

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

BOND AMENDMENT STAFF REPORT

REQUEST

The John Thomas Dye School (Borrower) submitted a Request for Amendment on March 12, 2013 (see **Attachment 1**) in connection with the Master Loan Agreement dated July 1, 2009, by and between the I-Bank, the California Bank & Trust (Lender) and The John Thomas Dye School, as amended by the First Amendment to Master Loan Agreement, dated as of May 4, 2011 and by the Second Amendment to Master Loan Agreement, dated as of June 1, 2012, (collectively, Original Loan Agreement). The Borrower requests a third amendment to the Original Loan Agreement to amend certain provisions related to financial and reporting covenants.

BACKGROUND

On June 23, 2009, the I-Bank Board approved Resolution 09-23 authorizing the issuance of a tax exempt loan in an amount not to exceed \$14,500,000 on behalf of the Borrower. On July 1, 2009, the I-Bank entered into a loan agreement with California Bank & Trust authorizing a loan of up to \$14.5 million for The John Thomas Dye School, a California non-profit corporation operating an independent elementary school. The loan proceeds were used to finance the construction and development of a 15,000 square foot academic building, a parking structure and two 11,000 square foot administrative pavilions located at 11414, 11415 and 11364 Chalon Road in the city of Los Angeles California 90049 and to finance issuance costs (Project). The loan agreement provided the Borrower with the ability to make draws on the loan for a two year period beginning July 10, 2009 and ending July 10, 2011. On July 10, 2009, the Borrower made the first draw of \$10 million for the costs of the Project.

On April 21, 2011, the I-Bank Board approved Resolution 11-06 authorizing a first amendment to the loan agreement to: 1) allow the Borrower to draw undisbursed amounts under the loan agreement for approximately one additional year; 2) require the commencement of amortized loan principal and interest payments beginning July 10, 2011; and 3) authorize the Executive Director to execute a first amendment to the loan agreement consistent with the Board approval and to also include related changes to the Borrower's financial covenants.

In June 2012, I-Bank's Executive Director, pursuant to delegated authority under Resolution 11-24, approved a second amendment to the loan agreement to use remaining bond proceeds to refinance a portion of the initial draw outstanding in an amount up to \$4,500,000 and to add new interest rate modes to allow the Borrower to draw the remaining available loan proceeds at lower interest rates.

NEED FOR AMENDMENT

The Borrower and Lender have requested an amendment of a reporting covenant and the debt service coverage ratio and related definitions. This amendment is supplemental and amendatory to the Original Loan Agreement.

BOARD DELEGATION AUTHORIZATION

I-Bank Board Resolution 12-08 delegates to the Executive Director, in connection with any proposed amendment of bond (loan) related documents, the authority to execute and deliver all agreements, contracts, certificates, orders, appointments, notices, waivers, approvals, acknowledgements, consents, written directions, instruments and other documents necessary or convenient to effect such amendment provided that the I-Bank receives an opinion of counsel to the effect: (1) that the amendment is in accordance with the associated transaction documents; and (2) where proceeds were issued as tax-exempt, that the amendment will not adversely affect the tax-exempt status of interest on the bonds (loan).

LEGAL REVIEW

The I-Bank's General Counsel has reviewed the Borrower's request and the associated documents and has determined that they satisfy the applicable requirements of Resolution 12-08.

RECOMMENDATION

Staff recommends approval of a third amendment to the Original Loan Agreement for the purpose of amending certain provisions related to financial and reporting covenants.

ATTACHMENTS

Attachment 1 Amendment Request

Prepared by: Tara Dunn 4/5/13
Tara Dunn, Public Finance Specialist Date

Reviewed by: Joel Tokimitsu 4/5/13
Joel Tokimitsu, Bond Programs Manager Date
Comments:

Reviewed for Delegation: Marilyn Munoz 4/5/13
Marilyn Munoz, General Counsel Date
Comments:

- The amendment request falls within the authority delegated to the Executive Director. I-Bank Board consideration and approval is not required.
- The amendment request does not fall within the delegated authority of the I-Bank Executive Director, and Board consideration and approval of the request is required.

