

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Project Angel Food (PAF or Borrower)	Amount Requested:	Not to exceed \$3,100,000
Applicant Description:	The Borrower is a 501(c) (3) nonprofit corporation established to operate food service to men, women and children affected by life-threatening illnesses by preparing and delivering free, nutritious meals throughout the 4,000 square miles of Los Angeles County.		
Type of Financing:	Tax-exempt obligations		
Project Site:	922 Vine Street, Los Angeles, CA 90038		
Plan of Finance:	If approved by the Board, IBank will issue up to \$3.1 million in fixed rate tax-exempt obligations that will be evidenced by a loan agreement between IBank, PAF and California United Bank (Tax-Exempt Obligations). The proceeds of the Tax-Exempt Obligations are expected to be used as follows: (1) refinance the cost of acquisition, construction, renovation and equipping of the real property and improvements located at 922 Vine Street, Los Angeles, California, including an approximately 17,400 square feet commercial building which contains administrative offices, a commercial kitchen and other ancillary facilities, and (2) pay certain costs of issuance in connection with the issuance of the Tax-Exempt Obligations.		
Type of Issue:	Bank Loan		
Tax Status:	Tax-Exempt		
Term:	25 years		
Credit Enhancement:	None		
Credit Rating:	Unrated		
Fees:	App Fee \$1,500; Issuance Fee \$7,750; Annual Fee \$500 per year		
Est. Sources of Funds:		Est. Uses of Funds:	
Tax-Exempt Obligation Proceeds	\$3,100,000	Refund Mortgage Loan	\$2,880,000
Funds by PAF	\$43,500	Costs of Issuance	\$105,000
		PAF Reimbursement	\$158,500
TOTAL SOURCES	\$3,143,500	TOTAL USES	\$3,143,500
Financing Team:	Bond Counsel:	Kutak Rock LLP	
	Borrower's Counsel:	Gipson, Hoffman & Pancione	
	Financial Advisor:	Growth Capital Associates, Inc.	
	Purchaser/Lender:	California United Bank	
Public Benefits:	PAF serves nutritious meals free of charge directly to client's homes. Clients are low income individuals and families that are often from minority and underserved communities, unable to work due to illness and treatment, and too weak and debilitated to shop or cook. Over the next 12 to 24 months PAF expects to add an estimated 1 to 3 employees to support expected increases in operating activities.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
September 23, 2014	14-13	John Belmont	
Staff Recommendation:	Staff recommends approval of Resolution 14-13 authorizing the issuance of Tax-Exempt Obligations in an amount not to exceed \$3,100,000 to be sold to California United Bank as a direct purchase transaction and loaning the proceeds of the sale of the Tax-Exempt Obligations to Project Angel Food.		

BACKGROUND AND HISTORY

Project Angel Food (PAF or Borrower) is one of the most effective grassroots nonprofit agencies in the nation. PAF's mission is to feed and nourish the sick as they battle critical illness. Volunteers and staff cook and deliver nutritious meals, free of charge, to homes to alleviate hunger, prevent malnutrition and return clients to health.

PAF began operations in 1989 as the Project Angel Food Program, an outreach program of the Los Angeles Center for Living, which helped people with life-threatening illnesses. Initially, lunches were served to drop-in clients but soon home-delivery began. In the early-1990s the needs of the community with HIV/AIDS dramatically increased demand for the organization's in-home meal services. In 1993 the Center of Living officially changed its name to Project Angel Food and a new kitchen facility opened in 1995. The years that followed PAF expanded its geographic reach to serve the new populations impacted by HIV/AIDS. The majority of clients served include people of color, women and children. In 2006 an approximate 18,000 square foot, two-story building at 922 Vine Street in the Hollywood area of the City of Los Angeles was acquired to house PAF's administrative headquarters, expanded kitchen and delivery operations. The facility opened in 2007 and PAF recently surpassed 9 million meals served. PAF expects to serve over 525,000 meals in 2014 and delivers more than 10,000 meals every week to people in need.

Current PAF leadership is listed in Appendix A.

FINANCING STRUCTURE

If the IBank Board grants its approval of the issuance of Tax-Exempt Obligations for an aggregate amount not to exceed \$3,100,000 for the benefit of PAF, IBank will enter into a loan agreement between IBank, PAF and California United Bank (Lender). IBank will loan the proceeds of the Tax-Exempt Obligations to the Lender and the proceeds will be lent to PAF by the Lender (Loan).

The proceeds from the Tax-Exempt Obligations are expected be used as follows:

\$2,880,000; Refinance an existing taxable mortgage loan that was provided by Wells Fargo Bank.

\$105,000; Transaction/Issuance Costs, including issuer, state, financing team, counsel for PAF, and/or bank costs and fees.

