I. Call to Order

Joseph F. Montes, Chair of the Industrial Development Authority (IDA), called the meeting to order at 9:10 a.m.

Board members in attendance:
Joseph F. Montes
James E. Zaferis
Nina Walton
Beatrice C. Hsu
Lula B. Ballton
Christopher D. Lee

Sign-in attendance:
Colin Chiu, City Attorney
Cliff Weiss, CDD
May M. Smith, CDD
Melissa Soo Hoo, CDD
Antonio Zepeda, CDD
Sam Balisy, Kutak Rock
Lisa Smith, Gardner Underwood & Bacon
Bruce Dobb, Asian Pacific Revolving Loan Fund
Reynold Blight, Reyn Blight & Associates
Norma Williams, Williams & Associates
Ron Warenkiewicz, Green Farms, Inc.
André D. Tate, Massai A.G.E.S. Entertainment

II. Welcome - Introductions

Introductions were made and Chair Montes welcomed everyone to the meeting.

VI. New Business (Out of Order)

A. Discussion and Consideration of a Second Amended Reimbursement Resolution #09-05 for Green Farms, Inc.

Bond Counsel, Sam Balisy, presented a brief overview and recommended that amended Resolution #09-05 be approved for the addition of a one-month interest rate mode and an additional standby letter of credit from the Federal Home Loan Bank of San Francisco as additional security for the borrower’s bonds.

The bonds for Green Farms are currently on a weekly variable rate basis. Due to the bond market dynamics, the borrower has been paying a variable rate between 5% and 6%; whereas, similar transactions currently pay 0.5% to 0.8%. The amended resolution will reduce the rate disparity and instill confidence to investors to purchase these bonds, as they will be guaranteed by the Federal Home Loan Bank of San Francisco, which is rated “AAA”.

Staff related to the Board the public benefit aspect of the transaction. The borrower’s employee base has seen a net gain of 84 jobs. The majority of the jobs created are concentrated in the skilled and semi-skilled categories. The most marked improvement was experienced in the management class which doubled and whose average salary increased nearly 50%. The borrower reports that 42% of
the workforce is composed of Empowerment Zone residents, which exceeds the Federal requirement of 35%.

MOTION: To approve amended Resolution #09-05 for the benefit of McGarry Street, LLC, Green Farms, Inc. (dba worldwide Produce)
Moved by: Christopher D. Lee; 2nd Beatrice C. Hsu
Roll Call: AYES: 6; NOES: 0; ABSENT: 1; ABSTAIN: 0; Motion Passed

III. Approval of the February Meeting Minutes

Meeting minutes for February 12, 2009 were reviewed. No corrections or additions were noted.

MOTION: To approve and adopt the February 12 meeting minutes.
Moved by: Christopher D. Lee; 2nd James E. Zaferis
Roll Call: AYES: 6; NOES: 0; ABSENT: 1; ABSTAIN: 0; Motion Passed

IV. Financial Reports for February

Staff reported on the final February Fund 816 and Sub-loan reports. Expenditures from the operational budget and program income were detailed.

Payments on the McGarry Street and Calko Steel sub loans continue to be made as agreed and are current through March 1st.

MOTION: To approve and file the February financial reports.
Moved by: Christopher D. Lee; 2nd James E. Zaferis
Roll Call: AYES: 6; NOES: 0; ABSENT: 1; ABSTAIN: 0; Motion Passed

V. Unfinished Business

A. Marketing Update

Staff presented key IDA website statistics for February. The IDA website experienced an 11% decrease in total pageviews from the previous month. The decrease is reflective of the current market and economic conditions.

IDA staff recapped meetings attended and upcoming conference events. Commissioner Hsu is scheduled to attend the Urban Land Institute (ULI) Urban Marketplace conference on Wednesday, March 18. IDA staff has been invited to attend Assemblymember Curren D. Price’s Economic Recovery and Jobs Summit forum on Friday, March 20.

Commissioner Zaferis debriefed the Board on his meeting with Oliver Unaka of Elite Public Relations Firm. It was conveyed to the firm that the IDA is pleased and appreciative of the invaluable work that it has performed. Further, the Board wishes
to continue its business relationship with the firm; however, it was understood that current economic conditions, market uncertainties, and various budget considerations preclude a paid extension to the firm’s contract. The Board will hold discussions for action on this matter on a future date.

Key meetings and other activities as outlined on the report were highlighted.

B. Project Status

PrintRunner, Inc.: $2 million IDB referral from CSCDA for a web-based printing order company. The borrower would like to pursue an equipment-only IDB for printing and cutting equipment. They have secured a private placement commitment pending a bridge loan to comply with the supplier’s terms. The borrower has not been responsive to staff’s inquiries to proceed with an IDA reimbursement resolution. Staff will continue to monitor progress on this transaction.

