

RICHARD L. BENBOW
GENERAL MANAGER

COMMUNITY DEVELOPMENT
DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

CITY OF LOS ANGELES
CALIFORNIA



ANTONIO R. VILLARAIGOSA
MAYOR

INDUSTRIAL DEVELOPMENT
AUTHORITY

6TH FLOOR
1200 W. 7TH STREET
LOS ANGELES, CA 90017
(213) 744-7111
(213) 744-9382 FAX

June , 2007

Name
Company
Address
City, Zip

RE:

Dear Mr./Ms. _____:

Thank you for your interest in pursuing tax-exempt non-profit 501c3 Certificates of Participation (“COPs”) financing through the Industrial Development Authority (the “IDA”) of the City of Los Angeles (the “City”).

The IDA was formed in 1982 pursuant to State law by the Los Angeles City Council. It was established for the purpose of issuing industrial development bonds (IDBs), Empowerment Zone bonds (EZBs) and non-profit 501c3 certificates of participation (COPs) - both tax-exempt and taxable - in order to offer attractive incentives to companies to relocate to, remain and expand in the City, thereby creating and retaining jobs and preventing economic deterioration. The IDA is composed of seven appointed citizens, with administrative support provided through the City’s Community Development Department.

This has been a very successful program for the IDA and the City, as it has facilitated over \$3 billion in tax-exempt bonds and COPs. In turn, this has helped to create and retain almost 23,000 jobs. The types of companies financed included meat and poultry processors, aerospace and automotive parts manufacturers, commercial printer, wholesaler/distribution centers, parking structure and a variety of schools and hospitals. The IDA and the City have significant experience in issuing bonds and COPs, and have assembled a skilled team of professionals to ensure timely, accurate and cost effective handling. As one of the leading issuers in the State, the IDA looks forward to assisting you in pursuing this unique financing opportunity.

The IDA encourages you to submit your company’s (the “Borrower”) application for assistance in financing the expansion of your business operations (the “Project”).

Provided and on the condition that your non-profit board of directors has approved the reimbursement resolution, the following conditions would apply:

1. Subject to conditions set forth below, the City will, upon further request of the Borrower, sell at one time or from time to time, its COPs to pay for costs associated with the Project;
2. The City, at its sole discretion, will have received satisfactory information concerning the Borrower and the Project. As mentioned previously, the IDA/City has assembled a team of professionals that can successfully and cost effectively complete your transaction. A list of the IDA's team with a cost-of-issuance overview is attached (*Attachment I*). It is the policy of the City that Borrowers utilize the services of the designated finance team when issuing COPs;

However, if a substitution of a member of the team is requested, the Borrower is asked to submit a letter identifying the professional, their background and rationale for the substitution. This request must be addressed to the Manager, Industrial Development Authority for consideration;

3. The execution and delivery of this letter is not considered binding on any other agency of the City, the State or political subdivision of the City or State. Further, it should not be referred to in any required permission or authority to construct or operate the Project. Any such reference may be interpreted as misleading and a potential abuse of the City's procedures and process. Should this occur, the City maintains the right to terminate any proposed financing arrangement;
4. The Borrower will pay the IDA/City any application and processing fees as may be required by the IDA, City and the State, and enter into formal documents in form and substance satisfactory to the City relating to any proposed Project;
5. The Borrower and the City will agree to mutually acceptable and definitive terms for the sale and delivery of the COPs and mutually acceptable terms and conditions of a financing agreement from the City to the Borrower. The agreement will provide for payment by the Borrower of all amounts to pay the principal of, premium if any, and interest on the COPs and all costs of administering the COPs, such as bond trustee services, arbitrage calculations, etc. This would also include provisions to relieve the City from any and all costs, expenses, or liabilities from either the sale of the bonds or the construction and operation of the Project;
6. The Borrower agrees to execute and deliver the City's standard Hold Harmless and Indemnity Agreement. The Agreement must be written and returned to the IDA on the Borrower's letter head (*Attachment II*);
7. The City would have no obligation to proceed should any of the following occur:
 - a. Failure of any of the conditions stated herein;

