-	-
Total liabilities and net assets	\$ 25,705,808	\$ 1,847,874	\$ 27,441,894	\$ -	\$ -

Consolidating Statement of Financial Position
 Mercy Housing California
 December 31, 2008

	Consolidated Mercy Housing CalWest	Eliminations	Consolidated Mercy Housing California
Assets			
Current assets			
Cash and cash equivalents	\$ 26,080	\$ -	\$ 8,351,284
Cash, tenant security deposits	-	-	616,986
Cash, restricted	201,019	-	6,579,089
Investments	-	-	-
Investments, restricted	-	-	548,913
Accounts receivable, net	9,370	(5,248)	311,939
Due from affiliate, net	-	(3,265,702)	5,176,859
Pledges receivable	-	-	202,929
Grants receivable	460,248	-	1,810,752
Current portion of notes and interest receivable	-	35	179,620
Current portion of notes and interest receivable, affiliates	-	(1,255,349)	920,985
Prepaid expenses and other assets	214,411	(233,747)	497,616
Total current assets	911,128	(4,760,011)	25,196,972
Property and equipment			
Land and land improvements	2,473,586	-	24,651,300
Buildings	2,480,415	(5,813,859)	134,799,170
Furniture and equipment	300,000	-	3,799,958
Predevelopment project costs	-	-	1,413,089
Construction in progress	20,300,320	(212,039)	30,728,324
Accumulated depreciation	-	779,733	(39,961,735)
Net property and equipment	25,554,321	(5,246,165)	155,430,106
Other long-term assets			
Restricted property reserves	-	-	9,170,893
Cash, restricted	-	-	-
Long-term investments	-	-	-
Long-term investments, restricted	-	-	1,265,000
Due from affiliates	-	(1,181,620)	4,159,054
Pledges receivable, net	-	-	229,740
Grants receivable	-	-	-
Investments in limited partnerships	-	(814,587)	325,723
Notes and interest receivable, net	-	-	5,618,552
Notes and interest receivable, affiliates	-	-	4,953,078
Allowance for impaired assets	-	-	-
Other assets	289,928	-	1,442,105
Total other long-term assets	289,928	(1,996,207)	27,164,145
Total assets	\$ 26,755,377	\$ (12,002,383)	\$ 207,791,223
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 4,289,236	\$ (48,528)	\$ 8,603,381
Due to affiliates	77,205	(3,338,527)	715,211
Accrued interest	-	-	843,572
Accrued interest, affiliates	-	-	402,078
Current portion of notes payable	-	-	7,959,948
Current portion of notes payable, affiliates	12,907	(1,547,850)	3,826,742
Deferred revenue	-	-	15,656
Tenant security deposits	-	-	535,759
Miscellaneous current liabilities	-	-	-
Total current liabilities	4,379,348	(4,934,905)	22,902,347
Long-term liabilities			
Due to affiliates	-	(60,000)	-
Accrued interest	133,201	-	3,053,496
Accrued interest, affiliates	-	-	-
Notes payable, less current portion	16,586,391	-	63,825,386
Notes payable, less current portion, affiliates	-	-	3,700,000
Deferred revenue and other liabilities	1,241,738	(1,475,485)	4,069,842
Total long-term liabilities	17,961,330	(1,535,485)	74,648,724
Total liabilities	22,340,678	(6,470,390)	97,551,071
Non-controlling interest	-	1,564,418	1,564,418
Net assets			
Unrestricted net assets	4,414,699	(7,096,411)	22,221,677
Temporarily restricted net assets	-	-	84,418,351
Permanently restricted net assets	-	-	2,035,706
Total net assets	4,414,699	(7,096,411)	108,675,734
Total liabilities and net assets	\$ 26,755,377	\$ (12,002,383)	\$ 207,791,223

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2008

	Mercy Housing California	Affordable Housing Initiatives (AHI)	All Hallows Community	Marin Homes for Independent Living (Camino Alto)	Cantabria Senior Homes
Revenues					
Rent - net of vacancies	\$ -	\$ -	\$ 737,459	\$ 342,963	\$ 198,499
Developer fees	6,623,752	-	-	-	-
Services fees	2,508,593	-	-	-	-
Fund raising	1,845,305	-	-	1,000	-
Capital grants	830,000	-	-	-	-
Consulting	1,456,202	-	-	-	-
Interest	352,459	-	10,426	427	714
Other	1,090,294	-	1,968	3,159	36,065
Total revenues	14,706,605	-	749,853	347,549	235,278
Expenses and losses					
Compensation	7,164,155	-	187,888	88,202	58,545
Administrative	801,588	263	90,402	47,908	41,539
Professional services	322,282	436	9,530	8,955	11,940
Depreciation and amortization	51,289	-	68,688	67,931	193,108
Grants	214,091	-	-	-	-
Facility	350,457	-	110,491	63,508	86,778
Interest and fees	(41,275)	2,937	182,452	91,571	1,293
Bad debts	(300)	-	388	1,453	-
Provision for impaired assets	489,043	-	-	-	-
Project expenses	259,852	-	-	-	-
Allocation	1,584,408	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	(36,535)	11	-	-	-
Non-controlling interest	-	-	-	-	-
Total expenses and losses	11,159,055	3,647	649,839	369,528	393,203
Excess (deficiency) of revenues over expenses	3,547,550	(3,647)	100,014	(21,979)	(157,925)
Net assets at beginning of year	21,824,943	281,215	33,591	(160,241)	4,645,988
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ 25,372,493	\$ 277,568	\$ 133,605	\$ (182,220)	\$ 4,488,063

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2008

	Mercy Senior Housing Oxnard (Casa Merced)	Macleav Nonprofit Housing Development Corp. (Dorothy Day)	EH/CC Housing Corp. (Eden House)	Francis of Assisi Community	Gault Street Senior
Revenues					
Rent - net of vacancies	\$ 229,987	\$ -	\$ 888,295	\$ 1,515,139	\$ 216,822
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	1,880	-	93,803	18,311	919
Other	1,665	-	23,684	13,457	2,510
Total revenues	233,532	-	1,005,782	1,546,907	220,251
Expenses and losses					
Compensation	63,179	-	170,424	565,176	93,565
Administrative	32,344	42,071	177,972	193,461	35,182
Professional services	43,641	-	72,423	13,786	10,537
Depreciation and amortization	159,428	-	292,113	213,173	176,323
Grants	-	-	-	-	10,230
Facility	75,434	-	392,573	351,488	53,816
Interest and fees	57	-	46,075	189,172	-
Bad debts	77	-	-	(134)	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	393,617	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Non-controlling interest	-	-	-	-	-
Total expenses and losses	374,160	435,688	1,151,580	1,526,122	379,653
Excess (deficiency) of revenues over expenses	(140,628)	(435,688)	(145,798)	20,785	(159,402)
Net assets at beginning of year	3,181,139	435,688	5,561,114	(138,274)	4,136,014
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ 3,040,511	\$ -	\$ 5,415,316	\$ (117,489)	\$ 3,976,612

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2008

	John W. King Senior Housing	Access to Housing, Inc. (Junipero Serra)	Maria B. Freitas Senior Housing Corp.	Marin Housing Corp. (Martinelli)	Mercy Gardens
Revenues					
Rent - net of vacancies	\$ 736,494	\$ -	\$ 504,925	\$ -	\$ 172,319
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	909	-	6,039	264,127	2,150
Other	6,594	-	3,845	-	2,040
Total revenues	743,997	-	514,809	264,127	176,509
Expenses and losses					
Compensation	373,769	-	200,411	-	64,231
Administrative	125,950	-	107,087	-	28,329
Professional services	12,002	-	10,362	-	16,215
Depreciation and amortization	530,455	-	224,437	-	143,016
Grants	-	-	-	200,000	-
Facility	175,433	-	129,990	-	77,409
Interest and fees	-	-	20	12	31,949
Bad debts	317	-	-	-	2,709
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	43,301	-	(226,545)	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Non-controlling interest	-	-	-	-	-
Total expenses and losses	1,217,926	43,301	672,307	(26,533)	363,858
Excess (deficiency) of revenues over expenses	(473,929)	(43,301)	(157,498)	290,660	(187,349)
Net assets at beginning of year	11,796,225	43,301	4,744,697	3,529,319	1,893,531
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ 11,322,296	\$ -	\$ 4,587,199	\$ 3,819,979	\$ 1,706,182

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2008

	Most Holy Redeemer Senior Hsg. (Monsignor Lyne)	Notre Dame Senior Housing Corp.	Oceana Senior Housing Corp.	Presentation Senior Community	Mercy Riverside Manor, Inc.
Revenues					
Rent - net of vacancies	\$ -	\$ 433,710	\$ 289,824	\$ 825,313	\$ -
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	-	1,661	1,525	7,021	-
Other	-	6,361	3,332	3,289	-
Total revenues	-	441,732	294,681	835,623	-
Expenses and losses					
Compensation	-	216,228	105,768	449,022	-
Administrative	-	89,392	58,328	124,602	-
Professional services	-	10,355	10,498	12,002	-
Depreciation and amortization	-	306,899	128,693	524,972	-
Grants	-	-	-	-	-
Facility	-	153,993	115,985	253,477	-
Interest and fees	-	-	36,720	23	-
Bad debts	-	-	-	210	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	93,205	-	-	-	19,469
(Gain) loss on investment in limited partnership	-	-	-	-	-
Non-controlling interest	-	-	-	-	-
Total expenses and losses	93,205	776,867	455,992	1,364,308	19,469
Excess (deficiency) of revenues over expenses	(93,205)	(335,135)	(161,311)	(528,685)	(19,469)
Net assets at beginning of year	93,205	7,403,531	1,437,446	12,688,764	19,469
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ -	\$ 7,068,396	\$ 1,276,135	\$ 12,160,079	\$ -

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2008

	Russell Manor	Tierra Del Sol, Inc.	St. Elizabeth Senior Housing Corp.	Garden Park Apartment Community	Mercy Oaks Village
Revenues					
Rent - net of vacancies	\$ 348,171	\$ 145,851	\$ -	\$ 289,076	\$ 287,191
Developer fees	-	-	-	-	-
Services fees	-	11,534	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	3,758	4,659	-	69,083	738
Other	1,956	540	-	7,447	2,484
Total revenues	353,885	162,584	-	365,606	290,413
Expenses and losses					
Compensation	108,876	69,076	-	147,423	83,560
Administrative	60,548	88,849	-	60,627	81,106
Professional services	9,651	3,180	-	14,648	10,355
Depreciation and amortization	182,609	421,356	-	133,350	293,054
Grants	-	-	-	-	-
Facility	161,498	90,635	-	74,723	89,848
Interest and fees	10,780	-	-	93,579	4,632
Bad debts	-	-	-	2,639	946
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	31,679	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Non-controlling interest	-	-	-	-	-
Total expenses and losses	533,962	673,096	31,679	526,989	563,501
Excess (deficiency) of revenues over expenses	(180,077)	(510,512)	(31,679)	(161,383)	(273,088)
Net assets at beginning of year	3,074,265	11,815,036	31,679	1,385,828	7,034,715
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ 2,894,188	\$ 11,304,524	\$ -	\$ 1,224,445	\$ 6,761,627

