

**CALORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)  
501(c)(3) REVENUE BOND FINANCING PROGRAM**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Guided Discoveries, Inc. (GDI or Borrower)	<b>Amount Requested:</b>	Not to exceed \$2,500,000
<b>Applicant Description:</b>	A California nonprofit, 501 (c)(3) educational operating organization since 1978, offering a variety of outdoor educational programs and summer camps in Santa Catalina Island, and Idyllwild, CA.		
<b>Type of Financing:</b>	New Money: Issuance of Variable Rate Demand Revenue Bonds		
<b>Project:</b>	The project (Project) consists of the acquisition, design, construction, restoration, equipping and installation of a new pier located at GDI's facilities at Camp Fox, Buttonshell Beach, Santa Catalina Island. In August 2014, giant waves from Category 5 Hurricane Marie completely destroyed the formerly established pier.		
<b>Project Site:</b>	Camp Fox at Fox Landing, Buttonshell Beach, Santa Catalina Island, CA		
<b>Plan of Finance:</b>	<p>IBank will issue up to \$2.5 million in variable rate demand revenue bonds with a 20 year maturity (the "Series 2015 Bonds"). Payment of interest and principal on the Bonds will be enhanced by an irrevocable direct-pay letter of credit issued by Comerica Bank. The proceeds of the Series 2015 Bonds will be used to (1) finance and refinance the acquisition, design, construction, restoration, equipping and installation of a new pier located at GDI's facilities at Camp Fox, Buttonshell Beach, Santa Catalina Island, California and other ancillary facilities, and related improvements and (2) to pay certain costs of issuance in connection with the consummation of the Transaction and other related costs.</p> <p><b>Type of Issue:</b> Public offering of Bonds with minimum denominations of \$100,000  <b>Tax Status:</b> Tax-exempt 501(c)(3) bonds  <b>Term:</b> 20 years  <b>Credit Enhancement:</b> Irrevocable Direct-Pay Letter of Credit  <b>Credit Rating:</b> Conditioned on Fitch Ratings assigning an A-F1 rating or better of Comerica Bank  <b>Fees:</b> App Fee \$1,500; Issuance Fee \$6,250 (STO \$3,000); Annual Fee \$500 per year</p>		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Par amount of the bonds	\$2,100,000	Capital Expenditures	\$2,100,000
Borrower Contribution	52,264	Costs of Issuance	142,289
Borrower Capital Expenditure	90,025		
<b>TOTAL SOURCES</b>	<b>\$2,242,289</b>	<b>TOTAL USES</b>	<b>\$2,242,289</b>
<b>Financing Team:</b>	<p><b>Bond Counsel:</b> Kutak Rock LLP  <b>Borrower's Counsel:</b> Lightfoot &amp; Northup Attorneys  <b>Financial Advisor:</b> Access to Capital LLC  <b>Underwriter:</b> Comerica Securities  <b>Letter of Credit Provider:</b> Comerica Bank  <b>Trustee:</b> Wells Fargo Bank, NA Corporate Trust  <b>Bank Counsel:</b> Sheppard Mullin</p>		
<b>Public Benefits:</b>	The Guided Discoveries programs provide hands-on science education in the marine, the earth and physical sciences. The programs help schools meet the California State Science Content Standards. The financing will provide low-cost funds for the construction of a new pier that will serve Camp Fox's estimated 62,000 children in 2015 without which the Camp Fox will be unable to serve any campers. Camp Fox employs 50 individuals in connection with Guided Discoveries programs.		
<b>Date of Board Meeting:</b> March 24, 2015	<b>Resolution Number:</b> 15-04	<b>Prepared by:</b> John Belmont	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution 15-04 authorizing the issuance of Tax-Exempt Bonds for an aggregate amount not to exceed \$2,500,000 for the benefit of Guided Discoveries, Inc.			

## BACKGROUND AND HISTORY

Founded in 1978, Guided Discoveries, Inc. (GDI) is a California, 501(c)(3) educational organization that operates fee-based residential youth camps to provide outdoor educational programs and summer camps.

The programs that have been developed and operated by Guided Discoveries include:

- Catalina Island Marine Institute (CIMI) at Toyon Bay, Cherry Cove and Fox Landing.
- Astrocamp, located at an elevation of 5,000 feet in Idyllwild, California, in the mountains above Palm Springs.

The Guided Discoveries' programs emphasize hands-on science activities for children. Through the use of "toys" and unique educational settings, the students or campers are connected to the experience. This connection leads to personal discoveries, which is the learning process. The programs also help California schools meet the state educational standards and provide students with programs that just cannot be duplicated in the traditional classroom.

GDI's current Board of Directors is listed in Appendix A.

