

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
INDUSTRIAL DEVELOPMENT REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Livingston-SGN, LLC (Borrower)	Amount Requested:	Not to exceed \$9,465,000
Applicant Description:	Livingston-SGN, LLC, is a California limited liability company formed in November 2010 as the lessor of nonresidential buildings and the owner of the real and personal property at the Project Site.	Date of Board Meeting:	December 16, 2014
		Resolution Number:	14-20
		Type of Bonds:	New Issue
Project Site:	28455 Livingston Avenue, Valencia, CA (Los Angeles County)(Project Site)	Prepared by: John Belmont	
Project Description:	The project, Canyon Plastics, Inc. Project (Project), consists of lowering the costs associated with owning and operating the plastic injection molding manufacturing facility located at the Project Site and financing the acquisition and installation of manufacturing equipment (Equipment) and a solar photovoltaic system (PV System). The Borrower owns and operates the 110,950 square foot manufacturing facility located in Valencia, an unincorporated area of Los Angeles County. The installation of the solar system will reduce the Borrower's operating costs and reduce its dependence on nonrenewable energy sources.		
Uses of Bond Proceeds:	Bond proceeds will be used to (1) refinance debt, (2) finance the acquisition and installation of the Equipment and the PV System, and (3) pay certain costs of issuance in connection with the issuance of the Bonds.		
Public Benefits:	An estimated 31 full time jobs are expected to be created at the Project Site within 2 years of Project completion and the installation of the PV System will reduce the Borrower's dependence on nonrenewable energy sources.		
Financing Structure:			
Type of Issue:	Variable rate bonds with a weekly reset in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.		
Tax Status:	Tax-Exempt and Taxable Variable Rate Demand Industrial Development Revenue Bonds (Bonds)		
Term:	25 years		
Security:	Direct-pay Letter of Credit issued by Bank of the West		
Credit Rating:	Expected to be rated "A/F1" by Fitch Ratings based on the financial strength of the letter of credit issuer.		
Est. Sources of Funds:		Est. Uses of Funds:	
Taxable Bonds	\$7,580,000	Refinance Mortgage Debt	\$7,535,000
Tax-Exempt Bonds	1,885,000	Acquisition and Installation of Equipment and PV System	1,850,000
		Costs of Issuance	80,000
TOTAL SOURCES	\$9,465,000	TOTAL USES	\$9,465,000
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Underwriter:	Gates Capital Corporation		
Trustee:	U.S. Bank National Association		
Financial Advisor:	Growth Capital Associates, Inc.		
Credit Enhancement:	Bank of the West		

Staff Recommendation:

Staff recommends approval of Resolution 14-20 authorizing the issuance of Tax-Exempt and Taxable Variable Rate Demand Industrial Development Revenue Bonds (Bonds) an in aggregate amount not to exceed \$9,465,000 for Livingston-SGN, LLC.

APPLICANT BACKGROUND AND HISTORY

Livingston-SGN, LLC (Borrower) is the owner of the real and personal property located at 28455 Livingston Avenue, Valencia, CA, County of Los Angeles (Property). The Property consists of an approximately 110,950 square foot building situated on 5.29 acres of land located at the Project Site. The Borrower leases the Property to Canyon Plastics, Inc. (Canyon Plastics).

Canyon Plastics is the operating company leasing the Property. Canyon Plastics has been providing quality blow-molded and injection-molded products to the aerospace, medical, pharmaceutical, agricultural, and food processing industries for the past 40 years. Canyon Plastics provides integrated production services from concept to completion, including design and blueprint preparation, prototyping, material selection, cost engineering, mold design and manufacturing, ultrasonic welding, screen and pad printing, and custom assembly and packaging.

Canyon Plastics uses a significant amount of recycled plastic material in the products it manufactures, with as much as 18% of the material in a product coming from plastic that has been diverted from post-residential or industrial waste streams. In 2013, Canyon Plastics used approximately 525 tons of recycled plastic that would have otherwise gone to landfills.