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2008

	Mercy Properties California	Mercy Family Plaza LP	Consolidated Mercy Housing Senior Properties, LLC	Mercy Housing CalWest	Mercy Housing California XL (Arlington Hotel)
Revenues					
Rent - net of vacancies	\$ 2,092,946	\$ 443,397	\$ 4,443,332	\$ -	\$ -
Developer fees	-	-	-	-	-
Services fees	25,000	-	-	-	-
Fund raising	200,000	-	-	-	-
Capital grants	296,543	-	-	-	-
Consulting	-	-	-	-	-
Interest	107,049	515	82,458	-	-
Other	34,235	8,990	28,288	-	-
Total revenues	2,755,773	452,902	4,554,078	-	-
Expenses and losses					
Compensation	386,110	47,872	1,169,264	-	-
Administrative	267,933	44,641	552,230	-	-
Professional services	192,806	10,190	75,508	-	-
Depreciation and amortization	500,550	142,712	626,478	-	-
Grants	1,899,676	-	-	-	-
Facility	947,122	107,284	722,935	-	-
Interest and fees	520,853	214,322	1,263,408	-	-
Bad debts	23,480	-	1,180	-	-
Provision for impaired assets	1,922,884	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	2,584,185	-	(41,063)	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Non-controlling interest	-	-	-	-	-
Total expenses and losses	9,245,599	567,021	4,369,940	-	-
Excess (deficiency) of revenues over expenses	(6,489,826)	(114,119)	184,138	-	-
Net assets at beginning of year	11,471,169	(213,739)	(71,982)	1,610,271	1,610,432
Other transfers to (from) net assets	62,296	-	-	(1,610,271)	(1,610,432)
Net assets at end of year	\$ 5,043,639	\$ (327,858)	\$ 112,156	\$ -	\$ -

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2008

	Consolidated Mercy Housing CalWest	Eliminations	Consolidated Mercy Housing California
Revenues			
Rent - net of vacancies	\$ 22,638	\$ -	\$ 15,164,351
Developer fees	-	(127,590)	6,496,162
Services fees	-	(143,553)	2,401,574
Fund raising	-	(388,107)	1,658,198
Capital grants	1,278,000	(5,000)	2,399,543
Consulting	-	(128,403)	1,327,799
Interest	1,376	(54,281)	977,726
Other	2,692	(249,751)	1,035,144
Total revenues	1,304,706	(1,096,685)	31,460,497
Expenses and losses			
Compensation	-	-	11,812,744
Administrative	55,914	(143,553)	3,064,713
Professional services	1,200	-	882,502
Depreciation and amortization	-	(260,330)	5,120,304
Grants	-	(424,676)	1,899,321
Facility	13,299	-	4,598,176
Interest and fees	26	(13,308)	2,635,298
Bad debts	-	(2,867)	30,098
Provision for impaired assets	-	-	2,411,927
Project expenses	-	-	259,852
Allocation	-	-	1,584,408
(Gain) loss on sale of assets	-	(667,575)	2,230,273
(Gain) loss on investment in limited partnership	-	666	(35,858)
Non-controlling interest	-	(5,582)	(5,582)
Total expenses and losses	70,439	(1,517,225)	36,488,176
Excess (deficiency) of revenues over expenses	1,234,267	420,540	(5,027,679)
Net assets at beginning of year	-	(5,306,494)	115,891,845
Other transfers to (from) net assets	3,180,432	(2,210,457)	(2,188,432)
Net assets at end of year	\$ 4,414,699	\$ (7,096,411)	\$ 108,675,734

Consolidating Statement of Financial Position
 Mercy Properties California
 December 31, 2008

	Foster Youth	The Haven	Power Inn	Leland House	Oscales (McIntosh Mobile Homes)
Assets					
Current assets					
Cash and cash equivalents	\$ 14,615	\$ 11,829	\$ -	\$ 121,339	\$ 14,685
Cash, tenant security deposits	-	11,889	-	-	23,659
Cash, restricted	-	1,129	-	-	1,384
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	821	-	94,238	128
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	525	6,023	-	-	6,805
Total current assets	15,140	31,691	-	215,577	46,661
Property and equipment, net					
Land and land improvements	40,000	96,144	-	658,571	597,623
Buildings	245,865	640,322	-	4,197,151	3,544,148
Furniture and equipment	-	-	-	88,642	11,660
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(57,938)	(185,416)	-	(1,838,185)	(1,153,535)
Net property and equipment	227,927	551,050	-	3,106,179	2,999,896
Other long-term assets					
Restricted property reserves	-	80,695	-	115,185	98,484
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	-	-
Total other long-term assets	-	80,695	-	115,185	98,484
Total assets	\$ 243,067	\$ 663,436	\$ -	\$ 3,436,941	\$ 3,145,041
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,500	\$ 30,094	\$ -	\$ 71,605	\$ 24,662
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	246,182	7,518
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	-	27,090
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	-	645	-	-	1,025
Tenant security deposits	41	10,162	-	-	23,703
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	1,541	40,901	-	317,787	83,998
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	337,021
Accrued interest, affiliates - long-term	-	-	-	-	-
Notes payable, less current portion	262,025	-	-	1,260,000	2,547,059
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	262,025	-	-	1,260,000	2,884,080
Total liabilities	263,566	40,901	-	1,577,787	2,968,078
Net assets					
Unrestricted net assets	(20,499)	242,235	-	(1,033,761)	(1,105,166)
Temporarily restricted net assets	-	380,300	-	2,892,915	1,282,129
Permanently restricted net assets	-	-	-	-	-
Total net assets	(20,499)	622,535	-	1,859,154	176,963
Total liabilities and net assets	\$ 243,067	\$ 663,436	\$ -	\$ 3,436,941	\$ 3,145,041

Consolidating Statement of Financial Position
 Mercy Properties California
 December 31, 2008

	Richmond Hills	Sycamore Center (Red Bluff)	Wherry Housing	Surreal Estates	Westbrook Plaza
Assets					
Current assets					
Cash and cash equivalents	\$ 24,383	\$ 79,261	\$ -	\$ -	\$ -
Cash, tenant security deposits	-	6,018	-	-	-
Cash, restricted	5,000	-	-	-	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	2,603	3,732	-	-	-
Total current assets	31,986	89,011	-	-	-
Property and equipment, net					
Land and land improvements	368,530	58,366	-	-	-
Buildings	2,194,340	2,551,038	-	-	-
Furniture and equipment	22,009	499	-	-	-
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(1,003,259)	(627,637)	-	-	-
Net property and equipment	1,581,620	1,982,266	-	-	-
Other long-term assets					
Restricted property reserves	11,255	100,430	-	-	-
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	-	-
Total other long-term assets	11,255	100,430	-	-	-
Total assets	\$ 1,624,861	\$ 2,171,707	\$ -	\$ -	\$ -
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 3,568	\$ 17,950	\$ -	\$ -	\$ -
Due to affiliates	-	-	-	-	-
Accrued interest	-	2,449	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	14,867	-	-	-
Current portion of notes payable, affiliates	156,256	-	-	-	-
Deferred revenue	-	-	-	-	-
Tenant security deposits	5,000	4,000	-	-	-
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	164,824	39,266	-	-	-
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates - long-term	-	-	-	-	-
Notes payable, less current portion	-	592,188	-	-	-
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	592,188	-	-	-
Total liabilities	164,824	631,454	-	-	-
Net assets					
Unrestricted net assets	(230,098)	1,540,253	-	-	-
Temporarily restricted net assets	1,690,135	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	1,460,037	1,540,253	-	-	-
Total liabilities and net assets	\$ 1,624,861	\$ 2,171,707	\$ -	\$ -	\$ -

Consolidating Statement of Financial Position
 Mercy Properties California
 December 31, 2008

	Sierra Vista	Walnut Grove	Santa Monica Street	Corporate Operations	Magnolia Village, LLC
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 154,134	\$ -
Cash, tenant security deposits	-	-	-	-	-
Cash, restricted	13,466	40	-	-	19,934
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Due from affiliate, net	154,077	-	-	199,653	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-
Total current assets	167,543	40	-	353,787	19,934
Property and equipment, net					
Land and land improvements	(1,922,636)	800,000	494,950	4,665,846	-
Buildings	-	-	-	(965,846)	-
Furniture and equipment	-	-	-	-	-
Predevelopment project costs	-	-	-	-	-
Construction in progress	4,422,636	212,236	448,738	-	-
Accumulated depreciation	-	-	-	-	-
Net property and equipment	2,500,000	1,012,236	943,688	3,700,000	-
Other long-term assets					
Restricted property reserves	-	-	-	-	-
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	60,000	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	450,000	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	87,070	-	-	-	-
Total other long-term assets	537,070	-	-	60,000	-
Total assets	\$ 3,204,613	\$ 1,012,276	\$ 943,688	\$ 4,113,787	\$ 19,934
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 189,744	\$ -	\$ 4,703	\$ -	\$ 30
Due to affiliates	860,660	942	942	154,077	-
Accrued interest	4,774	-	-	-	-
Accrued interest, affiliates	-	-	-	402,078	-
Current portion of notes payable	3,340,151	300,000	-	-	-
Current portion of notes payable, affiliates	86,258	711,283	6,999	-	-
Deferred revenue	-	-	-	-	-
Tenant security deposits	-	-	-	-	-
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	4,481,587	1,012,225	12,644	556,155	30
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates - long-term	-	-	-	-	-
Notes payable, less current portion	900,000	-	716,479	60,000	-
Notes payable, less current portion, affiliates	-	-	-	3,700,000	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	900,000	-	716,479	3,760,000	-
Total liabilities	5,381,587	1,012,225	729,123	4,316,155	30
Net assets					
Unrestricted net assets	(2,176,974)	51	214,565	(202,368)	19,904
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(2,176,974)	51	214,565	(202,368)	19,904
Total liabilities and net assets	\$ 3,204,613	\$ 1,012,276	\$ 943,688	\$ 4,113,787	\$ 19,934

Consolidating Statement of Financial Position
 Mercy Properties California
 December 31, 2008

	Acacia Meadows	Mercy Oak Forest, LLC	Eliminations	Mercy Properties California
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 160,948	\$ -	\$ 581,194
Cash, tenant security deposits	-	7,040	-	48,606
Cash, restricted	5,706	-	-	46,659
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	-	7,536	-	102,723
Due from affiliate, net	-	-	(154,077)	199,653
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	-	24,855	-	44,543
Total current assets	5,706	200,379	(154,077)	1,023,378
Property and equipment, net				
Land and land improvements	715,000	1,587,900	-	8,160,294
Buildings	-	1,746,142	-	14,153,160
Furniture and equipment	-	23,988	-	146,798
Predevelopment project costs	-	-	-	-
Construction in progress	475,937	-	-	5,559,547
Accumulated depreciation	-	(127,159)	-	(4,993,129)
Net property and equipment	1,190,937	3,230,871	-	23,026,670
Other long-term assets				
Restricted property reserves	-	624,919	-	1,030,968
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	60,000
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	-	-
Notes and interest receivable, net	-	-	-	450,000
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	5,875	21,847	-	114,792
Total other long-term assets	5,875	646,766	-	1,655,760
Total assets	\$ 1,202,518	\$ 4,078,016	\$ (154,077)	\$ 25,705,808
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 12	\$ 70,257	\$ -	\$ 414,125
Due to affiliates	942	1,324	(154,077)	864,810
Accrued interest	-	-	-	260,923
Accrued interest, affiliates	-	-	-	402,078
Current portion of notes payable	-	-	-	3,682,108
Current portion of notes payable, affiliates	1,636,609	-	-	2,597,405
Deferred revenue	-	1,101	-	2,771
Tenant security deposits	-	20,271	-	63,177
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	1,637,563	92,953	(154,077)	8,287,397
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	-	-	-	337,021
Accrued interest, affiliates - long-term	-	-	-	-
Notes payable, less current portion	-	2,000,000	-	8,337,751
Notes payable, less current portion, affiliates	-	-	-	3,700,000
Deferred revenue and other liabilities	-	-	-	-
Total long-term liabilities	-	2,000,000	-	12,374,772
Total liabilities	1,637,563	2,092,953	(154,077)	20,662,169
Net assets				
Unrestricted net assets	(435,045)	1,985,063	-	(1,201,840)
Temporarily restricted net assets	-	-	-	6,245,479
Permanently restricted net assets	-	-	-	-
Total net assets	(435,045)	1,985,063	-	5,043,639
Total liabilities and net assets	\$ 1,202,518	\$ 4,078,016	\$ (154,077)	\$ 25,705,808

