

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION  
INDUSTRIAL DEVELOPMENT BONDS**

**Meeting Date: March 20, 2007**

***Request for Initial and Final Resolution and Tax-Exempt Bond Allocation Approval***

Prepared by: *Janet Haynes*

<b>Issuer:</b> California Municipal Finance Authority	<b>Amount Requested:</b> \$7,500,000 (TE)
<b>Borrower:</b> Edelbrock Permanent Mold, LLC and/or its affiliates	<b>Application No.:</b> 07-0004
<b>User:</b> Edelbrock Permanent Mold, LLC and/or its affiliates	<b>IR &amp; FR No.:</b> 07-0004
<b>Location:</b> City of San Jacinto, Riverside County	

**Borrower/User/Background:**

Edelbrock Permanent Mold, LLC, (the “Company”) was incorporated on September 1, 2006 in California. The Company is a specialty performance automotive and motorcycle aftermarket parts manufacturer. The Company currently operates a high-tech green sand aluminum foundry that casts cylinder heads, manifolds, water pumps and throttle bodies as well as an array of third party parts in the City of San Jacinto, California. After the first part of the manufacturing process is completed by the Company, the product is further refined to completion by Edelbrock Corporation, which also packages, markets and distributes the final product.

Edelbrock Permanent Mold, LLC and or its affiliates will be the Borrower of the bond funds and the User of the Project.

**Project Information:** The Company is expanding its production lines and, consequently, its overall capacity in order to better compete with overseas competitors that offer similar products. The products will be manufactured using an aluminum permanent mold and heat treatment foundry process. Bond proceeds will be used to develop and construct a new facility capable of producing the expanded and enhanced product lines. Proceeds also will be used to acquire and install processing equipment at the new facility. The new facility will be constructed adjacent to the sand cast foundry located in the City of San Jacinto on land previously purchased by the Company.

**Anticipated Timeline:** Project construction and equipment acquisition and installation will be completed by July 2007.

**Prior Actions and Financings:** The Borrower issued bonds in 1990 for its sand cast foundry. Bonds were fully paid on or before the June 1, 1998, the bond maturity date.

**Statutory Criteria:** 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. The points noted below have been awarded based on evaluation consistent CDLAC guidelines.

1) **PUBLIC BENEFITS:** The CIDFAC staff assigned a total of 23 verifiable points to the Project, which are detailed as follows:

**Community Economic Need (5 points):**

**Unemployment Rate (5 points):** The unemployment rate for the Project area is 7.4%, while the statewide average unemployment rate in California is 4.8%. Therefore, the unemployment rate for the Project area is 154% of the statewide rate.

Although the Company did not meet the minimum point threshold for job creation, the Company represents it currently employs 182 individuals at its current San Jacinto facility. The Company anticipates hiring, for the new facility, not less than an additional 25 employees within two years of Project completion.

**Welfare-to-Work Program (5 points):** The Company provided a letter from State of California, Employment Development Department, which verifies its participation in the CA WOTC, a welfare-to-work program (Attachment A).

**Health Care Benefits (3 points):** The Company provided documentation that it contributes to the medical insurance for its sand cast foundry employees. The Company represents it will offer the same medical benefits plan to the additional 25 employees to be hired. The contribution translates into an average of \$246 per month toward the health care benefits for each employee.

**Land Use/Energy Efficiency (10 points):** The project is located within ¼ mile of the Riverside Transit Line pick-up and drop off site which services cities throughout Riverside County.

The Company provided a letter from Southern California Edison verifying the installation of energy saving equipment which will result in an energy savings of at least 15% over generally accepted efficiency standards for similar equipment and mandates set by the State of California. (Attachment B). Additionally, the Company is pursuing confirmation from Southern California Gas that other energy efficiencies will be realized by the Project. At present date, Southern California Gas had provided verbal confirmation of the energy savings to the Company but it is unable to generate hard-copy documentation thereof.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will not be relocating. The Company is maintaining its facility in the City of San Jacinto and will construct the new facility adjacent to its existing facility.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financing structure, and based upon the application and other materials submitted to the Commission for the proposed Project, staff believe that the Bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just and equitable to a purchaser of the Bonds; and, (c) will not work a fraud upon the Bond purchasers. Final determination of qualification of the Bonds will be subject to review of final bond documents prior to the issuance of bonds.