## PROJECT DESCRIPTION

Guided Discoveries, Inc. requests the financing of the acquisition, construction and restoration of a pier located at its Camp Fox location.

The cost to build a new pier is \$2.1 million. The construction of the pier will commence once bond funds are available. Construction will take two to three months to complete.

The original Camp Fox Pier was supported by 71 piles and measured 257 feet long and 7 feet 8 inches wide, with a flair at the seaward end that measured 14 feet wide by 43 feet long. The original pier was 2,282 square feet.

The replacement pier will be the same length as the original pier, 257 feet, and 8.5 feet wide with a flair at the end measuring 24 feet wide and 24 feet long. The total square footage of the replacement pier will be 2,510 square feet which is the allowable 10% increase mandated by the California Coastal Commission. The replacement pier will be supported by 42 wrapped timber piles that will resist wave and seismic loading. The deck elevation will be raised 5 feet to provide increased clearance from large wave events.

A new aluminum ramp connecting the pier to the island will be installed with new access standards required by the Americans with Disabilities Act (ADA). The original float at the seaward end of the pier was not damaged in the storm and will be reused.

Summary of Permit Requests:

California Coastal Commission Permit Exemption

- Issued on December 12, 2014.

Los Angeles County Department of Public Works, Building and Safety Division

- Submitted and awaiting Summary Report from US Army Corps of Engineers

US Army Corps of Engineers Letter of Permission

- Pending, awaiting Summary Report

Regional Water Quality Control Board, Section 401 Water Quality Certification

- Pending

California State Lands Commission, Letter of No Objection

- Pending

Environmental Impact:

All of these federal and state agencies look into several areas including potential environmental issues. Don't believe there will be any issues.

(Project) (See Appendix B — Photos of Camp Fox)

## **FINANCING STRUCTURE**

GDI is requesting approval for the issuance of bonds (Bonds) in an amount not to exceed \$2,500,000. Payment of principal and interest on the Bonds will initially be enhanced by a letter of credit provided by Comerica Bank to be executed simultaneously with the issuance of the Bonds.

Staff recommendation is conditioned on Fitch Ratings (Fitch) assigning a rating of "A-/F1" or better to the Series 2015 Bonds (a long-term rating of "A-" and a short-term rating of "F1"). The long term rating reflects Fitch's assessment of the likelihood of repayment of the Series 2015 Bonds to maturity based on the letter of credit provider's credit rating.

Neither the faith and credit nor the taxing power of the State or any political subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, purchase price of, or interest on, the Series 2015 Bonds nor is the State of California, IBank or any political subdivision thereof in any manner obligated to make any appropriation for the payment thereof. The Series 2015 Bonds and the Indenture under which they will be issued will state that the principal of such Series 2015 Bonds, the premium, if any, and the interest thereon shall not be deemed to constitute a debt or liability of the State, IBank or any political subdivision or agency of the State, except to the extent they are limited obligations of IBank, as the issuer. The Series 2015 Bonds are special, limited obligations of IBank, and IBank shall under no circumstances be obligated to pay the Series 2015 Bonds, except from the revenues and other funds pledged therefor under the Indenture.

## **PUBLIC BENEFITS**

Guided Discoveries has served over 2,100,000 children since its inception. The program allows children to have a hands-on science education in the marine sciences including biology, oceanography, marine geology, island ecology and the earth and physical sciences including astrophysics, astronomy, physics, chemistry, engineering, astronaut training, rocketry, and general science that the traditional classroom cannot provide. The programs help schools meet the California State Science Content Standards. Guided Discoveries supports the educational and fundraising efforts of public schools and other

nonprofit organizations by donating scholarships. These scholarships are either given to a needy student or are used to help raise funds.

Guided Discoveries donated 61 scholarships from January 2014 to September 2014.

#### Camp Fox

In August 2014, giant waves from Category 5 Hurricane Marie hit Catalina Island. The waves completely destroyed the pier at Camp Fox. Camp Fox will be unable to serve the school children and any campers without the new pier because there is no practical land access to the location. In 2014, Camp Fox served 48,000 participants. It is estimated that Camp Fox will serve 62,000 children in 2015. Currently, the Guided Discoveries program employs sixty people at the camp from September through May. The YMCA operates the camp during the summer months and has a large staff. If the campers cannot reach the camp, over 120 jobs will be lost. The camp closure will also have an economic impact on the island. Staff members spend both time and money on Catalina during their free time. This will have a negative impact on businesses in Avalon. Also, Catalina Express which furnishes transportation to and from the camp will be negatively impacted due to the camp closure. The camp closure also affects the revenue for Guided Discoveries which will impact the programs that are offered.