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties California
For the year ended December 31, 2008

	Foster Youth	The Haven	Power Inn	Leland House	Oscales (McIntosh Mobile Homes)
Revenues					
Rent - net of vacancies	\$ 15,600	\$ 142,959	\$ -	\$ 20,944	\$ 312,690
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	206,543	90,000
Consulting	-	-	-	-	-
Interest	83	578	-	1,308	680
Other	90	940	190	-	1,638
Total revenues	15,773	144,477	190	228,795	405,008
Expenses and losses					
Compensation	-	78,388	-	-	63,033
Administrative	25,000	18,082	263	62	39,717
Professional services	1,633	2,536	151,301	2,400	9,542
Depreciation and amortization	8,940	23,435	-	152,711	135,938
Grants	-	-	-	-	-
Facility	10,027	30,440	-	176,334	47,605
Interest and fees	-	287	-	75,600	150,533
Bad debts	-	(261)	-	-	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	2,056,333	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	45,600	152,907	2,207,897	407,107	446,368
Excess (deficiency) of revenues over expenses	(29,827)	(8,430)	(2,207,707)	(178,312)	(41,360)
Net assets at beginning of year	9,328	630,965	2,207,707	2,037,466	218,323
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ (20,499)	\$ 622,535	\$ -	\$ 1,859,154	\$ 176,963

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties California
For the year ended December 31, 2008

	Richmond Hills	Sycamore Center (Red Bluff)	Wherry Housing	Surreal Estates	Westbrook Plaza
Revenues					
Rent - net of vacancies	\$ 26,300	\$ 131,590	\$ -	\$ -	\$ -
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	26	816	-	-	-
Other	-	23,401	1,823	-	-
Total revenues	<u>26,326</u>	<u>155,807</u>	<u>1,823</u>	<u>-</u>	<u>-</u>
Expenses and losses					
Compensation	-	8,642	-	-	-
Administrative	1,537	8,638	118	1,777	-
Professional services	6,428	-	2,538	-	-
Depreciation and amortization	80,379	93,806	-	-	-
Grants	-	-	31,569	188,107	-
Facility	21,926	65,250	-	-	-
Interest and fees	7,131	29,224	-	-	-
Bad debts	-	-	-	-	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>117,401</u>	<u>205,560</u>	<u>34,225</u>	<u>189,884</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	(91,075)	(49,753)	(32,402)	(189,884)	-
Net assets at beginning of year	1,551,112	1,590,006	32,402	189,884	(62,296)
Other transfers to (from) net assets	-	-	-	-	62,296
Net assets at end of year	<u>\$ 1,460,037</u>	<u>\$ 1,540,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties California
For the year ended December 31, 2008

	Sierra Vista	Walnut Grove	Santa Monica Street	Corporate Operations	Magnolia Village, LLC
Revenues					
Rent - net of vacancies	\$ -	\$ -	\$ -	\$ 201,345	\$ -
Developer fees	-	-	-	-	-
Services fees	-	-	-	25,000	-
Fund raising	-	-	-	1,680,000	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	-	-	-	1,906,345	-
Expenses and losses					
Compensation	-	-	-	-	-
Administrative	-	-	-	25,000	30
Professional services	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-
Grants	-	-	-	1,680,000	-
Facility	-	-	-	-	-
Interest and fees	-	-	-	185,000	-
Bad debts	-	-	-	-	-
Provision for impaired assets	1,487,859	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	547,786	-	-	-	(19,934)
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	2,035,645	-	-	1,890,000	(19,904)
Excess (deficiency) of revenues over expenses	(2,035,645)	-	-	16,345	19,904
Net assets at beginning of year	(141,329)	51	214,565	(218,713)	-
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ (2,176,974)	\$ 51	\$ 214,565	\$ (202,368)	\$ 19,904

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties California
For the year ended December 31, 2008

	Acacia Meadows	Mercy Oak Forest, LLC	Eliminations	Mercy Properties California
Revenues				
Rent - net of vacancies	\$ -	\$ 1,241,518	\$ -	\$ 2,092,946
Developer fees	-	-	-	-
Services fees	-	-	-	25,000
Fund raising	-	-	(1,480,000)	200,000
Capital grants	-	-	-	296,543
Consulting	-	-	-	-
Interest	(9)	103,567	-	107,049
Other	-	6,153	-	34,235
Total revenues	(9)	1,351,238	(1,480,000)	2,755,773
Expenses and losses				
Compensation	-	236,047	-	386,110
Administrative	11	147,698	-	267,933
Professional services	-	16,428	-	192,806
Depreciation and amortization	-	5,341	-	500,550
Grants	-	-	-	1,899,676
Facility	-	595,540	-	947,122
Interest and fees	-	73,078	-	520,853
Bad debts	-	23,741	-	23,480
Provision for impaired assets	435,025	-	-	1,922,884
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	2,584,185
(Gain) loss on investment in limited partnership	-	-	-	-
Total expenses and losses	435,036	1,097,873	-	9,245,599
Excess (deficiency) of revenues over expenses	(435,045)	253,365	(1,480,000)	(6,489,826)
Net assets at beginning of year	-	3,211,698	-	11,471,169
Other transfers to (from) net assets	-	(1,480,000)	1,480,000	62,296
Net assets at end of year	\$ (435,045)	\$ 1,985,063	\$ -	\$ 5,043,639

Consolidating Statement of Financial Position
 Mercy Housing Senior Properties, LLC
 December 31, 2008

	Mercy Housing Senior Properties, LLC	Bennett House, LP	Dorothy Day Community, LP	Junipero Serra, LP	Monsignor Lyne, LP
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 73,527	\$ 130,895	\$ 40,031	\$ 8,057
Cash, tenant security deposits	-	26,964	33,649	13,405	8,998
Cash, restricted	884,086	37,637	27,688	7,200	11,000
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	971	1,634	1,433	-
Due from affiliate, net	575,280	388,465	608,755	972,138	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	18,552	34,467	6,423	5,853
Total current assets	1,459,366	546,116	837,088	1,040,630	33,908
Property and equipment					
Land and land improvements	-	370,690	591,368	19,791	184,924
Buildings	-	3,353,891	4,883,927	777,057	1,075,037
Furniture and equipment	-	-	78,763	11,798	57,948
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	693,480	1,172,812	608,884	645,279
Accumulated depreciation	-	(172,776)	(264,476)	(41,913)	(63,336)
Net property and equipment	-	4,245,285	6,462,394	1,375,617	1,899,852
Other long-term assets					
Restricted property reserves	-	456,412	991,285	186,054	457,298
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	329,000	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	186,225	207,196	146,362	73,060
Total other long-term assets	329,000	642,637	1,198,481	332,416	530,358
Total assets	\$ 1,788,366	\$ 5,434,038	\$ 8,497,963	\$ 2,748,663	\$ 2,464,118
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ 150,240	\$ 243,670	\$ 138,986	\$ 119,616
Due to affiliates	1,618,854	-	6,611	-	348,049
Accrued interest	-	84,635	119,838	32,241	24,468
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	69,336	108,366	30,000	25,000
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	-	657	413	9	659
Tenant security deposits	-	19,441	32,345	7,551	6,058
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	1,618,854	324,309	511,243	208,787	523,850
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	5,005,058	7,907,838	2,455,286	1,966,302
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	542	-
Total long-term liabilities	-	5,005,058	7,907,838	2,455,828	1,966,302
Total liabilities	1,618,854	5,329,367	8,419,081	2,664,615	2,490,152
Net assets					
Unrestricted net assets	169,512	104,671	78,882	84,048	(26,034)
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	169,512	104,671	78,882	84,048	(26,034)
Total liabilities and net assets	\$ 1,788,366	\$ 5,434,038	\$ 8,497,963	\$ 2,748,663	\$ 2,464,118

Consolidating Statement of Financial Position
 Mercy Housing Senior Properties, LLC
 December 31, 2008

	St. Andrew Community, LP	Villa Columba, LP	Mercy Riverside, LP	Eliminations	Consolidated Mercy Housing Senior Properties, LLC
Assets					
Current assets					
Cash and cash equivalents	\$ 12,909	\$ 25,099	\$ 2,022	\$ -	\$ 292,540
Cash, tenant security deposits	27,805	17,641	6,948	-	135,410
Cash, restricted	27,575	-	-	-	995,186
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	6,997	426	485	-	11,946
Due from affiliate, net	-	40,382	-	(2,585,020)	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	12,480	13,354	5,110	-	96,239
Total current assets	87,766	96,902	14,565	(2,585,020)	1,531,321
Property and equipment					
Land and land improvements	575,836	232,166	72,952	-	2,047,727
Buildings	3,071,714	1,702,576	600,156	-	15,464,358
Furniture and equipment	-	103,240	34,413	-	286,162
Predevelopment project costs	-	-	-	-	-
Construction in progress	293,158	1,042,757	624,126	-	5,080,496
Accumulated depreciation	(158,240)	(102,333)	(35,792)	-	(838,866)
Net property and equipment	3,782,468	2,978,406	1,295,855	-	22,039,877
Other long-term assets					
Restricted property reserves	318,062	395,605	139,960	-	2,944,676
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(329,000)	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	24,036	229,514	59,627	-	926,020
Total other long-term assets	342,098	625,119	199,587	(329,000)	3,870,696
Total assets	\$ 4,212,332	\$ 3,700,427	\$ 1,510,007	\$ (2,914,020)	\$ 27,441,894
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 87,054	\$ 185,814	\$ 162,412	\$ -	\$ 1,087,792
Due to affiliates	227,231	546,372	389,964	(2,585,020)	552,061
Accrued interest	47,080	48,659	16,220	-	373,141
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	60,000	45,000	15,000	-	352,702
Current portion of notes payable, affiliates	-	-	9,060	-	9,060
Deferred revenue	18	17	-	-	1,773
Tenant security deposits	13,951	17,668	5,639	-	102,653
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	435,334	843,530	598,295	(2,585,020)	2,479,182
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	444,181	-	-	-	444,181
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	3,395,447	2,756,250	918,750	-	24,404,931
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	406	496	-	1,444
Total long-term liabilities	3,839,628	2,756,656	919,246	-	24,850,556
Total liabilities	4,274,962	3,600,186	1,517,541	(2,585,020)	27,329,738
Net assets					
Unrestricted net assets	(62,630)	100,241	(7,534)	(329,000)	112,156
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(62,630)	100,241	(7,534)	(329,000)	112,156
Total liabilities and net assets	\$ 4,212,332	\$ 3,700,427	\$ 1,510,007	\$ (2,914,020)	\$ 27,441,894

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Senior Properties, LLC
For the year ended December 31, 2008

	Mercy Housing Senior Properties, LLC	Bennett House, LP	Dorothy Day Community, LP	Junipero Serra, LP	Monsignor Lyne, LP
Revenues					
Rent - net of vacancies	\$ -	\$ 889,702	\$ 1,548,432	\$ 378,045	\$ 293,309
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	(15)	9,031	28,608	12,466	14,802
Other	-	4,060	3,029	6,669	1,836
Total revenues	(15)	902,793	1,580,069	397,180	309,947
Expenses and losses					
Compensation	-	164,533	488,896	105,870	86,046
Administrative	71,863	99,167	147,226	43,353	37,057
Professional services	1,684	12,312	11,495	10,830	10,830
Depreciation and amortization	-	124,023	195,478	31,198	51,699
Grants	-	-	-	-	-
Facility	-	139,457	189,129	73,484	69,899
Interest and fees	46	266,102	439,139	116,140	89,120
Bad debts	-	187	-	-	167
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	(315,810)	-	-	-	-
Total expenses and losses	(242,217)	805,781	1,471,363	380,875	344,818
Excess (deficiency) of revenues over expenses	242,202	97,012	108,706	16,305	(34,871)
Net assets at beginning of year	(72,690)	7,659	(29,824)	67,743	8,837
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ 169,512	\$ 104,671	\$ 78,882	\$ 84,048	\$ (26,034)