**Status of Permit/Other Required Approvals:**

- California Municipal Finance Authority (CMFA) passed and adopted a resolution approving the financing of the Project on June 16, 2006.
- A TEFRA hearing was held by the City of San Jacinto on July 6, 2006, and no comments were received in support or in opposition of the Project.
- The Company provided verification from the City of San Jacinto that the Project meets local land use and zoning requirements and that all construction permits are in place.

**Financing Details:** The Project will be funded with tax-exempt Industrial Development Bonds (IDB's) and issued with a Direct Pay Letter of Credit from Bank of America, N.A. The bonds will be repayable over a term not to exceed 25 years. Specifically, the equipment portion of the

financing will be amortized over seven years while the real estate portion may be amortized for up to twenty-five years.

**Financing Team:**

**Issuer:** California Municipal Finance Authority  
**Underwriter:** Banc of America Securities LLC  
**Bond Counsel:** Law Offices of Ronald E. Lee, Esq.

**Legal Questionnaire:** The staff has reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

**Recommendation:** Staff recommends the approval of Initial and Final Resolution No. 07-0004 for an amount not to exceed \$7,500,000 in tax exempt bonds for Edelbrock Permanent Mold, LLC and/or its affiliates, subject to staff analysis and approval of final bond documents, including receipt of bond counsel opinion and CDLAC allocation approval as set forth in Initial and Final Resolution No. 07-0004.

**Borrower/User: EDELBROCK  
PERMANENT MOLD, LLC AND/OR  
ITS AFFILIATES**

**Total Bond Amount: \$7,500,000 (TE)**  
California Municipal Finance Authority  
City of San Jacinto (Riverside County)  
Application No. 07-0004  
March 20, 2007

**STAFF SUMMARY –CIDFAC**

**Prepared by:** *Janet Haynes*

**ISSUE:**

On behalf of Edelbrock Permanent Mold, LLC and/or its affiliates (the “Borrower”) and Edelbrock Permanent Mold, LLC and/or its affiliates, (the “User”), the California Municipal Finance Authority (“CMFA” or “Issuer”) requests approval of the Initial and Final Resolution No. 07-0004 for an amount up to \$7,500,000 in tax-exempt bonds. Bond proceeds will be used to develop and construct an aluminum permanent mold and heat treatment foundry facility and to acquire and install processing equipment.

**CDLAC.** CDLAC allocation will be requested at March 21, 2007 meeting.

**TEFRA.** A TEFRA hearing was held by the City of San Jacinto on July 6, 2006, and no verbal comments were received in support of or in opposition of the Project. .

**BORROWER/USER:**

**Borrower/User:** Edelbrock Permanent Mold, LLC, (the “Company”), was incorporated on September 1, 2006 in California. The major shareholder is Edelbrock Holdings, which will be the managing member. The Company and/or its affiliates will be the “Borrower” of the bond funds and the “User” of the Project.

**Legal Questionnaire.** The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Type of Business/Background.** The Company is a specialty performance automotive and motorcycle aftermarket parts manufacturer located in San Jacinto, CA. Edelbrock Permanent Mold, LLC manufactures casting for automotive parts from raw materials. The Company currently operates a high-tech green sand aluminum foundry that casts cylinder heads, manifolds, water pumps and throttle bodies. The first part of the manufacturing process is completed by the Company, the product is further refined to a finish by Edelbrock Corporation, which also packages, markets and distributes the finished products to third party vendors, third party vendors include New York Air Brake, Specialty Manufacturing and Nelson Irrigation. The products are ultimately sold by a variety of and automotive parts dealers including Kragen Auto Parts, AutoZone, and Advance Auto Parts.

**Prior Actions and Financings.** The Borrower issued bonds in 1990 for its sand cast foundry. Bonds were fully paid on or before the June 1, 1998, the bond maturity date.

**PROJECT INFORMATION:**

**Project Description.**

The Company is expanding its production lines and, consequently, its overall capacity in order to better compete with overseas competitors that offer similar products. The products will be manufactured using an aluminum permanent mold and heat treatment foundry process. Bond proceeds will be used to develop and construct a new facility capable of producing the expanded and enhanced product lines. Proceeds also will be used to acquire and install processing equipment at the new facility. The new facility will be constructed adjacent to the sand cast foundry located in the City of San Jacinto on land previously purchased by the Company. In addition to the tax-exempt bond proceeds requested, the Company has also made a supplemental equity investment in the Project totaling another \$2.5 million.