\$158,500; Reimburse PAF for previously incurred capital expenditures, including roof repair/replacement, and fund various future capital projects, including the acquisition of new information and telecommunications systems.

The Lender will be required by IBank to sign a sophisticated investor letter (Investor Letter) at closing certifying, among other things, that (i) it is a Qualified Institutional Buyer (QIB), within the meaning of Rule 144(A) of the Securities Act; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Loan and that it is able to bear the economic risks of such investment; and (iii) it will prohibit the subsequent sale, assignment or transfer of the Loan, except, in whole and not in part, to another QIB signing an Investor Letter.

In no event shall the Loan constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political

corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Tax-Exempt Obligations. The Tax-Exempt Obligations shall constitute a special limited obligation of the IBank payable solely from payments made by PAF under the Loan Agreement.

Financial Covenants Summary:

PAF agrees to maintain the following financial covenants during the term of the Loan:

- Minimum Borrower Debt Service Coverage of 1.25x.

PAF's financial statements for fiscal years 2011, 2012 and 2013 are attached as Appendix C.

PUBLIC BENEFITS

As one of the most effective grassroots nonprofit agencies in the nation, PAF cooks and delivers over 500,000 nutritious meals each year, free of charge, to the homes of men, women, and children affected by life-threatening illnesses. Vital food and nutrition services, including medically tailored meals and nutritional counseling, help underserved people throughout LA County who are too sick to shop or cook for themselves. Created in response to the HIV/AIDS epidemic, PAF expanded its mission in 2004 to help neighbors who are struggling with any life-threatening illness burdened by hunger and malnutrition.

A list of the public benefits include:

1. Serving Underserved Communities; it's estimated that 26% of PAF's clients live in South Los Angeles and, in total, over 85% live in communities with high rates of poverty and unemployment.
2. Serving Individuals/Families in Poverty; Over 75% of PAF's clients have incomes below the Federal poverty level.
3. Job Creation; Over the next 12 to 24 months PAF expects to add an estimated 1 to 3 employees to support expected increases in operating activities.

The following are ethnic statistics for 2013: 39% Latino; 30% African American; and 5% Asian/Pacific Islander/Native American.

PAF's dedicated corps of over 3,600 volunteers of all ages, generous donors and caring friends help save thousands of lives throughout Los Angeles County.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA	September 25, 2014 If public comments objecting to the Tax-Exempt Obligations are received during the TEFRA hearing, Staff will resubmit the request for the Tax-Exempt Obligations to the IBank Board for reconsideration.
Publications	<i>The Sacramento Bee</i> <i>Daily Journal</i>
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
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of 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. PAF is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by PAF 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. 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 14-13, authorizing the issuance of Tax Exempt Obligations, in an amount not to exceed \$3,100,000, for the benefit of PAF. The TEFRA hearing for the Tax-Exempt Obligations is set for September 25, 2014, after the IBank Board meeting. If public comments objecting to the Tax-Exempt Obligations are received during the TEFRA hearing, Staff will resubmit this request for the Tax-Exempt Obligations to the IBank Board for reconsideration in light of such public comments.

APPENDIX A – GOVERNANCE

PROJECT ANGEL FOOD BOARD OF DIRECTORS	
Chair : Mr. Robert Bauer	Food Industry Executive and Entrepreneur Los Angeles, CA
Vice Chair: Joseph Mannis, Esq.	Founding Partner, Hersh, Mannis & Bogen Beverly Hills, CA
Secretary: Mr. Peter Helenek	Vice President, Global Girls Brands, Packaging Mattel Toy Corp. El Segundo, CA
Treasurer: Ms. Shannon Millard	CEO, Roxbury Solutions Los Angeles, CA
MEMBERS	
Ms. Liza Bernstein	Past Project Angel Food client Los Angeles, CA
Mr. Andre Dawson	Fleet Manager Mercedes Benz of Beverly Hills Beverly Hills, CA
Mr. Mark Margolis	Senior Manager, Public Relations Warner Bros. Interactive Entertainment Los Angeles, CA
Ms. Ardis Moe, MD	Infectious Disease Specialist Ronald Reagan UCLA Medical Center Santa Monica, CA
Ms. Faye Moseley	Deputy Executive Director Administration Access Services El Monte, CA
Ms. Pauley Perrette	Actress Los Angeles, CA
Mr. Bobby Ralston	Vice President of Finance Target Media Partners Los Angeles, CA
Ms. Diana Rodriguez	Senior Vice President, Communications Western Region Wells Fargo Bank Los Angeles, CA
Mr. Dan Sherlock	President Cinedigm Software Los Angeles, CA
Ms. Jonna Smith	Producer Los Angeles, CA

APPENDIX B – Site Visit Photos