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Senior Properties, LLC
For the year ended December 31, 2008

	St. Andrew Community, LP	Villa Columba, LP	Mercy Riverside, LP	Eliminations	Consolidated Mercy Housing Senior Properties, LLC
Revenues					
Rent - net of vacancies	\$ 569,034	\$ 592,873	\$ 171,937	\$ -	\$ 4,443,332
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	4,428	10,194	2,944	-	82,458
Other	3,241	4,381	5,072	-	28,288
Total revenues	576,703	607,448	179,953	-	4,554,078
Expenses and losses					
Compensation	159,447	122,372	42,100	-	1,169,264
Administrative	65,233	68,539	19,792	-	552,230
Professional services	13,262	10,546	4,549	-	75,508
Depreciation and amortization	110,670	85,613	27,797	-	626,478
Grants	-	-	-	-	-
Facility	107,902	98,319	44,745	-	722,935
Interest and fees	155,900	145,903	51,058	-	1,263,408
Bad debts	(1,885)	(483)	3,194	-	1,180
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	(41,063)	-	(41,063)
(Gain) loss on investment in limited partnership	-	-	-	315,810	-
Total expenses and losses	610,529	530,809	152,172	315,810	4,369,940
Excess (deficiency) of revenues over expenses	(33,826)	76,639	27,781	(315,810)	184,138
Net assets at beginning of year	(28,804)	23,602	(35,315)	(13,190)	(71,982)
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ (62,630)	\$ 100,241	\$ (7,534)	\$ (329,000)	\$ 112,156

Consolidating Statement of Financial Position
 Mercy Housing CalWest
 December 31, 2008

	Mercy Housing CalWest	Mercy Housing California XL (Arlington Hotel)	Mercy Housing California XXXVIII (Pittsburg Family)	365 Fulton LP (Parcel G)	Mercy Housing California XLII (Budget Inn)
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 1,198	\$ 24,882	\$ -	\$ -
Cash, tenant security deposits	-	-	-	-	-
Cash, restricted	-	-	1,807	156,901	42,311
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	-	-	-	370
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	460,248	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	100,000	1,911	112,500	-
Total current assets	-	561,446	28,600	269,401	42,681
Property and equipment					
Land and land improvements	-	504,000	1	-	1,969,585
Buildings	-	-	-	-	2,480,415
Furniture and equipment	-	-	-	-	300,000
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	539,970	17,913,625	889,186	957,262
Accumulated depreciation	-	-	-	-	-
Net property and equipment	-	1,043,970	17,913,626	889,186	5,707,262
Other long-term assets					
Restricted property reserves	-	-	-	-	-
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	2,895,924	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	7,110	272,818	-	10,000
Total other long-term assets	2,895,924	7,110	272,818	-	10,000
Total assets	\$ 2,895,924	\$ 1,612,526	\$ 18,215,044	\$ 1,158,587	\$ 5,759,943
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ -	\$ 4,289,224	\$ -	\$ 12
Due to affiliates	48,430	857	26,963	-	955
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	-	-
Current portion of notes payable, affiliates	-	1,237	-	2,393	-
Deferred revenue	-	-	-	-	-
Tenant security deposits	-	-	-	-	-
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	48,430	2,094	4,316,187	2,393	967
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	65,586	17,086	50,529
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	-	11,027,118	1,134,108	4,425,165
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	1,241,738	-	-
Total long-term liabilities	-	-	12,334,442	1,151,194	4,475,694
Total liabilities	48,430	2,094	16,650,629	1,153,587	4,476,661
Net assets					
Unrestricted net assets	2,847,494	1,610,432	1,564,415	5,000	1,283,282
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	2,847,494	1,610,432	1,564,415	5,000	1,283,282
Total liabilities and net assets	\$ 2,895,924	\$ 1,612,526	\$ 18,215,044	\$ 1,158,587	\$ 5,759,943

Consolidating Statement of Financial Position
 Mercy Housing CalWest
 December 31, 2008

	Mercy Housing California XLIV (1000 Fourth St.)	Eliminations	Consolidated Mercy Housing CalWest
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ -	\$ 26,080
Cash, tenant security deposits	-	-	-
Cash, restricted	-	-	201,019
Investments	-	-	-
Investments, restricted	-	-	-
Accounts receivable, net	9,000	-	9,370
Due from affiliate, net	-	-	-
Pledges receivable	-	-	-
Grants receivable	-	-	460,248
Current portion of notes and interest receivable	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-
Prepaid expenses and other assets	-	-	214,411
Total current assets	9,000	-	911,128
Property and equipment			
Land and land improvements	-	-	2,473,586
Buildings	-	-	2,480,415
Furniture and equipment	-	-	300,000
Predevelopment project costs	-	-	-
Construction in progress	277	-	20,300,320
Accumulated depreciation	-	-	-
Net property and equipment	277	-	25,554,321
Other long-term assets			
Restricted property reserves	-	-	-
Cash, restricted	-	-	-
Long-term investments	-	-	-
Long-term investments, restricted	-	-	-
Due from affiliates	-	-	-
Pledges receivable, net	-	-	-
Grants receivable	-	-	-
Investments in limited partnerships	-	(2,895,924)	-
Notes and interest receivable, net	-	-	-
Notes and interest receivable, affiliates	-	-	-
Allowance for impaired assets	-	-	-
Other assets	-	-	289,928
Total other long-term assets	-	(2,895,924)	289,928
Total assets	\$ 9,277	\$ (2,895,924)	\$ 26,755,377
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ -	\$ -	\$ 4,289,236
Due to affiliates	-	-	77,205
Accrued interest	-	-	-
Accrued interest, affiliates	-	-	-
Current portion of notes payable	-	-	-
Current portion of notes payable, affiliates	9,277	-	12,907
Deferred revenue	-	-	-
Tenant security deposits	-	-	-
Miscellaneous current liabilities	-	-	-
Total current liabilities	9,277	-	4,379,348
Long-term liabilities			
Due to affiliates	-	-	-
Accrued interest	-	-	133,201
Accrued interest, affiliates	-	-	-
Notes payable, less current portion	-	-	16,586,391
Notes payable, less current portion, affiliates	-	-	-
Deferred revenue and other liabilities	-	-	1,241,738
Total long-term liabilities	-	-	17,961,330
Total liabilities	9,277	-	22,340,678
Net assets			
Unrestricted net assets	-	(2,895,924)	4,414,699
Temporarily restricted net assets	-	-	-
Permanently restricted net assets	-	-	-
Total net assets	-	(2,895,924)	4,414,699
Total liabilities and net assets	\$ 9,277	\$ (2,895,924)	\$ 26,755,377

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing CalWest
For the year ended December 31, 2008

	Mercy Housing CalWest	Mercy Housing California XL (Arlington Hotel)	Mercy Housing California XXXVIII (Pittsburg Family)	365 Fulton LP (Parcel G)	Mercy Housing California XLII (Budget Inn)
Revenues					
Rent - net of vacancies	\$ -	\$ -	\$ -	\$ -	\$ 22,638
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Fund raising	-	-	-	-	-
Capital grants	-	-	-	5,000	1,273,000
Consulting	-	-	-	-	-
Interest	-	-	946	-	430
Other	-	-	-	-	2,692
Total revenues	-	-	946	5,000	1,298,760
Expenses and losses					
Compensation	-	-	-	-	-
Administrative	47,204	-	6,531	-	2,179
Professional services	1,200	-	-	-	-
Depreciation and amortization	-	-	-	-	-
Grants	-	-	-	-	-
Facility	-	-	-	-	13,299
Interest and fees	26	-	-	-	-
Bad debts	-	-	-	-	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	(1,285,653)	-	-	-	-
Total expenses and losses	(1,237,223)	-	6,531	-	15,478
Excess (deficiency) of revenues over expenses	1,237,223	-	(5,585)	5,000	1,283,282
Net assets at beginning of year	-	-	-	-	-
Other transfers to (from) net assets	1,610,271	1,610,432	1,570,000	-	-
Net assets at end of year	\$ 2,847,494	\$ 1,610,432	\$ 1,564,415	\$ 5,000	\$ 1,283,282

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing CalWest
For the year ended December 31, 2008

	Mercy Housing California XLIV (1000 Fourth St.)	Eliminations	Consolidated Mercy Housing CalWest
Revenues			
Rent - net of vacancies	\$ -	\$ -	\$ 22,638
Developer fees	-	-	-
Services fees	-	-	-
Fund raising	-	-	-
Capital grants	-	-	1,278,000
Consulting	-	-	-
Interest	-	-	1,376
Other	-	-	2,692
Total revenues	-	-	1,304,706
Expenses and losses			
Compensation	-	-	-
Administrative	-	-	55,914
Professional services	-	-	1,200
Depreciation and amortization	-	-	-
Grants	-	-	-
Facility	-	-	13,299
Interest and fees	-	-	26
Bad debts	-	-	-
Provision for impaired assets	-	-	-
Project expenses	-	-	-
Allocation	-	-	-
(Gain) loss on sale of assets	-	-	-
(Gain) loss on investment in limited partnership	-	1,285,653	-
Total expenses and losses	-	1,285,653	70,439
Excess (deficiency) of revenues over expenses	-	(1,285,653)	1,234,267
Net assets at beginning of year	-	-	-
Other transfers to (from) net assets	-	(1,610,271)	3,180,432
Net assets at end of year	\$ -	\$ (2,895,924)	\$ 4,414,699

SECTION 2 – CERTIFICATION

The undersigned hereby certifies that the information contained herein is true to the best of the undersigned's knowledge and belief. Falsification of information supplied in this application may disqualify the Project from a TIM Fee Offset. The information given by the applicant may be subject to verification by the El Dorado County Human Services Department. Submission of this application shall be deemed an authorization to the County to undertake such investigations, as it deems necessary to determine the accuracy of this application and the appropriateness of providing a County TIM Fee Offset to the project. If any information changes after submission of this application the undersigned agrees to notify the County immediately. In addition, any change in scope of proposal and/or costs must be reported to the County immediately.

The undersigned also agrees that any commitment by the County to provide TIM Fee Offsets that may be forthcoming from this application is conditioned by the El Dorado County Advisory Committee's TIM Fee Offset criteria, and the applicant's continued compliance with those guidelines.

The undersigned also hereby certifies that the governing body of the applicant has formally authorized the undersigned to execute the documents necessary to make this application.

