

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

POST BOND ISSUANCE REQUEST STAFF REPORT

REQUEST

The American Youth Hostels, Inc. submitted a Request for Amendment (see **Attachment 1**) in connection with a California Infrastructure and Economic Development Bank tax-exempt 501(c)(3) loan issued by the I-Bank and privately placed with City National Bank on March 22, 2010 (2010 Loan) for the benefit of the American Youth Hostels, Inc. (AYH) and Los Angeles Council of American Youth Hostels, Inc. (LA Council). AYH and LA Council currently are co-borrowers (Borrowers) under a loan agreement (Loan Agreement) made in connection with the 2010 Loan. The Borrowers request an amendment to the Loan Agreement to permit a merger of AYH and LA Council into a single entity.

BACKGROUND

On February 23, 2010, the I-Bank Board approved Resolution 10-05 authorizing the issuance of the 2010 Loan in an aggregate amount not to exceed \$2,850,000 for the benefit of the Borrowers. The proceeds of the 2010 Loan were used to refund a note issued in 2000 (2000 Note) by the California Statewide Communities Development Authority and privately placed with Finova Public Finance, Inc. The proceeds of the 2000 Note were used to establish a debt service reserve fund and to acquire and install heating, air conditioning and ventilation systems at a facility owned and operated by the Borrowers located at 1432-1438 2nd Street, Santa Monica, California.

NEED FOR ACTION

AYH and LA Council have notified the I-Bank that the entities are merging, with AYH the surviving entity. An amendment to the Loan Agreement is required in order to permit the change in Borrowers, to identify AYH as the sole Borrower, and to amend certain Borrower-related reporting requirements and financial covenants.

BOARD DELEGATION AUTHORIZATION

I-Bank Board Resolution 12-08 delegates to the Executive Director, in connection with any proposed amendment of bond related documents (Amendment), the authority to execute and deliver all agreements, contracts, certificates, orders, appointments, notices, waivers, approvals, acknowledgements, consents, written directions, instruments and other documents (I-Bank 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 bonds were issued as tax-exempt bonds, that the Amendment will not adversely affect the tax-exempt status of interest on the bonds. The 2010 Loan, a tax-exempt loan, is the functional equivalent of an I-Bank tax-exempt bond.

LEGAL REVIEW

The I-Bank's General Counsel has reviewed the amendment request and the related documents, and has determined that the request complies with the applicable requirements of Resolution 12-08.

STAFF RECOMMENDATION

Staff recommends approval of an amendment to the Loan Agreement and related documents in connection with an amendment to the 2010 Loan to permit the merger of the Borrowers into one entity and to amend certain Borrower-related reporting and financial covenants.

ATTACHMENT

Attachment 1 Request for Amendment or Other Post-Bond Issuance Actions

Prepared by: Elizabeth Hess 5-1-13
Elizabeth Hess, Public Finance Officer Date

Reviewed by: Joel Tokimitsu 5-1-13
Joel Tokimitsu, Bond Unit Manager Date
Comments:

Reviewed by: Marilyn Munoz 5/1/13
Marilyn Munoz, General Counsel Date
Comments:

- The amendment request falls within the authority delegated to the Executive Director and his assignees. 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.

Reviewed by: R. Cristia-Plant 5/1/13
Roma Cristia-Plant, Assistant Executive Director as Date
Assignee of the Executive Director
Comments:

Attachment 1 – Request for Amendment or Other Post-Bond Issuance Actions



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 City National Bank, California Infrastructure and Economic Development Bank and American Youth Hostels, Inc. ("AYH") and Los Angeles Council of American Youth Hostels, Inc. ("LA Council", and jointly and severally with AYH, the "Borrower"), dated as of March 1, 2010. Issued on March 22, 2010

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)

AYH and LA Council, currently co-borrowers under the Loan Agreement, are merging into one entity, with AYH as the surviving entity. An amendment of the Loan Agreement is required in order to permit the change in corporate structure of the Borrower and adjust certain reporting and financial covenants due to the change in corporate structure.

3. Proposed Timeline

The parties desire to close the amendment in by April 30, 2013, the contemplated effective date of the merger.

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 1.01,4.11, 7.05, 7.08, 7.15, 8.01 and 8.03 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
 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.

N/A.

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: American Youth Hostels, Inc.
8401 Colesville Road, Suite 600
Silver Spring, Maryland 20910
Attention: Chief Financial Officer
Telephone: (301) 495-1240
Telecopier: (301) 495-6697

and

Los Angeles Council of American Youth Hostels, Inc.
1434 Second Street
Santa Monica, California 90401
Attention: Executive Director
Telephone: (310) 393-6991
Telecopier: (310) 393-1769

Borrower's Counsel: N/A

Financial Advisor: N/A

Other: Lender:

City National Bank
555 S. Flower Street, 12th Floor
Los Angeles, California 90071
Attention: Commercial Banking
Telephone: 213-673-9952
Telecopier: 213-673-8742

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