Karshan Gajera is 100% owner of Livingston-SGN and Canyon Plastics.

The California Secretary of State reports active status for both the Borrower and Canyon Plastics.

PROJECT DESCRIPTION

The Project consists of refinancing the Borrower's existing higher interest rate mortgage debt lowering the costs associated with owning and operating the plastic injection molding manufacturing facility located at the Project Site and financing the acquisition and installation of manufacturing equipment (Equipment) and a solar photovoltaic system (PV System). The Borrower owns and operates 110,950 square foot manufacturing facility located in Valencia, an unincorporated area of Los Angeles County. The installation of the solar system will reduce the Borrower's operating costs and reduce its dependence on nonrenewable energy sources.

The Borrower acquired the real property in December 15, 2010, with a U.S. Small Business Administration Guaranteed (SBA) loan in the amount of \$7.8 million from Bank of the West (BOW). The current principal balance of the BOW loan is \$5,236,000 and the prepayment penalty is \$217,000.

Examples of Borrower equipment are as follows:

Designing and Mold Making:

A fully equipped in-house mold shop which offers low tooling costs, a streamlined production process, and, thus, shorter lead times. State of the art equipment is backed

up by a team of craftsmen who are the finest in the field. Manufacturing of blow molds, injection molds, and die cast molds of all kinds.

Blow Molding:

Custom blow molding using state of the art equipment. Machines are monitored by computers to ensure consistent quality products and technicians ensure smooth transitions from prototyping to production by working on the design, sampling, and first article and into the mass production stage. A variety of unique machines allow for blow molding any custom shapes and manufacture need both small and large.

Injection Molding:

Custom plastic injection molding to produce a wide variety of products from high-tech parts with very tight tolerances to consumer products including over-molding and insert molding. A variety of machines that enable handling single cavity custom parts to high cavitation molds. Machines are constantly monitored using a centralized computer system to ensure specification.

Photographs of the Project Site are included herein as Attachment A.

FINANCING STRUCTURE

The Borrower requests the issuance of California Infrastructure and Economic Development Bank Tax-Exempt Variable Rate Demand Industrial Development Revenue Bonds (Canyon Plastics, Inc. Project), Series 2014A, in the approximate amount of \$1,885,000, and Taxable Variable Rate Demand Industrial Development Revenue Bonds (Canyon Plastics, Inc. Project), Series 2014B, in the approximate amount of \$7,580,000 (collectively, the Bonds, in an aggregate amount not to exceed \$9,465,000). The Bonds will be a limited, private placement, meaning that the offering will be made to no more than 35 persons.

Proceeds from the Taxable Bonds will be used to refinance the Borrower's existing mortgage debt and related costs, while proceeds from the Tax-Exempt Bonds will be used to fund the acquisition and installation of the new manufacturing equipment and solar panels and related costs.

Payment of principal and interest on the Bonds will be enhanced by a letter of credit from Bank of the West to be executed simultaneously with the issuance of the Bonds. The Bonds are expected to be rated A/F1 by Fitch Ratings based upon the letter of credit provider's credit rating.

In no event shall the Bonds constitute a pledge of the faith and credit of the State nor any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State, including the IBank, shall be liable to make any appropriation for the repayment of the Bonds. The Bonds constitute only a special, limited obligation of the IBank, payable solely from revenues and other funds pledged under the Indenture. Such revenues consist primarily of loan repayments made pursuant to the Loan Agreement by the Borrower.

Letter of Credit Summary:

On the date of issuance of the Series 2014 Bonds, BOW will issue in favor of the Trustee the Letter of Credit in the original principal amount of the Series 2014 Bonds plus an amount equal to 45 days of interest on all Outstanding Series 2014 Bonds calculated at the rate of 8% per annum, on the basis of a 365 day year (as such amount may from time-to-time be reduced and reinstated as provided in the Letter of Credit). The Letter of Credit will permit the Trustee to draw up to an amount equal to the then outstanding principal amount and up to 45 days of interest on the Series 2014 Bonds at a maximum rate of 8% per annum to pay the unpaid principal thereof and accrued interest on the Series 2014 Bonds.