Legal Name of Applicant: Mercy Housing California

Signature: 

Name: (please type) Greg Sparks

Title: Vice President

Date: 7/10/09

Phone: (916) 414-4400

Fax: (916) 414-4490

Email Address: gsparks@mercyhousing.org

Mailing Address: 3120 Freeboard Drive, Suite 202

West Sacramento, CA 95691

SECTION 3 – PROJECT/PROGRAM NARRATIVE

*** Please see Dividers Section 3, #1-7**

1. **Completed Pre-Application Review:** The applicant will need to complete Planning Services' Pre-Application process in order to be eligible for funding. (Waived for homeowner building individual second dwelling unit on primary residential property)
2. **Project Summary:** Provide a short summary of the project. Include the project name, developer, project location, number of units, number of accessible and visitable units, total project costs, and amount of TIM Fee Offset requested.
3. **Project Description:** Describe the type of project and scope of activity being proposed, indicating:
 - Type of housing project (new construction, rental, homeownership, or second unit)
 - Unit size and number of units in each bedroom size
 - Population to be served by this development, including an estimate of the number of housing units to be sold or rented to each of the following income groups:
 - Household income below 50% of the area median
 - Household income 50%-80% of the area median
 - Household income 80%-120% of the area median
 - Applicants must provide estimates based on these income categories.
 - If the project proposed will serve a population with special housing needs, for example senior/disabled, describe the services to be offered to the residents and the funding sources for these services.
 - Street address and zip code of each property in the project.
 - Current ownership of each property.
 - Current zoning, use and occupancy status on the site.
 - Site control, including documentation of options to lease or buy.
 - Description of completed properties (house type, square footage, number of bedrooms and bathrooms, parking, lot size, etc.) Please provide renderings, site plans and floors plans if available.
4. **Location Map of parcel(s):** Provide maps of the site plan and location of the project.
5. **Financing Plan (Request for TIM Fee Offset):** Include a budget which identifies anticipated development and other costs for the project including potential funding sources.
6. **Timetable:** Identify key benchmarks for project development, including financing, predevelopment activities, construction start, construction end, and leasing or sales. Describe the timeline for using the TIM Fee offsets should they be granted and how the timeline may or may not match up to the issuance of building permits for a project already approved but not built.
7. **Developer Team Description:** Provide the business name, the primary contact person, street address, telephone number, fax number, and email address for each Developer team member consisting of at least the Developer, Architect, Property Manager and Social Service Provider, if applicable. Please also include the name and number for the Developer's project manager. (see Section 4)

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SECTION III: Project/Program Narrative

1. Completed Pre-Application Review: The applicant will need to complete Planning Services' Pre-Application process in order to be eligible for funding.

Not Applicable. Rezone approved by BOS 4/7/09.

Project Description

SECTION III: Project/Program Narrative

3. Project Description: Describe the type of project and scope of activity being proposed.

Sunset Lane Apartments is the proposed new construction of 55 family “work force housing” apartments in community of Shingle Springs in unincorporated El Dorado County. The apartments will be situated several separate various sized 2 & 3 story buildings with walk-up flats. These will be a mix of one through four bedroom units targeting from 30% to 60% of the Area Median Income (\$72,800 currently). The project will also include a 4,400 SF community building. Total project costs are approximately \$13,130,099.

The sizes of the proposed one through four bedroom units are as follows:

One Bedroom = 625 square feet
Two bedroom = 750 square feet
Three bedroom = 1000 square feet

The exterior will be stucco and hardi-plank siding with some brick or rock accents. The buildings will be slab-on-grade, wood frame with pitched roofs and will have central heating and air conditioning. Other amenities include washer and dryer hookups, dishwashers, and small patio/deck areas. Parking will be provided on-site. The grounds surrounding the buildings will be landscaped with drought resistant grass, shrubs and trees.

The apartment units will include wall-to-wall carpeting throughout the unit except for in the entry ways, kitchens and baths which will have vinyl flooring. Living rooms will have sliding glass doors onto balconies or patios. Ample storage will be provided throughout the unit. Kitchens will include full size refrigerators, garbage disposals, central heat and air, electric ranges, ample cabinets and dishwashers in the 3 bedroom units. Water, sewer and garbage will be provided to each unit, while the tenant will be responsible for electric, telephone, television and internet services. All appliances will be electric. The buildings and the units will be designed to exceed Title 24 energy standards by at least 15%.

Mercy Housing owns and operates several rental properties in the El Dorado region and is well connected to social service agencies throughout the area. Diamond Sunrise Apartments Phases 1 and II, White Rock Village apartments in El Dorado Hills located to the north and Tahoe Valley Apartments in South Lake Tahoe. This will increase the number of Mercy managed units in El Dorado County. The Sunset Lane Apartments development will provide parking, laundry and play facilities on site. A separate community building with offices is also planned which will be operated by Mercy Housing’s management affiliate, Mercy Services Corporation. Mercy staff will coordinate many on-site services at the multipurpose room and outdoor recreation at the nearby parks and on-site. In addition to the multipurpose room where many activities will serve the residents, a separate computer lab and child care classroom will be built in the project’s community center. Head Start will likely operate the child care center so that all the residents will have an affordable option near their home. Of the many community services Mercy Housing is already linked with at other properties in the region, the following are services that are most appropriate for Sunset Lane Apartments:

Project Description
SECTION III: Project/Program Narrative

3. Project Description: Describe the type of project and scope of activity being proposed.

After-school Programs
Employment Development
Health services

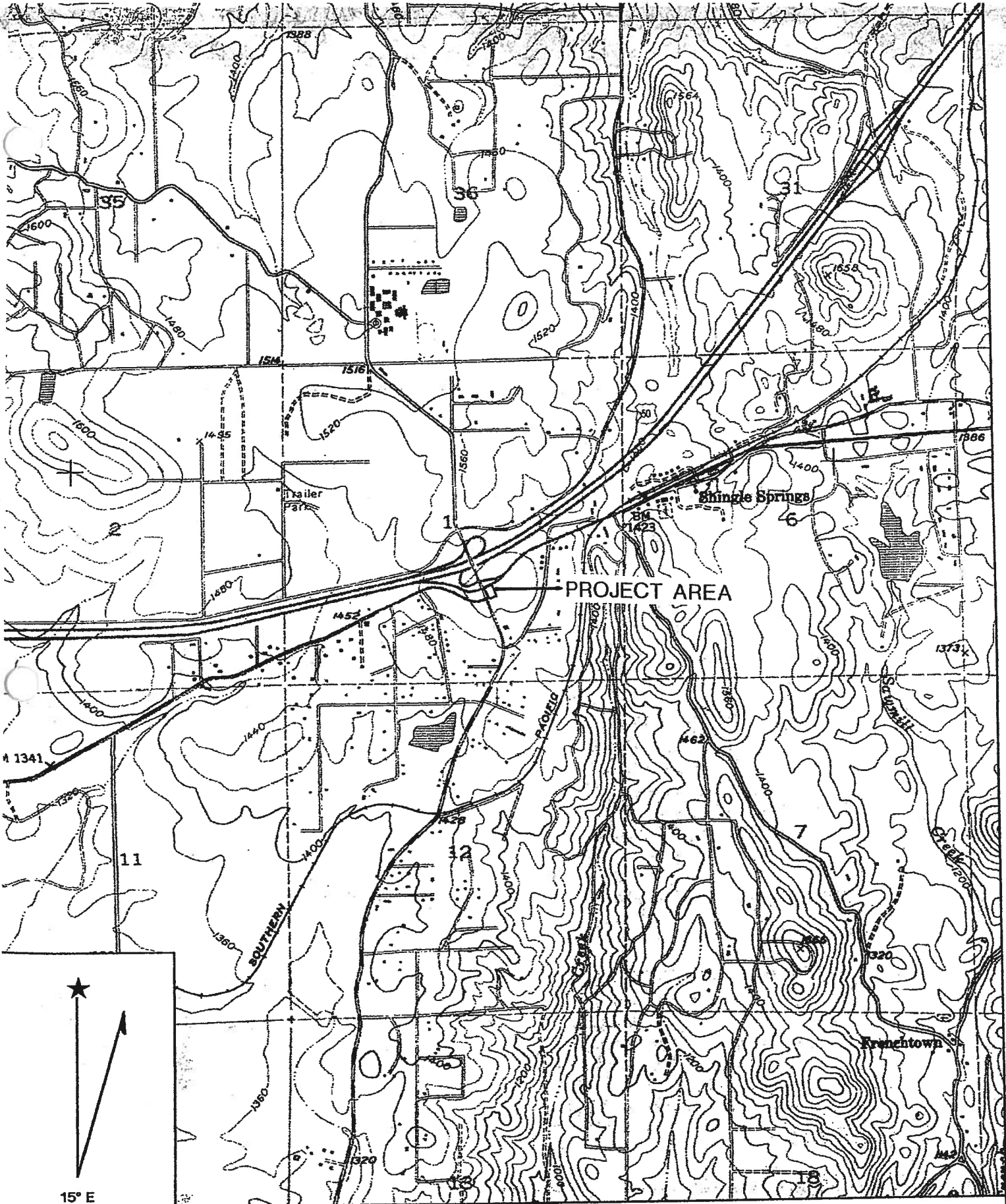
The 2.98 acre vacant parcel is located on the east side of Sunset Lane, approximately 700 feet south of the intersection with Mother Load Drive in the Shingle Springs area of El Dorado County. The seller initiated a successful zone change application in April of 2009 for this parcel which resulted in the current zoning of RM / DC.

The site is currently owned by Robert D and Yvonne Brown Family trust. An option agreement will be executed in July 2009 for the anticipated purchase by June of 2010. This agreement will be between Mercy Housing California and the current owners.

SECTION III: Project/Program Narrative

4. Location Map of Parcel(s): Provide maps of the site plan and location of the project.

Please see attached.



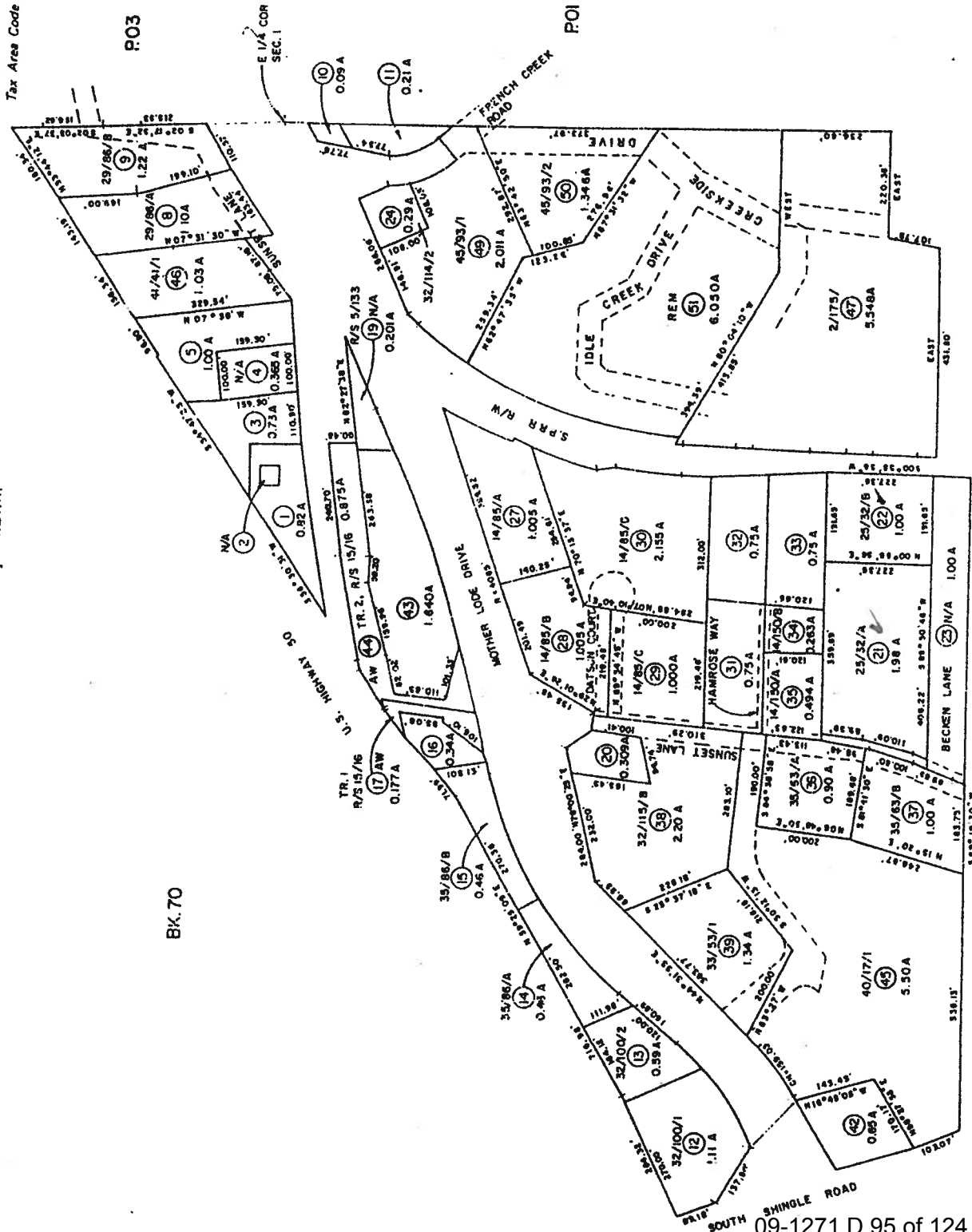
Location: SHINGLE SPRINGS
 Date: 5/22/2000
 Scale: 1 inch equals 2000 feet

Location: 10 679613 E 4280975 N
 Caption: MAP !
 Shingle Springs 7.5'
 1:24,000

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POR. E1/2 SEC. 1., T.9N., R.9E., M.D.M.