- b. A banking moratorium having been declared by Federal or State of California authorities or changes in money markets, economic conditions or applicable laws or regulations concerning taxation of interest on the bonds making the financing of the Project impractical;
- c. Receipt by the City of an opinion from its bond counsel that the issuance of the bonds will adversely affect the credit of the City of Los Angeles, or the State, or have a materially adverse result upon the market for City or State bonds; or
- d. Adoption by the City of a Resolution declaring that it believes that the issuance and sale of such bonds or execution and delivery of a financing agreement is contrary to the public policies of the City or the State.

Also, please note adoption of the reimbursement resolution in no way allows for, or implies, compliance with Federal tax requirements. Final determination will be the responsibility of the Borrower who must work with bond counsel to determine eligibility for tax-exempt status. In preparation for this review, please complete and return the Wage and Fringe Benefits Questionnaire (*Attachment III*). Upon determination that the Project meets Federal tax requirements, the Borrower's qualified costs generally can be recovered from bond proceeds.

To further assist you with the financing process, please find a list outlining the steps required in approval of your transaction (*Attachment IV*); plus all pertinent support documents (*Attachments V – VII*).

Please signify your receipt of this letter by signing and returning it to the IDA.

May M. Smith, Manager
Industrial Development Authority
City of Los Angeles

Receipt Acknowledged

By: _____

Date: _____

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE
CITY OF LOS ANGELES**

INDUSTRIAL DEVELOPMENT BOND ISSUANCE FEES

<u>Transaction</u>	<u>Variable</u>	<u>Bond</u> <u>IDBs/EZBs</u>	<u>Counsels</u> <u>Non-Profits</u>	<u>Disclosure</u> <u>IDBs/EZBs</u>	<u>Counsel</u> <u>501c3s</u>
\$ 0 - \$ 3 million	1.85%	\$33,000.00	\$45,000	\$10,000	\$30,000
\$3.1 - \$ 5 million	1.85%	\$38,000.00	Fixed	Fixed	Fixed
\$5.1 - \$10 million	1.85%	\$48,000.00	Fixed	Fixed	Fixed
\$10 million +	1.85%	\$53,000.00	Fixed	Fixed	Fixed

ESTIMATED ANNUAL ANCILLARY FEES

Ancillary costs are determined by using a formula. The formula is made up of the following component parts and represented in the overall bond interest rate: (1) remarketing agent fee; (2) trustee fee, (3) rating agency fee; (4) miscellaneous administrative fee.

INDUSTRIAL DEVELOPMENT AUTHORITY BOND FINANCE TEAM

ISSUER

City of Los Angeles
c/o Industrial Development Authority
1200 W. 7th Street, 6th Floor
Los Angeles, CA 90017
May M. Smith
(213) 744-9360 / (213) 744-9382 (fax)

ISSUER'S COUNSEL

City of Los Angeles
City Attorney
200 N. Main Street, 9th Floor
Los Angeles, CA 90012
Colin Chiu
(213) 978-7770 / (213) 978-7711 (fax)

BORROWER

Name of Borrowing Entity
Name of Representative
Address
City, State, Zip Code
Phone Number

BORROWER'S COUNSEL

Name of Borrower's Counsel
Name of Representative
Address
City, State, Zip Code
Phone Number

UNDERWRITER

Name of Underwriter
Name of Representative

**BOND COUNSEL & DISCLOSURE
COUNSEL**

Name of Bond Counsel on City panel
Name of Representative

Address
City, State, Zip Code
Phone Number
Fax Number

Address
City, State, Zip Code
Phone Number
Fax Number

UNDERWRITER'S COUNSEL

Name of Underwriter's Counsel
Name of Representative
Address
City, State, Zip Code
Phone Number
Fax Number

TRUSTEE

Name of Trustee
Name of Representative
Address
City, State, Zip Code
Phone Number
Fax Number

