

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501 (c)(3) REVENUE BOND FINANCING**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Trustees of the J. David Gladstone Institutes, a Charitable Trust	Par Amount Requested:	Not to exceed \$170,000,000.00
Applicant Description:	Trustees of a charitable trust created under the will of J. David Gladstone, acting in their capacities as trustees thereunder, and not in their individual capacities. In such capacity, the trustees are collectively referred to as "Borrower" or "JDGI." JDGI operates a medical research organization in the Mission Bay area of San Francisco, CA, created to contribute to the health and welfare of all people through the advancement of medical research.		
Type of Financing:	Conduit Taxable Fixed Rate 2019 Bonds (the "2019 Bonds")		
Project Description:	The proceeds from the 2019 Bonds will be used to advance refund in whole IBank's Series 2011A tax-exempt conduit revenue bonds (the "Prior Bonds"). The Prior Bonds refunded bonds IBank issued on behalf of JDGI in 2001, a portion of the proceeds of which were used to finance the acquisition and installation of equipment and related improvements to a 60,000 square foot parcel of land located adjacent to the University of California, San Francisco's Mission Bay Campus, and an approximately 185,000 square foot building and associated facilities, improvements, equipment and furnishings for research and administrative purposes, all located in San Francisco, California (the "Facility"). The Prior Bonds were also used to finance the acquisition and installation of equipment and related improvements to the Facility. Additionally, proceeds of the 2019 Bonds will be used to improve the Facility, including acquiring and installing equipment (the "2019 Improvements"), provide for certain working capital; and pay certain costs of issuance of the 2019 Bonds.		
Project Site:	1650 Owens Street, San Francisco, CA 94158 (San Francisco County)		
Plan of Finance:	To (1) advance refund in whole IBank's Series 2011A Bonds; (2) finance the 2019 Improvements and to provide for certain working capital; and (3) pay certain costs of issuance (the "2019 Project").		
Type of Issue:	Public Offering		
Tax Status:	Taxable		
Term:	Not to exceed October 1 2059		
Credit Enhancement:	None		
Credit Rating:	Fitch Ratings: Expected no lower than A-; S&P Global Ratings: +BBB		
IBank Fees:	Application Fee \$4000; Issuance Fee \$100,000; Initial Annual Fee \$3,000 per year		
STO Fees:	Agent For Sale \$8,000		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Taxable Bonds Proceeds	\$170,000,000.00	Refunding Series 2011A Bonds	\$104,775,760.41
		2019 Project Fund	\$60,000,000.00
		Costs of Issuance	\$4,353,014.90
		Underwriter's Discount	\$871,224.69
TOTAL SOURCES	\$170,000,000.00	TOTAL USES	\$170,000,000.00
Financing Team:	Orrick, Herrington & Sutcliffe LLP		
Bond Counsel:	Bank of America Securities, Inc.		
Underwriter:	The Bank of New York Mellon Trust Company, N.A.		
Trustee:	State Treasurer's Office		
Agent-for-Sale:			

Public Benefits:	Refunding of the Prior Bonds is expected to result in approximately \$13.25 million present value savings, or 13.6% of the refunded par amount. JDGI will be able to use the savings to further the organization's mission and meet its research objectives to overcome unsolved diseases through biomedical research. Additionally, the new money portion of the 2019 Project will allow JDGI to acquire, install and equip JDGI's research facilities and provide working capital to fill vacant management positions for these facilities. The 2019 Project is expected to create approximately 45 construction jobs and about 45 full and part time employees.
-------------------------	--

Date of Board Meeting: October 23, 2019	Resolution Number: 19-18	Prepared by: Steven Wright on 9/13/2019
---	------------------------------------	---

Staff Recommendation: Staff recommends approval of Resolution No. 19-18 authorizing the issuance of Conduit Taxable Fixed Rate 2019 Bonds in an amount not to exceed \$170,000,000.00, for the benefit of JDGI.
--

BACKGROUND AND HISTORY

The J. David Gladstone Institutes was created by a charitable trust (the "Trust") in 1972 by the will (the "Will") of J. David Gladstone and an order of the Superior Court of Los Angeles County relating to such Will dated December 6, 1972. Andrew S. Garb, William S. Price III and Nicholas J. Simon are the trustees (the "Trustees") of the Trust and are responsible for carrying-out the charitable purpose of the Trust. The Trustees, acting in their respective capacities as the Trustees of the Trust (and not in their individual capacities) are hereinafter referred to collectively as "Borrower" or "JDGI". Mr. Gladstone, born in London, England, immigrated to the United States in 1938, and became active in the Southern California real estate market and rose to be one of the first developers of the regional enclosed malls in the United States. Due to his lifelong interest in medical research, he dedicated a considerable portion of his estate to medical education and research by the Will. JDGI has obtained 501(c)(3) status from the Internal Revenue Service and operates a medical research organization in the Mission Bay area of San Francisco, California. JDGI's mission is to contribute to the health and welfare of all people through the advancement of medical research. The Trust provides that JDGI operate for the purpose of providing research in blood and vascular diseases and other charitable, scientific, and educational programs as the Trustees see fit.