90:43



Assessor's Map Bk. 90 - Pg. 43
County of El Dorado, California

NOTE - Assessor's Block Numbers Shown in Ellipse
Assessor's Parcel Numbers Shown as Circles

THIS MAP IS NOT A SURVEY. It is prepared by the El Dorado Co. Assessor's Office for assessment purposes only.

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BK.86

SECTION III: Project/Program Narrative

5. Financing Plan (Request for TIM Fee Offset): Include a budget which identifies anticipated development and other costs for the project including potential funding sources.

Below is a description of the funding sources for this development:

CONSTRUCTION FINANCING

1. Tax Exempt Financing (Bonds) – \$6,329,725

Mercy Housing California will secure a tax exempt financing commitment in the amount of \$6,329,725. The interest rate will be the Base Commercial Loan Rate with a term of 24 months. The tax exempt construction loan will be taken out by the tax credit capital contributions and the HCD MHP loan upon completion of construction.

2. El Dorado County HOME loan – \$4,000,000

Mercy Housing California (MHC) is applying for a commitment from HCD in the amount of \$4,000,000 in HOME funding through El Dorado County. These funds will be used during construction and roll over to permanent financing. The interest rate is 3% simple, residual receipts payment only with a term of 55 years.

3. El Dorado County HELP loan – \$700,000

Mercy Housing California (MHC) has will request a loan from an existing County/CalHFA HELP Loan in the amount of \$700,000 at 3.25% interest. These funds will be used during the 24 month construction period and be repaid from the permanent mortgage funding proceeds.

4. Equity Investor – \$ 500,000

Investor capital contributions raised by selling tax credits will pay \$500,000 in equity to be paid in during construction.

Permanent Financing

1. Permanent Mortgage – 1,647,900

A permanent conventional mortgage in the amount of \$1,647,900 will be obtained for the project. The mortgage is assumed to be at an estimated annual interest rate of 6.75% for a term of 30 years.

2. HOME – \$4,000,000

The interest rate is 3% simple, residual receipts payment only with a term of 30 years. These funds will roll over from the construction phase. The loan terms will remain the same.

SECTION III: Project/Program Narrative

5. *Financing Plan (Request for TIM Fee Offset)*: Include a budget which identifies anticipated development and other costs for the project including potential funding sources.

4. HCD – Multifamily Housing Program - \$3,045,545

Mercy Housing California will apply for and secure a commitment of \$3,045,545 for a permanent loan and estimated effective annual interest of 3% for a term of 55 years. The loan will be used to pay off part of the construction loan.

5. Deferred Developer Fee – 350,000

This represents developer fees deferred by the developer. These are assumed to be paid annually over a 10 year period as funds are available from operations cash flow after all expenses and debt service is paid.

6. General Partner Equity – \$527,451

This represents the General Partnership's permanent equity contribution to the project.

7. Low Income Housing Tax Credit Capital Contribution – \$3,559,203

Tax Credit capital contributions raised by selling Federal low income housing tax credits will provide \$3,559,203 in equity. These proceeds will be used in combination with other sources to pay off the construction loan.

SECTION III: Project/Program Narrative

6. Timetable: Identify key benchmarks for project development, including financing, predevelopment activities, construction start, construction end, and leasing or sales. Describe the timeline for using the TIM Fee offsets should they be granted and how the timeline may or may not match up to the issuance of building permits for a project already approved but not built.

Affordable Housing Milestone	Anticipated Date	Estimate Award Date
TIM Offset Application	July '09	Nov '09
Funding Application to HOME	Aug '09	Dec '09
MHP Funding Application to HCD	June '10	Sept '10
Start construction drawings	Oct '10	N/A
Construction drawings complete	Jan '11	N/A
Funding Application to TCAC & CDLAC	Mar '11	June '11
Submit for plan check to City building department	Mar '11	N/A
Plan Check Complete – Issuance of Building Permits	June '11	N/A
Use of TIM Offset	June '11	N/A
Bid for GC's	June '11	N/A
Start Construction	Aug '11	N/A
Start Marketing	Oct '12	N/A
Complete Construction	Dec '12	N/A
Project Complete – 100% Rent Up	Mar '13	N/A

SECTION III: Project/Program Narrative

7. Developer Team Description: Provide the business name, the primary contact person, street address, telephone number, fax number, and e-mail address for each Developer team member consisting of at least the Developer, Architect, Property Manager and Social Service Provider, if applicable. Please also include the name and number for the Developer's project manager.

Developer:

Business Name: Mercy Housing California
Primary Contact: Jeffrey Riley
Address: 3120 Freeboard Drive, Suite 202
West Sacramento, CA 95691
Telephone Number: (916) 414-4406
Fax Number: (916) 414-4490
E-mail: jriley@mercyhousing.org

Architect:

Business Name: Stantec Architecture
Primary Contact: Mick Dobbins
Address: 1201 J Street, Studio 100
Sacramento, CA 95814
Telephone Number: (916) 669-5935
Fax Number: (916) 442-3249
E-mail: Michael.Dobbins@Stantec.com

Property Manager:

Business Name: Mercy Services Corporation
Primary Contact: Michael Liebe
Address: 3120 Freeboard Drive, Suite 202
West Sacramento, CA 95691
Telephone Number: (916) 414-4400
Fax Number: (916) 414-4490
E-mail: mliebe@mercyhousing.org

Social Service Provider:

Not Applicable

SECTION 4 – PROJECT PARTNERS

PROJECT PARTNERS

If the program will involve other entities (financial institutions, social service providers, etc.), please list them and provide a brief description of their roles in the program. Use additional sheets if necessary.

Name: Mercy Services Corporation
Role: Property Management Company
Contact Person: Michael Liebe
Address: 3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691
E-Mail Address: mliche@mercyhousing.org
Phone: (916) 414 - 4400 **FAX:** (916) 414 - 4490

Name: _____
Role: _____
Contact Person: _____
Address: _____
E-Mail Address: _____
Phone: (____) ____ - _____ **FAX:** (____) ____ - _____

Name: _____
Role: _____
Contact Person: _____
Address: _____
E-Mail Address: _____
Phone: (____) ____ - _____ **FAX:** (____) ____ - _____

Project Partners

If the program will involve other entities (financial institutions, social service providers, etc.), please list them and provide a brief description of their roles in the program. Use additional sheets if necessary.

Mercy Services Corporation

Mercy Services Corporation (MSC) is the property management company for Sunset Lane Apartments. Please see the attached corporate resume.



Mercy Housing

Mercy Services Corporation Corporate Resume 2009

Transforming Mercy Housing's mission from words into reality is the primary focus of Mercy Services Corporation (MSC). Since the time of its establishment in 1983, MSC has provided a type of service that has become a national model of effective management for resident-focused, affordable housing programs. When the State Development Corporations finish building attractive housing that blends seamlessly into the neighborhood, MSC takes over and brings each property into operation. MSC is an integral part of the Mercy team, providing professional property management and resident program services. MSC property management personnel ensure that the property itself is well managed and maintained – a place where residents can take pride in their homes and communities.

Since MSC's merger with Rural California Housing Corporation in 2000, staffing patterns have been and continue to be developed to accommodate steady growth. The managed portfolio has increased in size by 39% in the past 5 years, approximately 11% of which is fee managed for third party owners. The properties vary by type of structures, resident population, and subsidy program. MSC Property Operations staff is supported by a team of Financial Services, Human Resources, and Information Technology professionals to assure that state of the art services are in place at all properties.

The Mission of Mercy Services Corporation is to create stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities.

MSC Operations

MSC sets forth general policies and procedures to assure that a high standard of program-enriched housing is in place at every property it operates. In bringing these standards to light, every MSC property is managed according to the Mercy Housing core values, which are:

Respect – A basic perspective and behavior which is attentive, considerate and shows special regard for the inherent dignity of persons and sacredness of creation

Justice – The fair and impartial treatment of others

Mercy – The ability to see need and respond with compassion

Because we hold these values:

- ✓ We believe every person has a right to quality, safe housing in a nurturing environment that promotes personal growth and family stability.
- ✓ We believe no one should pay an excessive proportion of income for housing.
- ✓ We believe our work should focus on people whose housing needs are most underserved.
- ✓ We believe we should be a voice with and for people struggling to achieve economic security.

Every property strives to:

- ↪ Be well managed and properly maintained to provide decent, safe and sanitary living conditions for its residents.
- ↪ Remain a permanent, affordable housing resource in the community.
- ↪ Provide a pleasant and secure living environment for its residents and the surrounding neighborhood.
- ↪ Be a catalyst for positive relationships among the residents, management staff and residents of the surrounding neighborhoods in which it operates with open channels of communication.
- ↪ Be a financially stable enterprise that successfully operates within its budget so that all expenses, debt service, and reserves payments are covered by operating income.
- ↪ Be managed in accordance with applicable regulatory requirements and in compliance with all local, state and federal laws. Mercy has a well-qualified staff to oversee compliance of its properties.

Compliance

MSC has a strong commitment to the regulatory compliance needs of the property. The primary function of MSC's Compliance Department is to assure resident file compliance by providing periodic file testing, timely reporting, targeted training and additional staff support to assist in identification of compliance issues, and development of corrective action plans to help further the mission of MSC. The compliance department is able to accomplish this mission through:

- Ongoing resident file reviews, which help to assure compliance with regulations and other property covenants
- Open communication and information exchange with site management and site supervisory staff, which helps to assure clear communication of compliance issues, potential resolutions and open dialogue with MSC personnel

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As multiple funding sources are being layered into a proposed development, specific issues related to resident file compliance may arise. MSC's Compliance department provides:

- Feedback on the compliance requirements, reporting and impact of layering multiple funding sources with diverse requirements
- Monitoring of first year files as resident units are placed in service
- Support to property supervisors along with monitoring tools to manage multiple compliance requirements
- Reviews of first year resident files for all tax credit acquisitions
- Reviews of in-place resident files for all properties
- Compliance set-up of new properties in our software program

Properties Under Management

Mercy Services Corporation manages 223 properties within the states of Arizona, California, Colorado, Georgia, Idaho, Illinois, Iowa, Kansas, Missouri, Nebraska, Ohio, Utah, and Washington. Total book value of assets is approximately \$1 billion with annual operating budgets totaling more than \$75.5 million. The Portfolio of MSC is comprised of the following finance types:

- Tax Credit: 43%
- HUD: 37%
- Other: 10%
- Bond: 3%
- Combination of HUD & Tax Credit: 4%
- 4% Tax Credit Bond Deals: 1%

Demographics

Property count

The resident demographic of MSC is divided into the following:

- ❖ Families: 56%
- ❖ Senior: 29%
- ❖ Special Needs: 15%
- ❖ Transitional: 1%

Additionally:

- ✓ Total number of individuals housed: 27,839
- ✓ Total number of adults: 18,241
- ✓ Total number of children: 9,598
- ✓ Total number of households: 14,385
- ✓ Total number of family households: 8,603
- ✓ Family households employed: 65%

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Mercy Services Corporation

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Staff

Mercy Services Corporation has put together a highly experienced team of specialists in the management of quality, affordable, service-enriched housing. MSC employs a total of 826 people.