American Apparel, Inc.: The Board previously approved a $2.7 million resolution for the borrower in September ’03. They wish to amend the original resolution to $3.4 million for the acquisition of new equipment at their 747 Warehouse Street location. Staff will proceed with a resolution subject to the borrower’s acceptance of Nollenberger Capital’s private placement term sheet and their request to appear before the Board.

Artimex, LLC: $2 million EZB. Mexican sweet bread manufacturer wishes to consolidate the company’s Santa Fe Springs bakery and Norwalk headquarters into South Los Angeles. The transaction is currently in a holding pattern and will come before the Board as soon as site negotiations are complete.

Divine Pasta Company: $6 million IDB for a frozen ready meals manufacturer. The borrower has decided to expand into the City while retaining their existing leased production/storage operation in Burbank. The project is currently on hold pending Bank of America’s credit commitment, whereupon the bond allocation application will be submitted to CIDFAC.

VI. New Business (Out of Order)


Bond Counsel, Sam Balisy, presented an overview of bond provisions contained in the American Recovery and Reinvestment Tax Act of 2009 (the “Act”). Major topics covered included changes to municipal bond activities, revised terms for industrial development bonds, and an explanation of Recovery Zone bonds.

In an effort to stimulate economic development the Act has expanded the definition of manufacturing and allows the financing of ancillary facilities that make up a
larger portion than actual core manufacturing activities. Manufacturing will now include intangible property such as R&D that results in patents, proprietary processes, and trademark and software development. Warehouse, office, and storage facilities can be financed, so long as they are located on the premises where core manufacturing is being conducted. Industrial development bonds are still constrained by the $10 million issuance cap and $20 million capital expenditure limitation.

The Act also creates a new class of tax-exempt bonds known as Recovery Zone bonds. The bonds will be issued to businesses in Recovery Zones, which are areas in the City designated as generally distressed or where a Federal Empowerment Zone (FEZ) or Renewal Community (RC) is in effect. Recovery Zone bonds carry less restrictive requirements, e.g. the Empowerment Zone bond 35% FEZ resident hire requirement, and are geared toward any business with the exception of residential/rental, golf courses, country clubs, massage parlors, hot tub facilities, suntan facilities, racetracks or other facilities used for gambling.

In light of the Act’s changes to municipal bond activities and the 2010 sunset date, Chair Montes directed the Marketing Committee to convene and discuss options for immediate action on the IDA’s marketing and advertising strategy. Commissioner Hsu recommended that the IDA take a strategic approach on marketing rather than make a general effort, as specific industry sectors must be identified that make the most sense for targeted outreach. Commissioner Zaferis stated that the IDA should request involvement and support from the Mayor’s Office by having them contact the heads of banks to explain the changes to the bond programs, as banks provide the required credit commitments. Staff was concerned about a large marketing campaign as present market conditions have caused banks to cease extending credit, thereby, impeding the IDA’s ability to perform. Ms. Smith of Gardner, Underwood, & Bacon, stated that lending has become more difficult and expensive for pristine borrowers, but that the IDA’s typical small bond issues will help lessen a bank’s reluctance in proving credit. Staff was directed to post information on the Act as it relates to the City’s bond program on the IDA website and work with Mr. Dobb on an article/advertisement to be placed in a business journal of general circulation.

Commissioner Lee requested to the Board to establish an angel investor equity pool of $5 million to $10 million. The Los Angeles Angel Fund would serve to provide a 10%-20% equity infusion to bond projects utilizing the Act to lessen risks perceived by banks in extending credit and financing eligible projects. Since the IDA is presently working on outreach to CEOs of local banks, Commissioner Lee stated that this effort would address the current credit crunch by targeting high net-worth venture capitalist that may be willing to fund bond prospects.
V. **Unfinished Business** (Continued)

C. **Legislative Committee Report**

Due to timing constraints this item was not presented to the Board.

D. **CDD update on Pending Committee Transmittals**

There are currently no pending transmittals for City Council approval.

VII. **Next Meeting**

The next regular IDA Board meeting is scheduled for Wednesday, April 8, 2009.

VII. **Public Comments**

Chair Montes informed the assembly that the Meet the Money Conference, hosted by Jeffer, Mangels, Butler & Marmaro LLP Law Firm (JMBM), will require a participation fee, which JMBM and Union Bank intend to underwrite. Colin Chiu, City Attorney, stated that the fee must be disclosed in the Statement of Economic Interest and that it may violate the conflict of interest code.

Chair Montes also directed staff to move the Blossom Plaza project and the Alameda North Parking project to the inactive section as the developers will be filing for Chapter 11 bankruptcy protection.

VIII. **Adjournment**

Meeting was adjourned at 10:40 a.m.