

## CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

### BOND AMENDMENT STAFF REPORT

#### REQUEST

Michael Lichstein, the sole shareholder of Starter and Alternator Exchange, Incorporated, (Borrower) submitted a Request for Post-Bond Issuance Action on April 1, 2013 (see **Attachment 1**) in connection with the California Infrastructure and Economic Development Bank Variable Rate Demand Industrial Development Revenue Bonds (Starter and Alternator Exchange, Incorporated Project) Series 1999 (1999 Bonds) to substitute the existing letters of credit with an alternate letter of credit provided by U.S. Bank National Association.

#### BACKGROUND

On July 27, 1999 the I-Bank Board approved Resolution Number 99-44 authorizing the issuance of tax-exempt industrial development bonds in an amount not to exceed \$5,000,000. Starter and Alternator Exchange, Inc., doing business as Startex, remanufactures parts for foreign and domestic vehicles.

The 1999 Bond proceeds were used to finance the acquisition and rehabilitation of an approximately 113,000 square foot manufacturing facility, the acquisition and installation of manufacturing equipment, capitalized interest and costs of issuance. At the time of the issuance, the 1999 Bonds were secured by an irrevocable, direct pay letter of credit issued by Pacific Century Bank with a confirming letter of credit simultaneously issued by the California State Teacher's Retirement System.

#### NEED FOR AMENDMENT

Pursuant to the Loan Agreement, the Borrower is required to maintain or cause to be maintained the existing letter of credit and the existing confirming letter of credit or to provide an alternate letter of credit with respect to the 1999 Bonds. The Borrower plans to substitute the existing letter of credit provided by U.S. Bank National Association (as successor-in-interest to Pacific Century Bank) and the existing confirming letter of credit provided by California State Teacher's Retirement System with an alternate letter of credit provided by U.S. Bank National Association.

#### BOARD DELEGATION AUTHORIZATION

I-Bank Board Resolution 12-08 delegates to the Executive Director, in connection with the substitution of a credit facility or liquidity facility associated with an I-Bank financing (Facility Substitution), the authority to execute and deliver all I-Bank Documents necessary or convenient to effect such Facility Substitution; provided that the I-Bank receives (1) an opinion of counsel to the effect that the Facility Substitution (i) is in accordance with the associated transaction documents; and (ii) where bonds were issued as tax-exempt bonds, the Facility Substitution will not adversely affect the tax-

exempt status of interest on such bonds; and (2) written evidence from the rating agencies specified in the transaction documents that the Facility Substitution will not result in a rating lower than the rating required by the transaction documents.

## **LEGAL REVIEW**

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

## **RECOMMENDATION**

Staff has determined that the alternate letter of credit substitution request is reasonable and should be approved by the Assistant Executive Director.

## **ATTACHMENT**

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*

*4/8/13*

Roma Cristia-Plant, Assistant Executive Director as  
Assignee of the 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 or Other Post-Bond Issuance Actions may be submitted via email.***

1. Date of Request: April 1, 2013
2. Name/Title, Date, of Bond Issue California Infrastructure and Economic Development Bank Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Starter and Alternator Exchange, Incorporated Project) September 17, 1999
3. 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): Substitution of an Alternate Letter of Credit to be provided by U.S. Bank National Association for the current letter of credit provided by U.S. Bank National Association (as successor-in-interest to Pacific Century Bank, N.A.) and the confirming letter of credit provided by California State Teachers' Retirement System.
4. Proposed Timeline April 10, 2013.
5. 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. Section 5.08 of the Loan Agreement.
6. Identify any bond documents to be amended (please provide draft documents to implement the Request as soon as possible)

Indenture	
Loan Agreement	
Remarketing Agreement	
Other:	Supplement to Official Statement, Supplemental Tax Certificate

7. 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.
8. 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.
9. 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
10. 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.
11. Distribution list with contact information: See Attached  
Bond Counsel: Kutak Rock LLP, 601 S Figueroa St, Suite 4200, LA, CA 90017  
Borrower: Michael Lichstein, 22817 Ventura Boulevard, Suite 318, Woodland Hills, CA 91364  
Borrower's Counsel: n/a  
Financial Advisor: n/a  
Other: n/a

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