Officers

The officers below have collective experience totaling more than 100 years in the industry:

Cheryll O'Bryan
President
Mercy Services Corporation

Cheryll O'Bryan started her career in property management back in the late 70s with Hall Financial Group where she worked as a VP in the Property Management Division. Over the last three decades she has worked with some of the largest for-profit property management companies in the nation serving in various leadership roles. Those roles include being President of Elkor Properties, Senior Vice President of Equity Residential, Executive Vice President of Empirian Property Management, Inc., and Regional Vice President with NHP Management. Operating property portfolios across the nation, Cheryll has developed successful management platforms in several national organizations, including Equity Residential and Empirian Property Management, Inc. Her portfolio oversight has encompassed over 75,000 units in 20 states.

Christopher Reed, C.P.M. ®
Senior Vice President – Property Management
Mercy Services Corporation

Christopher's experience in the multi-family industry spans 19 years and 22 states. Christopher currently serves as Senior Vice President of Mercy Services Corporation overseeing the property management operations throughout Arizona, California, Colorado, Idaho, Washington, and Utah. Prior to coming to Mercy, Christopher worked with several national real estate companies, including Equity Residential and Lexford Residential Trust, where he provided management oversight in all facets of property management operations for multiple 8,000+ unit portfolios. In addition to Property Management oversight, he also directed the operations of the national education and marketing departments with Empirian Property

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Management, Inc., where he served as the national Job Corp Partnership liaison, coordinating the recruiting efforts for the portfolio. Christopher's oversight and coordination has encompassed portfolios totaling over 40,000 units nation-wide.

Jeffrey Kohler, C.P.M. ®
Regional Vice President – Property Management
Mercy Services Corporation

Jeffrey Kohler began his real estate career in 1986 as a residential leasing agent and ultimately served as Vice President for Highridge Partners (formerly LAMPRO and Summit Commercial Properties), a private development and investment company based out of El Segundo, CA. In this capacity he oversaw the acquisition, leasing, management and disposition of 4,500 multi-family units, 3 million square feet of office and retail, and 735,000 square feet of industrial assets located in Texas and Colorado. Since that time Jeffrey has served as the Vice President of Asset Management for the Sheet Metal Workers' National Pension Fund's \$300 million real estate portfolio and, for the nine years prior to joining the Mercy Services team in January 2009, as the Vice-President of Real Estate Management for EAH Housing where he oversaw the asset and property management of EAH's California and Hawaii portfolio of assets, which consisted of 82 residential communities with over 8,000 units of affordable, student, and conventional housing.

Larry E. McCarthy
Regional Vice President – Property Management
Mercy Services Corporation

Larry began his property management career in 1971. Recognizing that spiraling costs of building in effect locked more families out of decent housing each year he sought employment with the Illinois Housing Development Authority (IHDA) in 1978. During his four years with IHDA he was involved with the operations of over 6,600 affordable apartments throughout Illinois and was a member of that agency's turn-around team for troubled properties. McCarthy served for nine years as the President of RESCORP Realty, Inc., which managed a multi-family rental-housing portfolio in the Chicago area. During that nine-year period the portfolio expanded from 1,600 to more than 4,600 rental units. Prior to joining Mercy Services Corporation Larry was the Capacity Building Program Director for Community Investment Corporation, a not-for-profit

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Mercy Housing

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multi-family mortgage corporation. In that capacity McCarthy designed and presented a variety of training courses intended to foster higher standards in residential property management. Larry received a B.A from Northern Illinois University. He is the past Board Vice President of Housing Opportunities and Maintenance for the Elderly (H.O.M.E.), an organization that provides housing and other supportive service for senior citizens in Chicago. He is the past Chairman (1988 - 1989) of the Chicago Board of Realtors' Property Management Council.

Melanie Murphy Kibble, C.P.M. ®
Vice President Special Assets
Mercy Services Corporation

Ms. Kibble began her career in Property Management in 1981 as a Leasing Consultant for a 402 unit mixed income property in Colorado. Since that time she has performed the many functions of the various roles typically found in property management. Her current position is Vice President, Special Assets for Mercy Services Corporation. Prior to her employment with MSC, Melanie was the Vice President and Director of Property Management for Urban, Inc, a for-profit Owner/Manager in Denver, Colorado. The portfolio consisted of Subsidized, LIHTC, Conventional, Commercial and Retail totaling 5000 units in approximately 50 developments. Ms. Kibble has worked extensively with a wide range of affordable housing programs including most HUD programs, Section 42, RTC, as well as income/rent restricted programs. Melanie is Past President of the Apartment Association of Metro Denver, Past Regional Vice President for the National Apartment Association and Past President of the Affordable Housing Management Association (Rocky AHMA). She continues to serve on the Board of Directors. Melanie earned her C.P.M. Designation in 1995 and has been a licensed Colorado Real Estate Broker Associate since 1987. She has been with Mercy Services Corporation since January of 2005 and her current position focuses on assets within the portfolio that are not performing as expected. Additionally, she supervises the Compliance and Training Departments.

Sharon Cauthen
Regional Vice President – Property Management
Mercy Services Corporation

Sharon has been involved in the non-profit social services sector since 1984. Since 1990, Sharon has focused her career in the property

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management arena. She has utilized a creative and energetic approach to successfully supervise both conventional and affordable housing including family, seniors and special needs developments. With experience in a diverse portfolio including new construction lease up, historic adaptive reuse and renovations; Sharon has developed proven techniques for delivering the double bottom line of financial performance and resident services delivery. Sharon brings a strong marketing knowledge to the affordable industry and has developed and facilitated marketing and leasing training classes for affordable managers. She currently supervises a portfolio of 26 properties in the Southeast and Midwest with over 2,100 units. Sharon has ten years experience in the LIHTC program with additional emphasis on bonds, HOME funds, RTC/AHDP, and project based Section 8 housing. Sharon is affiliated with the Atlanta Apartment Association, Georgia Apartment Association and the National Apartment Association. She has served as an expert panelist for the Georgia Affordable Housing Coalition. She is a Certified Credit Compliance Professional and qualified as a Housing Credit Compliance Professional.

Robert Jacoby
National Procurement Director
Mercy Services Corporation

Robert has over 20 years of progressive supply management experience in service, manufacturing and construction environments. He has a successful track record in developing and guiding diverse teams to deliver top performance while achieving cost savings in every aspect of supply management. Prior to coming to Mercy Services, Robert has lead Procurement teams for AT&T, MediaOne, Continental Cablevision and Adelphia Communications. He has overseen multi-million capital projects throughout the United States and Puerto Rico and had consulted with the government of Singapore to develop procurement and logistical support to establish their communications network. Robert is recognized as a Certified Purchasing Manager by the Institute of Supply Management and brings the strategic development and management experience that will allow Mercy to achieve optimum efficiency and cost savings through ensuring all products and services are purchased with the most favorable combination of price, quality and delivery.

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Mercy Housing

Mercy Services Corporation

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SECTION 5 – PROJECT DEVELOPMENT TEAM

Complete the following information for each proposed development. If this project is a co-venture please list the co-partner and/or the owner organization: *Indicate by asterisk any identity of interest among the development team members.

- 1a. Co-Partner** Not Applicable
Contact: _____
Address: _____
E-Mail Address: _____
Phone: (____) ____ - _____ FAX: (____) ____ - _____
- 1b. Owner:** TBD – Mercy Housing California Controlled Limited Partnership
Contact: Jeffrey Riley
Address: 3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691
E-Mail Address: jriley@mercyhousing.org
Phone: (916) 414- 4406 FAX: (916) 414 - 4490
- 2. Attorney:** Gubb and Barshay
Contact: Natalie Gubb
Address: 50 California Street, Suite 3155, San Francisco, CA 94111
E-Mail Address: ngubb@gubbandbarshay.com
Phone: (415) 781 - 6600 FAX: (415) 781 - 6967
- 3. Contractor:** To be determined.
Contact: _____
Address: _____
E-Mail Address: _____
Phone: (____) ____ - _____ FAX: (____) ____ - _____
- 4. Architect:** Stantec Architecture
Contact: Mick Dobbins
Address: 1201 J Street, Suite 100, Sacramento, CA 95814
E-Mail Address: Michael.Dobbin@Stantec.com
Phone: (916) 669 - 5935 FAX: (916) 442 - 3249
- 5. Management Agent:** Mercy Services Corporation
Contact: Michael Liebe
Address: 3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691
E-Mail Address: mliche@mercyhousing.org
Phone: (916) 414 - 4400 FAX: (916) 414 - 4490
- 6. Supportive Service Provider** Not Applicable
Contact: _____
Address: _____
E-Mail Address: _____
Phone: (____) ____ - _____ FAX: (____) ____ - _____

Attach this information for other key entities involved in the project.

SECTION 6 – GENERAL SITE AND FINANCING INFORMATION

Attach evidence of site control, evidence of proper zoning, sketch plan of site, schematic drawing if new construction, and picture of building if rehabilitation.

PART A – GENERAL SITE INFORMATION

Has a site been determined for this project? Yes No

PART B – SITE CONTROL

1. Does Applicant have site control? Yes No

If yes, form of control: Deed Contract Option to Purchase
Date acquired: ___ / ___ / ___
Expiration Date of Contract: ___ / ___ / ___
Expiration Date of Option: ___ / ___ / ___

(Include copy of Statement of Intent from current site owner)

If no, describe the plan for attaining site control: Developer is in the process of executing an option agreement for a 1 year (365 days) period. The option agreement is expected to be signed in July 2009

Total Cost of Land: \$ 500,000 Site area size: 2.98 acres or sq. ft.

Seller's Name: Robert D and Yvonne Brown Family Trust of 1996
Address: PO Box 12
City: Shingle Springs, CA 95682
Phone: (530) 677 - 2096 FAX: (_____) _____ - _____

2. Is the seller related to the Developer? Yes No

PART C – ZONING AND UTILITIES

1. Is the site properly zoned for your development? Yes No
If no, is site currently in process of rezoning? Yes No
When is the zoning issue expected to be resolved? ___ / ___ / ___
Explain:

2. Are utilities presently available to the site? Yes No

If no, which utilities need to be brought to the site:
 Electric Water Phone Gas Sewer Other: _____

PART D – FINANCING PLAN

Include a budget which identifies anticipated development and other costs for the project.

For homeownership projects:

- The Development Pro Forma, which identifies the total development cost and the sources and uses of funds.
- The Home Sale Analysis Pro Forma to provide the estimated purchase price of the housing units to be developed and to describe the income group for which the properties are affordable.
- Attach Developer Agreement of sustained affordability with housing authority.

For rental projects: * **Please see attached.**

- The Development Pro Forma, which identifies the total development cost and the sources and uses of funds.
- Describe the income groups for which the units are affordable.
- Provide proposed rents for each unit size.
- Provide supporting evidence of all funding commitments received, and a list of pending applications with dates of submission and expected awards.
- Provide proposed rent limitation agreement with housing authority.

For second dwelling units on owner occupied property:

- Describe financing available which identifies the total development cost and the sources and uses of funds.
- Describe the income group for which the unit is affordable (2008 HUD Income Limits Table on Page 2).