JDGI's principal investigators share available resources and provide critical research information among scientists and other research groups.

In addition to medical research, JDGI provides educational training to graduate and medical students, post-doctorate fellows, scientists, specialized training for physicians, and educational outreach to the public. JDGI focuses on a new era of discovery in disease-oriented science and to mentor tomorrow's leaders in an inspiring and diverse environment.

Over the years, JDGI has grown into four biomedical research institutes as follows:

The Gladstone Institute of Cardiovascular Disease ("GICD") - established in 1979, studies the causes of and treatments for coronary and congenital heart disease. GICD also focuses on Atherosclerosis, which is the process by which cholesterol accumulates on the arterial wall blocking the flow of blood through the coronary arteries.

The Gladstone Institute of Virology and Immunology ("GIVI") - established in 1992, GIVI conducts a research program that covers all aspects of virology and infectious diseases with a focus on Human Immunodeficiency Virus ("HIV") and the Acquired Immune Deficiency Syndrome ("AIDS").

The Gladstone Institute of Neurological Disease ("GIND") - established in 1998, centers around three areas of neurological diseases: Neurodegenerative Disorders, Cerebrovascular Disease, and HIV associated diseases. GIND's studies involve investigating the pathogenesis, prevention, and treatment of Alzheimer's, Huntington's and Parkinson's diseases, and other major neurodegenerative disorders.

The Gladstone Institute of Data Science and Biotechnology ("GIDB") - established in 2018, GIDB focuses on new and creative ways to analyze and interpret datasets to leverage the rapid advances in artificial intelligence. In addition, GIDB will be a home for development of new technologies in all areas of investigation at JDGI.

JDGI conducts its research activities with the San Francisco General Hospital and the University of California, San Francisco. As of June 30, 2019, JDGI employs approximately 490

employees, which consist of principle investigators, scientific research staff, and executive and administrative staff.

JDGI’s intellectual property includes one U.S. registered trademark, 89 U.S. patents, 36 pending U.S. patent applications, 13 pending Patent Corporation Treaty applications, and 75 pending foreign patent applications.

The California Secretary of State reports active status for Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

JDGI is seeking approval to issue Conduit Taxable Fixed Rate 2019 Bonds (“2019 Bonds”) in an amount not to exceed \$170,000,000. The proceeds from the sale of the 2019 Bonds will be used to (1) advance refund in whole the Series 2011A Bonds IBank issued for the benefit of JDGI , with a current outstanding principal amount of \$97,590,000 as of October 1st, 2019; (2) finance the costs of the acquisition and installation of equipment and certain improvements to the Facility (defined below) (the “2019 Improvements”) and to provide for certain working capital; and (3) pay certain Costs of Issuance of the Bonds (“2019 Project”).

Prior Project and Prior Bonds

IBank issued previously two series of bonds for the benefit of JDGI, one in 2001 (the “Series 2001 Bonds”) and one in 2011 (the “Series 2011 Bonds”). The Series 2001 Bonds were issued pursuant to IBank Board Resolution No. 01-29, adopted on August 28, 2001. The Series 2001 Bonds financed the acquisition and construction of JDGI’s facility located at 1650 Owens Street, San Francisco (the “Facility”).

The Series 2011 Bonds were issued pursuant to IBank Board Resolution No. 11-23, adopted on September 27, 2011. The Series 2011 Bond issuance included a tax-exempt series (the “Series 2011A Bonds”) and a taxable series (the “Series 2011B Bonds”). The 2019 Bonds will refund only the Series 2011A Bonds. Proceeds of the Series 2011A Bonds were used to refund a portion of the Series 2001 Bonds and to fund improvements to the Facility.

2019 Project

As discussed above, the 2019 Project will include a refunding component and new money component. Table I provides details on the Series 2011A Bonds and the outstanding balance of the Series 2011A Bonds that will be refunded as part of the 2019 Project.

Table I - Refunding Portion of the 2019 Project

Bond Series	Issuer	Issue Date	Par Amount	Outstanding Balance as of 10/1/2019	Maturity Date	Purpose
2011A	IBank	11/6/2011	\$104,780,000	\$97,590,000	10/1/2034	Refund IBank 2001 Bonds

Table II provides details on the use of the new money portion of the 2019 Project and related improvements.

Table II - New Money Portion of the 2019 Project

Project	Expected Start Date	Expected Completion Date	Estimated Project Cost	Note
Deferred Maintenance	2020	2023	\$12,000,000	Facility upgrades
Future Lab Space Improvements	2020	2025	\$15,000,000	Renovations
Scientific Equipment	2020	2025	\$7,000,000	Purchase equipment
Future Office Space Improvements	2020	2025	\$6,000,000	Renovations
Working Capital for Recruitment & Employment	2020	2025	\$20,000,000	Recruitment packages for GIVI Director and Principal Investigators
Total			\$60,000,000	

(See Appendix B--Project Photos).