LOC/PRIVATE PLACEMENT LENDER

Name of LOC/Lender Provider
Name of Representative
Address
City, State, Zip Code
Phone Number
Fax Number Fax Number

TRUSTEE'S COUNSEL

Name of Trustee's Counsel
Name of Representative
Address
City, State, Zip Code
Phone Number

LOC PROVIDER/LENDER'S COUNSEL

Name of LOC/Lender's Counsel
Name of Representative
Address
City, State, Zip Code
Phone Number
Fax Number

FINANCIAL ADVISOR

Name of Financial Advisor
Name of Representative
Address
City, State, Zip Code
Phone Number
Fax Number

ATTACHMENT II

City of Los Angeles
c/o Industrial Development Authority
Community Development Department
1200 West Seventh Street, 6th Floor,
Los Angeles, CA 90017

Ladies and Gentlemen:

_____ (the "Borrower") intends to submit an application to the City of Los Angeles ("City"), c/o Industrial Development Authority (the "IDA"), requesting the City to issue its 501c3 non-profit Certificates of Participation (the "COPs") to assist the Borrower in financing the:

1. Acquisition of the real property and improvements located at _____ Los Angeles, CA (the "Property"),
2. Improvement, rehabilitation and equipping of the Property, and
3. Payment of capitalized interest and certain costs of issuance in connection with the financing (collectively, the "Project").

The purpose of this letter is to set forth certain terms and conditions that the City requires before considering providing its assistance.

The Borrower understands that the City and/or the IDA may enter into one or more contracts with certain individuals and firms to assist the City in the sale and issuance of the COPs, including bond counsel, financial advisors, investment bankers, trustee and any other experts the City and/or the IDA may deem necessary (collectively, the "Finance Team").

By virtue of this letter, and in consideration of the foregoing, the Borrower hereby covenants and agrees as follows:

1. The Borrower agrees to pay all applicable costs involved in the issuance of the COPs, including, but not limited to, issuance fees and expenses of the City, the Finance Team, printing costs and fees of rating agencies, from the proceeds of the sale of the COPs or from other available sources. If the COPs are not issued for any reason, the School agrees to pay all fees and expenses involved with the COPs, including, but not limited to, those referred to above and a reasonable amount for the time and costs of the City Attorney and the Community Development Department.
2. The Borrower agrees to pay any and all costs incurred by the City in any legal or administrative action challenging the validity of any COPs issued or contemplated to

be issued as set forth herein or any action in which the issuance of any such COPs is challenged.

3. The Borrower understands that the City may, in its sole discretion, determine not to proceed with the issuance of the COPs for the Project. In contemplation of such understanding, the Borrower agrees to indemnify, defend and hold harmless the City, the IDA, the members of its Board of Directors, the officers and employees of the City, from any and all claims, demands, causes of action, and liabilities arising or alleged to arise out of the issuance of the COPs, the adoption of the resolution, or the determination in the sole discretion of either or both such entities not to proceed with the issuance of the COPs. This indemnity shall extend to any such claims which may be raised by the Borrower or by any other person or party whatsoever.
4. The Borrower understands that any money it pays to the City is at its own risk and that the decision to pay such money is at its sole discretion and represents an independent decision to proceed with the issuance of the COPs and that neither the IDA nor the City is responsible for the Borrower's decision in connection with the disposition of amounts paid to such parties.
5. None of the rights, liabilities, or obligations of the Borrower as described herein is assignable by the Borrower to any third party.

Sincerely,

[Borrower]

By:

Title:

Date:

EMPLOYEE WAGE AND FRINGE BENEFITS QUESTIONNAIRE

BACKGROUND ON THE LIVING WAGE ORDINANCE

On March 18, 1997, the Los Angeles City Council adopted the Living Wage Ordinance (“Ordinance”). Designed to combat widespread poverty among the City’s working poor, the Ordinance requires that all entities engaged in business transactions with the City comply with the Living Wage Ordinance and related Policy. This includes any organizations entering into a contractual agreement or those entities, both for-profit and non-profit, seeking direct financial assistance from the City. Compliance with the Policy occurs when an organization’s lowest paid personnel earn at least \$9.39 per hour with fringe benefits or \$10.64 per hour without fringe benefits. These hourly rates are determined by annual cost of living adjustments and are subject to change.