**Anticipated Timeline.** Project construction and equipment acquisition and installation will be completed by July 2007.

**Permitting and Environmental Approvals.** The Company provided verification from the City of San Jacinto that the Project meets local land use and zoning requirements and that all construction permits are in place.

**STATUTORY CRITERIA:**

1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification.

The points noted below have been awarded based on evaluation consistent CDLAC guidelines.

1) **PUBLIC BENEFITS:** The CIDFAC staff assigned a total of 23 verifiable points to the Project, which are detailed as follows:

**Community Economic Need (5 points):**

**Unemployment Rate (5 points):** The unemployment rate for the Project area is 7.4%, while the statewide average unemployment rate in California is 4.8%. Therefore, the unemployment rate for the Project area is 154% of the statewide rate.

Although the Company did not meet the minimum point threshold for job creation, the Company represents it currently employs 182 individuals at its current San Jacinto. The Company anticipates hiring, for the new facility site, not less than an additional 25 employees within two years of Project completion.

**Welfare-to-Work Program (5 points):** The Company provided a letter from State of California, Employment Development Department that verifies its participation in the CA WOTC, a welfare-to-work program (Attachment A).

**Health Care Benefits (3 points):** The Company provided documentation that it contributes to the medical insurance for its sand cast foundry employees. The Company represents it will offer the same medical benefits plan to the additional 25 employees to be hired. The contribution translates into an average of \$246 per month toward the health care benefits for each employee.

**Land Use/Energy Efficiency (10 points):** The project is located within ¼ mile of the Riverside Transit Line pick-up and drop off site which services cities throughout Riverside County.

The Company provided a letter from Southern California Edison that verifies the installation of energy saving equipment which will result in an energy savings of at least 15% over generally accepted efficiency standards for similar equipment and mandates set by the State of California (Attachment B). Additionally, the Company is pursuing confirmation from Southern California Gas that other energy efficiencies will be realized by the Project. At present date, Southern California Gas had provided verbal confirmation to the Company of the energy savings but it is unable to generate hard-copy documentation thereof

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will not be relocating. The Company is maintaining its facility in the City of San Jacinto and will construct the new facility adjacent to its existing facility.
  
- 4) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financing structure, and based upon the application and other materials submitted to the Commission for the proposed Project, staff believe that the Bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just and equitable to a purchaser of the Bonds; and, (c) will not work a fraud upon the Bond purchasers. Final determination of qualification of the Bonds will be subject to review of final bond documents prior to the issuance of bonds.

**FINANCING DETAILS:**

The Project will be funded with tax-exempt Industrial Development Bonds (IDB's) and issued with a Direct Pay Letter of Credit from Bank of America, N.A. The bonds will be repayable over a term not to exceed 25 years. Specifically, the equipment portion of the financing will be amortized over seven years while the real estate portion may be amortized for up to 25-five years.

**FINANCING TEAM:**

Issuer	California Municipal Finance Authority
Underwriter	Banc of America Securities LLC
Bond Counsel	Law Offices of Ronald E. Lee, Esq.

**RECOMMENDATION:**

Staff recommends the approval of Initial and Final Resolution No. 07-0004 for an amount not to exceed \$7,500,000 in tax exempt bonds for Edelbrock Permanent Mold, LLC and/or its affiliates, subject to staff analysis and approval of final bond documents, including receipt of bond counsel opinion and CDLAC allocation approval as set forth in Initial and Final Resolution No. 07-0004.

INITIAL AND FINAL RESOLUTION  
OF THE  
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING  
ADVISORY COMMISSION (CIDFAC)  
INDUSTRIAL DEVELOPMENT BONDS  
IR/FR #07-004

WHEREAS, the California Municipal Finance Authority (CMFA) (Authority) has transmitted the application of Edelbrock Permanent Mold, LLC and/or its affiliates, and Edelbrock Permanent Mold, LLC and/or its affiliates (Applicant) for the issuance of \$7,500,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the Commission) that it has adopted a resolution declaring its intention to issue such bonds and that the City of San Jacinto has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$7,500,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution,
- (v) Letter of Credit, and
- (vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.