The Letter of Credit, unless extended, shall expire on the earliest of: (i) December 17, 2021; (ii) the date the Trustee surrenders the Letter of Credit to BOW for cancellation; (iii) the date following payment by BOW under the Letter of Credit of the principal of and interest on all of the Series 2014 Bonds; or (iv) fifteen (15) calendar days following receipt by the Trustee of a direction from BOW to redeem the Series 2014 Bonds in accordance with Section 4.01(g) of the Indenture.

Bank of the West Financial Statements over the past three years are provided in Appendix B.

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
SCORING/PUBLIC BENEFITS**

The Project received private activity bond allocation from the California Industrial Development Financing Advisory Commission (CIDFAC) for the purposes of federal tax law. The Project received a scoring of 54 points based on the evaluation criteria of CIDFAC. CIDFAC confirmed to IBank Staff that there is no minimum score required. The point criteria are summarized below:

EVALUATION SCORING		
Point Criteria	Maximum Points Allowed	Points Scored
Community Economic Need		
1. Unemployment Rate of Project Area	10	0
2. Poverty Rate of Project Area	5	0
3. Special Designation Area	5	0
4. Median Family Income of Project Area	5	0
Job Creation Ratio	35	35
Job Retention	10	0
Average Hourly Wage	10	10
Workforce and Economic Development		
1. Welfare to Work Plan	5	0
2. Workforce Training	5	0
3. Exports Outside California	5	0
Health Care Benefits	15	5
Payment of Retirement Benefits	5	0
Environmental Stewardship		
1. Land Use	3	0
2. Public Transit Corridor	4	4
3. Energy Efficiency and Renewable Energy	15	0
4. Manufacturer of Certified Environmentally Preferable Products	5	0
Leveraging	5	0
Total Points	147	54

DESCRIPTION OF PUBLIC BENEFITS

Additional public benefits include the following:

- **Job Creation:**
The Borrower anticipates hiring 31 new full time employees (a 44% increase) within 2 years of Project completion. The current number of full time employees is 71.
- **Health Care Benefits:**
The Borrower contributes an average of \$140.53 per month per employee towards health care benefits.
- **Weighted Average Hourly Wage:**
The Borrower's wages are 127% of the median manufacturing wage.
- **Public Transit Corridor/Transportation System Management Plan:**
The Project site is located within ¼ mile of regular route stops for bus route number 502 operated by Santa Clarita Transit.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe:
TEFRA	
Date of TEFRA:	November 24, 2014
Publications:	<i>The Signal Newspaper</i> <i>The Sacramento Bee</i>
Any Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Legal Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	1. The Project is in the State of California. 2. Borrower is capable of meeting its obligation incurred under the proposed loan agreement, and, in particular as to the repayment obligations which secure the Bonds, based upon the direct-pay letter of credit from Bank of the West with a rating sufficient to obtain the anticipated rating on the Bonds. 3. Payments to be made by Borrower to the IBank under the proposed loan agreement are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments on the Bonds. 4. The proposed financing is appropriate for the Project. 5. The Borrower has represented that the Project is consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for IBank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES Certificate No.: C-14-0001 <input type="checkbox"/> N/A Date: August 26, 2014

RECOMMENDATION

Staff recommends approval of Resolution 14-20 authorizing the issuance of Tax-Exempt and Taxable Variable Rate Demand Industrial Development Revenue Bonds (Bonds) an in aggregate amount not to exceed \$9,465,000 for Livingston-SGN, LLC.

APPENDIX A – PROJECT PHOTOGRAPHS