On May 11, 1999, the Los Angeles City Attorney determined that industrial development bonds and other conduit financing are not subject to the Living Wage Ordinance. This is because the financing under consideration is not direct financial assistance by the City. Instead, the City merely serves as the conduit issuer of the bonds in order that they may be exempt from Federal and State income taxes to those private investors who ultimately invest in the project.

However, in keeping with the *spirit* of the Living Wage Policy, the City strongly encourages those companies seeking industrial development, Federal Empowerment and non-profit bond financing and/or a subordinate loan to comply with the Ordinance.

As a result of these factors and because of the City’s sensitivity to fostering sustainable, career oriented employment, prospective borrowers are asked to provide the information required below. Should you have any questions, please contact the IDA’s staff representative at (213) 744-9348.

WAGES & STAFFING

Following is a table to be completed that reflects your current and future employee base identified by managerial, skilled, semi-skilled and unskilled positions. Under the column heading entitled “Hourly Wage Range”, please provide the range of wages associated with each particular employee group from the lowest-paid to the highest-paid workers. In addition, please provide the average hourly wage for each employee group, the current number of workers employed by your organization and the number estimated to be employed twelve and twenty-four months after bonds/COPs are issued.

Position	Hourly Wage Range	Average Hourly Wage	Current Employees	Employees 12 Mos. After Bond Issue	Employees 24 Mos. After Bond Issue
Managerial					
Skilled					
Semi-Skilled					
TOTAL					

FRINGE BENEFITS

Along with wages, the City's Living Wage Policy also identifies fringe benefits provided to workers as an important consideration. As mentioned previously, if employers are paying full-time workers a salary that is under \$10.64 per hour, a review of the fringe benefits paid is initiated. In determining conformity with this portion of the Ordinance, the City has identified \$1.25 per hour of benefits paid by the employer to employees and their dependants as a minimum threshold.

The exercise below is geared toward identifying the types of fringe benefits available to your current employees and presumably, those you intend to hire as a result of this financing. Please check off all benefits available. If you provide a benefit to your employees that is not identified below, please check "other" and briefly explain.

medical care ____ dental care ____ vision care ____ life insurance ____
 paid vacation ____ paid holidays ____ personal days ____ retirement plan ____
 cafeteria plan ____ disability insurance ____ maternity leave ____ sick leave ____
 other _____

The information provided above is true and accurate to the best of my knowledge.

Company Name

Name:

Title:

Date:

ATTACHMENT IV

INDUSTRIAL DEVELOPMENT AUTHORITY CITY OF LOS ANGELES

INDUSTRIAL DEVELOPMENT BOND PROGRAM PROCEDURES

1. Contact between Borrower and IDA staff from marketing efforts, referrals, etc.
2. Send out agreement letter with attachments (cost-of-issuance overview, hold harmless and indemnity agreement, living wage and fringe benefit analysis, bond project questionnaire, project sources and uses, miscellaneous documents request and bond program procedures)
3. Inform the finance team of the Borrower's interest. Notify the Mayor's Office.
4. Staff and financial advisor answer questions, finance team meets; discussions about eligibility of activities and tax issues. Prepare the necessary application packages; identify any environmental problems and mitigating measures.
- 5a. Borrower submits completed City and State applications on appropriate forms.
- 5b. Commitment from credit enhancement/private placement provider submitted.
- 5c. Submit a signed Hold Harmless Agreement letter on company stationery.
- 5d. Complete and submit the project sources and uses questionnaire.
6. Staff issues letter acknowledging receipt of application.
7. Staff forwards copy of letter to finance team.
8. Staff and finance team evaluate the application.
9. IDA schedules public meeting, considers and adopts an inducement resolution (IDB/EZB only).
10. TEFRA hearing is conducted.
11. Bond financing package, including offering/disclosure document, is submitted to the IDA.
12. Application submitted for Special Funds Loan from IDA, if applicable.
13. Staff evaluates loan application.