PART E – ANNUAL DEADLINES AND SUBMISSION DATES

Pre-submission meeting at the Development Services Department is required*	June 15 & December 15
Questions and requests for additional information accepted	June 15 - 30 & December 15 - 30
Application Submission	**July 1 - 15 & January 1 - 15
Notification to developer team who failed to meet submission requirements	January 16 - February 28 & July 16 - August 28
Advisory Group meetings to recommend projects	January 20 - February 28 & July 30 - August 28
Board of Supervisors awards funding	Not later than March 31 st & September 30 th

* A pre-submission meeting will be held to ensure that all potential applicants understand the process for submitting petitions. Location may vary. Attendance is strongly encouraged.

**** Deadline is at 5 p.m. of the final date. Deadlines that occur on weekends and holidays will be extended to the next business day.**

PART D: Financing Plan

Rental Projects: The Development Pro Forma, which identifies the total development cost and the sources and uses of funds. Describe the income groups for which the units are affordable. Provide proposed rents for each unit size. Provide supporting evidence of all funding commitments received, and a list of pending applications with dates of submission and expected awards. Provide proposed rent limitation agreement with housing authority.

1. *The Development Pro Forma, which identified the total development cost and the sources and uses of funds.*

Please see the attached proforma.

2. *Describe the income groups for which the units are affordable. Provide proposed rents for each unit size.*

The income groups served by this project will be a family of four with incomes not exceeding \$ 21,840 per year (30% of AMI) up to a family of four with incomes of no more than \$43,680 (60% of AMI). The attached Unit Mix schedule includes rents, unit sizes, income distribution and other useful project information.

3. *Provide supporting evidence of all funding commitments received, and a list of pending applications with dates of submission and expected awards.*

Attached is project timeline with the proposed application and expected award dates in bold. We are currently working on securing both construction and permanent financing commitments.

4. *Provide proposed rent limitation agreement with housing authority.*

Mercy Housing California proposes to enter into a rent limitation regulatory agreement with the Housing Authority for a period of 55 years.

Evidence of Site Control

SECTION 6: General Site and Financing Information

Site Control

To be provided.

Evidence of Proper Zoning



County of El Dorado

Legislative File ID **09-0397**

Type: **Agenda Item** Status: **Adopted**
 Enactment Date: Enactment No.:
 Title: **Hearing to consider the recommendation of the Planning Commission on Rezone Z08-0042 on property identified by APNs 090-430-21 and -22, consisting of 2.98 acres, in the Shingle Springs area, submitted by Marlon Ginney; and recommending the Board take the following actions: (1) Adopt the Negative Declaration; (2) Approve Z08-0042 rezoning APNs 090-430-21 and -22 from one-acre residential (R1A) to multifamily residential-design community (RM-DC) based on the findings listed in Attachment 1; and (3) Adopt Ordinance for said rezone. Ordinance 4817 (Supervisorial District II)**
 Controlling Body: **Board Of Supervisors**
 Introduced: **3/18/2009** Version: **1**
 Final Action: **4/7/2009** Contact: **Roger P. Trout (5369)/Pierre Rivas (5841)**
 Name: **DS 04-07-09 Z08-0042/Ginney**
 Requester: **Development Services - Planning**
 Sponsors:

Attachments: **Legislative File Text
 Z08-0042 Planning Commission Minutes 03-12-09.pdf
 Z08-0042 Attachment 1-Findings.pdf
 Z08-0042 Staff Report.pdf
 Ordinance - Ginney.pdf**

Next Meeting:

Legislative History

Date	Acting Body	Action Taken	Motion
4/7/2009	Board Of Supervisors	A motion was made by Supervisor Nutting, seconded by Supervisor Santiago, as follows: 1) Adopt Negative Declaration; 2) Approve Rezone Z08-0042; and 3) Adopt Ordinance 4817.	Pass (5:0)

Approvals

Approver	Date	Approval Status
Roger Trout	3/24/2009	Approved

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Sketch Plan of Site

SECTION 6: General Site and Financing Information

Sketch Plan of Site

To be provided.

Schematic Drawing

SECTION 6: General Site and Financing Information

Schematic Drawing

To be provided.

Development ProForma

Shingle Springs 55 units

SOURCES OF FUNDS	AMOUNT
First Mortgage	1,647,900
State HOME	4,000,000
MHP (reduced to get leverageing p	3,045,545
Investor Capital Contributions	3,559,203
Deferred developer fee (payable i	350,000
GP equity	527,451
TOTAL SOURCES	13,130,099

Construction loan	6,329,725
COUNTY HELP LOAN @3.25%	700,000
	78.70%

USES OF FUNDS	COST
ACQUISITION	
Total Land Cost or Value	500,000
esement purchase	75,000
Off Site Improvements	0
Legal/Title for acquisition	10,000
Existing Improvements Value	
Total Acquisition Cost	585,000
REHABILITATION	
Site Work	0
Structures	0
General Requirements	0
Contractor Overhead	0
Contractor Profit	0
Total Rehabilitation Cost	0
NEW CONSTRUCTION	
Site Work	914,760
Structures	5,399,625
General Requirements	315,719
Contractor Overhead	157,660
Contractor Profit	157,860
Prevailing Wages	0
General Liability Insurance and C	69,458
Total New Construction Costs	7,015,282
ARCHITECTURAL FEES	
Design	252,450
Supervision	63,112
Total Architectural Costs	315,562
Survey/Engineering + CM + fee	120,000
CONSTR. INTEREST & FEES	
Const. Loan Interest (Convention)	514,290
Const. Loan Interest on County H	39,813
Lender costs - construction inspe	40,000
Origination Fee @ .075%	47,473
Credit Enhancement & Application Fee (see bond co	
Taxes	7,188
Insurance	125,000
Title and Recording	20,000
Total Construction Interest and	793,764
PERMANENT FINANCING	
Loan Origination Fee @ 1%	16,479
Costs of Bond Issuance	168,743
Title and Recording	20,000
legal	10,000
other	
Total Permanent Financing Cost	213,222
LEGAL FEES	
Lender Legal - included costs of l	0
Other - Owner Legal	25,000
Total Attorney Costs	25,000
RESERVES	
Rent Reserves	106,315
Other	
Total Reserve Costs	106,315
Total Appraisal Costs	19,000
Total Construction Contingenc	561,223
OTHER	
Tax Credit App./Alloc./Monitoring	26,660
Environmental/soils	25,000
Impact Fees (schools and hookups	245,436
Capital fees	
Permit Processing fees	1,265,000
Marketing	65,750
Market Study	10,000
Furnishings	40,000
Other - soft cost contingency	125,000
Total Other Costs	1,806,048
Total Project Cost	11,558,416
DEVELOPER COSTS	
Developer Overhead/Profit	1,473,684
Consultant/Processing Agent	
Project Administration	
Other	
Total Developer Costs	1,473,684
TOTAL PROJECT COST	13,030,099
Syndication Costs	
Legal - Syndication	40,000
Accountant	20,000
Consultant - Syndication	40,000
Total Syndication Costs	100,000
TOTAL PROJECT COSTS INCL.	13,130,099
per unit	238,729

Mercy - Shingle Springs

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
CASH FLOW OVER TIME															
Residential income	480,392	502,652	515,218	528,089	541,301	554,834	568,704	582,922	597,495	612,432	627,743	643,437	659,523	676,011	692,911
Laundry/misc income	4,620	4,736	4,854	4,975	5,100	5,227	5,358	5,492	5,629	5,770	5,914	6,062	6,213	6,369	6,528
Less Vacancy (5%)	-24,751	-26,369	-28,004	-29,654	-31,320	-33,003	-34,703	-36,421	-38,156	-40,910	-43,683	-46,475	-49,287	-52,119	-54,972
Effective Gross Income (EGI)	470,261	482,018	494,068	506,420	519,081	532,058	545,359	558,993	572,968	587,292	601,974	617,024	632,449	648,261	664,467
Less Annual Operating Expenses	284,000	273,240	282,803	292,702	302,946	313,549	324,523	335,882	347,638	359,805	372,398	385,432	398,922	412,884	427,335
Bond monitoring fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Net Annual Operating Income	202,261	204,778	207,265	209,719	212,135	214,508	216,836	219,111	221,330	223,487	225,576	227,592	229,527	231,376	233,132
Less Debt Service	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259	128,259
Less MHP debt service	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791	12,791
Less Replacement Reserves	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Cash Flow	28,211	30,728	33,215	35,668	38,084	40,458	42,785	45,061	47,280	49,437	51,526	53,541	55,477	57,326	59,081
DCR	1.20	1.22	1.24	1.25	1.27	1.29	1.30	1.32	1.34	1.35	1.37	1.38	1.39	1.41	1.42

RENTS & UNIT MIX INFORMATION

0

er Tax Credit 50% Income Limits for County of :

El Dorado

HUD Notice Date:

Household Size:	1	2	3	4	5	6	7	8
Income Limit:	\$25,500	\$29,100	\$32,750	\$36,400	\$39,300	\$42,200	\$0	\$0

CTCAC, CDLAC, MHP and CalHFA rent limits are calculated based on the above income limits, and are automatically shown below. If the most restrictive rent limits applicable to some units are required by another program, such as HOME or USDA Rural Development, [click here](#) to enter these limits. (Or scroll to bottom of worksheet)

Show rent limits set by the most restrictive regulatory agency.

Income Limit (% AMI)	Rent Limit Calc. Formula	Unit Size	No. of Units	Maximum Gross Rent	Less Utility Allowance	Maximum Net Rent	Proposed Net Rent	Monthly Income at Proposed Rents	Monthly Income at Maximum Rents
		Beds	0	\$0	\$0	\$0	\$0		
Rows 19-25 enter Restricted Manager unit(s) only ; unrestricted Manager's unit(s) use rows 119-121. % of Restricted Units in this category 0%		0 Bdrm.	0				\$0		
		1 Bdrm.	0				\$0		
		2 Bdrm.	0				\$0		
		3 Bdrm.	0				\$0		
		4 Bdrm.	0				\$0		
		5 Bdrm.	0				\$0		
		0 Subtotal						\$0	\$0
30%	TCAC	Beds	0	\$0	\$0	\$0	\$0		
% of Restricted Units in this category 35%		0 Bdrm.	0				\$0		
		1 Bdrm.	3	\$409	(\$60)	\$349	\$349	\$1,047	\$1,047
		2 Bdrm.	8	\$491	(\$70)	\$421	\$421	\$3,368	\$3,368
		3 Bdrm.	8	\$567	(\$80)	\$487	\$487	\$3,896	\$3,896
		4 Bdrm.	0				\$0		
		5 Bdrm.	0				\$0		
		19 Subtotal						\$8,311	\$8,311
60%	TCAC	Beds	0	\$0	\$0	\$0	\$0		
% of Restricted Units in this category 65%		0 Bdrm.	0				\$0		
		1 Bdrm.	8	\$819	(\$60)	\$759	\$759	\$6,072	\$6,072
		2 Bdrm.	14	\$982	(\$70)	\$912	\$912	\$12,768	\$12,768
		3 Bdrm.	13	\$1,135	(\$80)	\$1,055	\$1,055	\$13,715	\$13,715
		4 Bdrm.	0				\$0		
		5 Bdrm.	0				\$0		
		35 Subtotal						\$32,555	\$32,555
		Beds	0	\$0	\$0	\$0	\$0		
% of Restricted Units in this category 0%		0 Bdrm.	0				\$0		
		1 Bdrm.	0				\$0		
		2 Bdrm.	0				\$0		
		3 Bdrm.	0				\$0		
		4 Bdrm.	0				\$0		
		5 Bdrm.	0				\$0		
		0 Subtotal						\$0	\$0
		Beds	0	\$0	\$0	\$0	\$0		
% of Restricted Units in this category 0%		0 Bdrm.	0				\$0		
		1 Bdrm.	0				\$0		
		2 Bdrm.	0				\$0		
		3 Bdrm.	0				\$0		
		4 Bdrm.	0				\$0		
		5 Bdrm.	0				\$0		
		0 Subtotal						\$0	\$0