The building of the new pier will create and save jobs for California workers. It will save programs for 12,000 to 13,000 school age children and thousands for YMCA campers.

Guided Discoveries' entrepreneurial spirit has developed many unique programs that have taught over 2,100,000 students since 1978. The program's focus on science education, critical thinking skills, environmental issues and personal development has had a lasting impact on many of these students.

One of the lasting legacies of Guided Discoveries is the faculty. Many young college graduates have developed hands-on teaching skills while at the programs. There are hundreds of Guided Discoveries faculty alumni teaching in schools throughout the west. Many former faculty members can also be found in major aquariums, national sanctuaries, science centers and museums throughout the country. The growth and development of Guided Discoveries is a direct result of the energy, enthusiasm and contributions of the faculty over the years.

## OTHER PROJECT DATA

<b>PERMITS AND APPROVAL</b>	
Required?	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Describe:</b>
<b>TEFRA</b>	
Date of TEFRA	March 23, 2015
Publications	<i>The Sacramento Bee</i> <i>The Catalina Islander Newspaper</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b>
<b>LEGAL QUESTIONNAIRE</b>	
Completed?	<input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/> <b>YES</b>
Issues?	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b>
<b>ELIGIBILITY REVIEW</b>	
Borrower meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>	<ol style="list-style-type: none"> <li>1. The Project is in the State of California.</li> <li>2. GDI is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan repayment obligations which secure the Bonds, as a result of GDI's ability to satisfy the requirements imposed by Comerica, as the provider of the initial letter of credit, which is the basis for the anticipated rating on the Bonds.</li> <li>3. Payments to be made by GDI to IBank under the proposed loan agreement are adequate to pay the current expenses of IBank in connection with the financing and to make all the scheduled payments on the bonds.</li> <li>4. The proposed financing is appropriate for the Project.</li> <li>5. GDI has represented that the Project is consistent with any existing local or regional comprehensive plans.</li> </ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed?	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

## RECOMMENDATION

Staff recommends approval of Resolution 15-04 authorizing the issuance of variable rate demand revenue bonds enhanced by the irrevocable direct-pay letter of credit from Comerica Bank for an aggregate amount not to exceed \$2,500,000 for the benefit of Guided Discoveries, Inc. to finance the acquisition, design, construction, restoration, equipping and installation of a new pier and to pay costs of issuance of the bonds.

## APPENDIX A – GOVERNANCE

<b>CORPORATE OFFICERS</b>	
Ross Turner	President
Kristi Turner	Secretary/Treasurer
<b>BOARD MEMBERS</b>	
Steve Garrett	Chairman of the Board Investment Advisor LPL Financial 2003 S. Myrtle Avenue Monrovia, CA 91016
Kristi Turner	Secretary/Treasurer CFO Guided Discoveries 232 W. Harrison Avenue Claremont, CA 91711
Ross Turner	Member-at-Large President Guided Discoveries 232 W. Harrison Avenue Claremont, CA 91711
Gerald C. Tambe	Member-at-Large Registered Representative LPL Financial LLC 2003 S. Myrtle Avenue Monrovia, CA 91016
Larry Jones M.D.	Member-at-Large Huntington Medical Research Institute 413 West Walnut Pasadena, CA 91103
Dr. Lee Goldstein	Member-at-Large Optometry Consultant 45493 South Fork Drive Three Rivers, CA 93271
Wayne Whitehill	Member-at-Large Retired Business CEO 1031 Don Alerado Drive Arcadia, CA 91006
Brian Garrett	Member-at-Large Financial Advisor LPL Financial 50 Esperanza Avenue, Unit F Sierra Madre, CA 91024
Stephanie Vetterli	Member-at-Large Veteran's Hospital Administration Salt Lake City, UT 84019

## APPENDIX B – PHOTOS OF CAMP FOX

Areal Vies Camp Fox located at Buttonshell Beach on Santa Catalina Island.



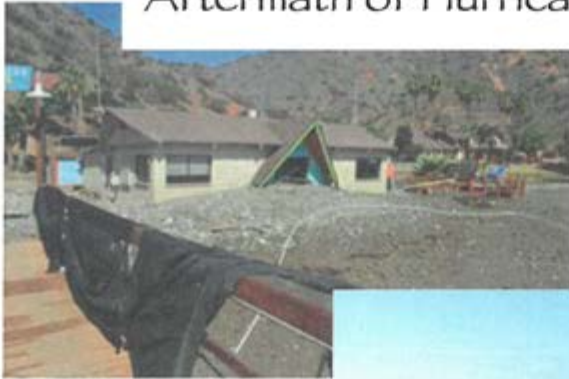
## Historic waves - Historic Challenges



*- Making a difference*



## Aftermath of Hurricane Marie



**- Making a difference**