14. IDA schedules public meeting, considers and approves the bond financing package, including any offering/disclosure documents and loan request, if applicable.
15. City Council Committee considers and approves the bond financing and loan request, if applicable.
16. City Council considers and approves the bond financing and loan request, if applicable.
17. Mayor concurs with the bond financing and loan request, if applicable.
18. Transaction closing.
19. Post-closing assistance
 - Arbitrage calculations
 - Disclosure updates/audited financials
 - Annual report from trustee
 - Status of loan disbursements, loan payments

**INDUSTRIAL DEVELOPMENT AUTHORITY
CITY OF LOS ANGELES**

MISCELLANEOUS DOCUMENTS REQUEST

Listed below are additional items that will need to be returned in order to complete your application to the City (the "City").

1. 2004, 2005 and 2006 year-end; 2007 interim financial statements of the borrower.
2. Detailed list of current customers and percentage of concentration of top 3 customers
3. Copy of escrow/sales agreement for property you are considering purchasing.
4. Copy of appraisal for property to be purchased.
5. Copy of Phase I Environmental Assessment Report for property to be purchased.

ATTACHMENT VI

Please answer the following questions as thoroughly as possible. The questions below are part of the transmittal that will go before the City Council of the City of Los Angeles. Your answers should be returned to the IDA as soon as possible to ensure timely approval of your project's consideration. Should you have any questions, please contact IDA staff at (213) 744-9348.

A. Answer the following questions for the borrower and/or user of the facility, if different:

1. Official business name, address, telephone number, fax number, e-mail address and contact person:

Name
Address
Telephone, Fax
[E-mail](#)
2. Any "Doing Business As" names:
3. Address of borrower's headquarters, if different from address in "A" above
4. Other operating locations in California:

B. Complete the following questions regarding the borrower (the operating company and/or corporation):

1. Officers of corporation:
2. Major shareholders (10% or more):
3. Date and place of incorporation:
4. For publicly held corporations, stock exchange on which the company is listed. If traded over the counter or on NASDAQ, please indicate the market makers
5. Federal Tax Identification Number for the borrower, including IRS office where tax returns are filed:
6. Standard Industrial Code (SIC) Number or the North American Industry Classification System (NAICS) of the borrower and user of the facility (this can be obtained from the borrower's CPA):

7. Description of principal products and/or services:
8. Description of present physical facilities, including size and use of facility:
9. If the borrower or user is an owner, subsidiary or affiliated directly or indirectly with any other business or organization, indicate the relationship

C. Answer the following questions regarding the Project:

1. Project Name:
2. Project Street Address:
City: Los Angeles County: Los Angeles Zip:
4. Description of the current improvements on the project site, including age, current use and size. If project site is vacant, please state so:
4. Does the borrower currently own the project site: (YES or NO):
5. If the borrower does not own the site, attach a copy of the escrow agreement, lease agreement, options or other evidence the Borrower's plan to acquire the site. If the borrower owns the site, please attach ownership documents.

D. Proposed Project Description:

1. Description of project, including whether it constitutes a renovation or new construction, the number of square feet to be constructed/renovated, the type of equipment being purchased and any other pertinent information.
2. Estimated time of construction or renovation, including start date and completion date.
3. Principal products, uses and activities of project, including SIC or NAICS Code of activity to be financed.
4. Estimated useful life of buildings and/or equipment.
5. Brief narrative describing purpose of project, explaining business rationale and economic benefits to be achieved from the project.
6. Will construction of the project or completion of the project have any adverse environmental impact, including additional waste disposal? If "YES", please describe:

7. Please estimate types and costs of new public services or infrastructure improvements required by the project, including utility upgrades and street improvements, and provide estimates below:
8. Relocation: If financing is required for relocation of a facility within the State of California, please answer the following:
 - a. Relocation is due to the following:
 - b. Whether the borrower/user will retain its current employees at the new facility. If so, describe the steps the company will take to mitigate the effects of relocation on its current employees.
 - c. Whether the relocation is necessary to prevent the relocation of substantial operations of the company outside the State, or the abandonment of substantial operations of the company.