FINANCING STRUCTURE

**IBank Term Sheet
JDGI
Board Meeting Date: October 23, 2019**

Par Amount:	Not to exceed \$170,000,000; in one or more taxable series
Type of Offering:	Public Offering or a limited offering to QIBs
Underwriter:	BofA Securities, Inc., and such other approved underwriters as the Borrower determines necessary
Credit Enhancement:	None
Interest*:	True interest cost not to exceed 5%.
Maximum Maturity:	Not to exceed October 1 2059.
Collateral:	Absolute and unconditional pledge of all Revenues consisting of repayment installments made by the Institutes pursuant to a Loan Agreement
Expected Closing Date*:	November 20, 2019
Conduit Transaction:	The 2019 Bonds are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the 2019 Revenue Bonds.

*Please note that Interest Rate and Closing Date are subject to change.

Financing Structure

The 2019 Bonds will be issued pursuant to and secured by an Indenture and sold to Bank of America Securities, Inc., as Underwriter.

IBank's Policies and Procedures for Conduit Revenue Bonds for Economic Development Projects (the "Policy") requires in Section I(C) that IBank publicly-offered bond issuances "will bear a long-term rating of at least an "A3" from Moody's Investors Service (Moody's), or and "A-" from Standard & Poor's (S&P) or Fitch Ratings, Inc. (Fitch)". The Policy does not specify whether this requires that all ratings for an issuance meet this standard or that at least one rating meets it and others could be below it.

JDGI has obtained a BBB+ rating from S&P Global Ratings and represents that it expects to receive a rating of A- or better from Fitch Ratings. If Fitch Ratings rates the Bonds as expected, JDGI's position is that it will have satisfied the Policy by obtaining one rating within the policy threshold and one below the policy threshold. A fair reading of the Policy supports JDGI's position. Accordingly, JDGI seeks a Board determination that its ultimate receipt of one rating of A- satisfies IBank's Policy requirements for issuing bonds in a public offering. Upon receiving such determination, JDGI will request that IBank issue the Bonds via a public offering. If JDGI does not receive the expected rating from Fitch Ratings, then JDGI will request that IBank issue the Bonds through a limited offering directly to investors that are qualified institutional buyers within the meaning of Securities Exchange Commission Rule 144A.

The 2019 Bonds, if sold through a public offering, will be issuable as fully registered Bonds in denominations of \$5,000 and any multiple of \$1,000 in excess thereof. The 2019 Bonds, if sold through a limited offering to QIB(s), will be issuable as fully registered Bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

The Policy was adopted by the IBank Board and is not part of the IBank Act or other State statute. Compliance with the Policy is therefore determined at the Board's discretion.

The interest rate range on the current outstanding Series 2011A Bonds is between 5.00% - 5.47%. It is expected that the 2019 Bonds will bear lower interest rates. The Series 2011A Bonds maturing on or after October 1, 2022 are subject to optional redemption on any date on or after October 1, 2021. Due to the redemption limitation, the Series 2011A Bonds will be advance refunded. A portion of the 2019 Bonds proceeds will be deposited into an irrevocable escrow fund with The Bank of New York Mellon Trust Company, N.A. as Escrow Agent. The deposited amounts will be invested in the escrow securities and bear interest at such rates to provide sufficient amounts to pay principal and interest, without premium, on the Series 2011A Bonds through their redemption period of October 1, 2021.

Limited Obligations of IBank

The 2019 Bonds are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the 2019 Bonds or subject to any personal liability or accountability by reason of the execution thereof. The 2019 Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

Refunding of the Series 2011A Bonds is expected to result in approximately \$13.25 million present value savings, or 13.6% of the refunded par amount. JDGI will be able to use the savings to further the organization's mission and meet its research objectives to overcome unsolved diseases through biomedical research. Additionally, the new money portion of the 2019 Project will allow the JDGI to acquire, install and equip the JDGI's research facilities and provide working capital to fill in vacant management positions for these facilities. The 2019 Project is expected to create approximately 45 construction jobs and about 45 full and part time employees.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	N/A
Publications:	No TEFRA Process is Required.
Date of TEFRA Hearing:	N/A
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution No. 19-18 authorizing the issuance of Conduit Taxable Fixed Rate 2019 Bonds in an amount not to exceed \$170,000,000.00, for the benefit of JDGI.

APPENDIX A: GOVERNANCE AND MANAGEMENT**TRUSTEES**

Andrew S. Garb	Trustee
William S. Price, III	Trustee
Nicholas J. Simon	Trustee

EXECUTIVE MANAGEMENT

Deepak Srivastava, MD	President
Robert Obana	Chief Operating Officer
Vincent E. Moseley	Chief Investment Officer
Michelle Sibly	Vice President for Finance
Mala Sahai	Senior Legal and Patent Counsel
Scott Pegg, PhD	Chief Information Officer and VP of Research Infrastructure
Susan Dzierson	Vice President of Human Resources
Robert Wicks	Vice President of Philanthropy
Megan Graziano McDevitt	Vice President of Communications
Stephen B. Freedman, PhD	Vice President for Corporate Liaison and Ventures

APPENDIX B: PROJECT PHOTOS



APPENDIX C: FINANCIAL STATEMENTS 2016 – 2018