Approved by: Roma Cristia-Plant 4/4/13
Roma Cristia-Plant, Assistant Executive Director Date
Comments:

ATTACHMENT 1 – AMENDMENT REQUEST



REQUEST FOR AMENDMENT OR OTHER POST-BOND ISSUANCE ACTIONS

In order to consider post-issuance modifications, substitutions, redemptions or other actions related to I-Bank bond financings (a "Request"), I-Bank staff must have complete information regarding the nature of the request. Upon receipt of the information listed below, I-Bank Bond Unit staff will provide a single point of contact and prepare a list of issues, further questions or additional information needed so that the applicant can address them in an organized fashion.

The I-Bank Bond Unit staffer assigned to the Request will also contact the I-Bank Legal Unit for a determination as to whether the Request falls within the scope of authority delegated from the I-Bank Board to the Executive Director and his assignees (the "Delegation"). Please note that I-Bank staff reserves the right to elect to present any Request to the I-Bank Board for its approval regardless of the Delegation authority. Upon receipt of a Delegation determination from the I-Bank Legal Unit, the Bond Unit staffer will advise the applicant of the determination and the next steps in the process.

The Request for Amendment may be submitted via email.

1. Name/Title, Date, of Bond Issue

Master Loan Agreement, among California Bank & Trust, California Infrastructure and Economic Development Bank and The John Thomas Dye School, dated as of July 1, 2009. Issued on July 10, 2009

2. Description of why amendment(s), substitution(s) or other action(s) is/are needed/requested: (e.g., Issues relating to addition of credit support; substituting LOC provider, lender requirement to update financial covenants)

Amend certain provisions of the Master Loan Agreement related to financial and reporting covenants.

3. Proposed Timeline

The parties desire to close the amendment in March 2013.

4. Identify the section numbers and the names of the original transaction documents that govern or relate to the Request. Please provide copies (preferably in an electronic format) of such documents.

Sections 1.01, 7.05(f) and 7.15(b) of the Master Loan Agreement, attached.

5. Identify any bond documents to be amended (please provide draft documents to implement the Request as soon as possible)

	Indenture	
X	Loan Agreement	
	Remarketing Agreement	

Other: _____

6. Will this result in a reissuance for federal tax law purposes? If so, please provide a draft TEFRA notice, and, if required, a draft amendment to the Tax Agreement or No-Arbitrage Certificate (or similar tax document).

No.

7. Is Bond Counsel willing to provide an opinion to the effect that the Request is in accordance with the related transaction documents? If no, please explain.

Yes.

8. If the bonds associated with the Request were issued as tax-exempt bonds, is Bond Counsel willing to provide an opinion to the effect that the Request will not adversely affect the tax-exempt status of the bonds? If no, please explain.

Yes.

9. If the Request involves the substitution of a credit facility or a liquidity facility, will the applicant be able to provide written evidence, from the rating agencies specified in the transaction documents, to the effect that the Request will not result in a rating lower than the rating required by the transaction documents? If no, please explain.

Yes.

10. Distribution list with contact information:

Bond Counsel: Sam Balisy, Esq.
Kutak Rock LLP
601 S. Figueroa Street, Suite 4200
Los Angeles, CA 90017
T (213) 312-4009
F (213) 312-4001

Borrower: The John Thomas Dye School
11414 ~~Chalon~~ Road
Los Angeles, CA 90049
Attention: Raymond R. Michaud, Jr., Headmaster and Chief Financial Officer
T (310) 476-2811
F (310) 476-9176

Borrower's Counsel: N/A

Financial Advisor: N/A

Other: Lender:

California Bank & Trust
10 Corporate Pointe, Suite 110

Culver City, CA 90230
Attention: Lew Murez
T (310) 258-9339
F (310) 216-2098

Questions? Please contact Tara Dunn by email (Tara.Dunn@ibank.ca.gov) or call (916) 322-2571.