E. Legal status of Borrower:

1. Has the borrower filed for bankruptcy, defaulted on a loan or been foreclosed against in the past 10 years? If so, please explain.
2. Is the borrower currently a party to any civil litigation which may materially affect the financial condition of the borrower's business? If so, please explain.
3. Have there been any administrative or civil settlements or judgments against the borrower within the prior 10 years which materially affected the financial condition of the borrower's business? If so, please explain and state the amount.
4. Is the borrower currently subject to any civil proceeding or investigation by a licensing or accreditation agency or by a state or federal taxing authority? In the last 10 years, has the borrower been subject to any civil proceeding or investigation by a licensing or accreditation agency or by a state or federal taxing authority that resulted in a settlement, decision, or judgment? If yes to either question, please explain.
5. Is the borrower currently subject to any criminal litigation which may materially affect the financial condition of the borrower's business? If so, please explain.
6. Is the borrower currently subject to any criminal proceeding or investigation by a licensing or accreditation agency or by a state or federal taxing authority? In the last 10 years, has the borrower been subject to any criminal proceeding or investigation by a licensing or accreditation agency or by a state or federal taxing authority that resulted in a settlement, decision, or judgment? If yes to either question, please explain.
7. Have there been any criminal settlements, convictions, or judgments

against the borrower within the prior ten years which materially affected the financial condition of the borrower's business? If so, please explain and state the amount.

8. Within the last ten years, has the borrower been convicted of any felony? Within the last ten years, has the borrower been convicted of any misdemeanor related to the program to which the borrower is applying or any financial or fraud related crime (e.g. embezzlement)? If so, please explain.

ATTACHMENT VII

PROJECT SOURCES AND USES

Costs of the Project. State the total costs associated with the acquisition of the site and construction/rehabilitation of the proposed project, including any utilities and proposed machinery and equipment purchases. Separate the costs based on their financing sources. The first column should total the tax-exempt bond amount, the second column should show any taxable bond expenditures, while the third column should total the subordinate loan amount (used only if you require these funds to close a gap in your financing). The fourth column should total all other sources including equity. The sum of all four columns should equal the total project cost.

	Paid From Tax Exempt Bond Proceeds	Paid From Tax. Bond Proceeds	Paid From Sub. Loan	Paid From All Other Sources
Acquisition of Land ¹				
Acquisition of Existing Buildings				
Fees and Other Charges Related to Sale				
Rehabilitation of Existing Building(s)				
Site Preparation				
Construction of New Building(s)				
Utilities Connection				
Acquisition and Installation of Used Equipment				
Acquisition and Installation of New Equipment				
(a) Invoice				
(b) Installation				
(c) Other (please explain)				
Engineering/Architecture				
Legal, Permits, etc.				
Bond Issuance Expenses ² (including discount)				
Letter of Credit or Bond Insurance Fee				
Interest During Construction				
From June 1 to December 31				
Interest Income During Construction				
From _____ to _____				
Other (please explain)				
	Total T/E Bond Amount	Total Tax Bond Amount	Total Sub Loan Amount	Total Other Costs

1. Only 25% of tax-exempt bond proceeds may be applied to the acquisition of land. This cost includes the cost of demolition of any existing buildings.
2. Total of issuance expenses paid from tax-exempt bond proceeds cannot exceed 2% of face amount of bonds.

NOTE: Project costs may not include working capital, moving expenses, inventory or assumption, repayment or refinancing of existing indebtedness other than construction loans.