

**CIDFAC STRATEGIC PLAN:
MARKETING UPDATE
(INFORMATION ITEM)**
August 26, 2009

STAFF SUMMARY – CIDFAC

Prepared by: *Eileen Marxen*

ISSUE:

The Commission at its October 22, 2008 meeting adopted CIDFAC’s Strategic Plan (Plan). The Plan provides a blueprint for establishing CIDFAC as a leader of California’s economic development program. It contains action items aimed at “aggressive marketing” of the state’s Industrial Development Bond (IDB) program, using “broadbased outreach” to industry groups (e.g., green and clean tech manufacturers), state and local government agencies, the economic development community and providers of credit support for bond transactions.

Recent changes to federal law provide tools to strengthen the state’s IDB program. The Housing and Economic Recovery Act of 2008 (HERA) allows the Federal Home Loan Banks (FHLBs) to “wrap” member banks’ letters of credit issued for IDB transactions. And the American Recovery and Reinvestment Act of 2009 (ARRA) expands the types of companies eligible for IDB financing to include knowledge-based companies, among other provisions.

These federal improvements require marketing efforts to go beyond what was originally contemplated in the Plan to include the banking industry and knowledge-based industry groups and associations. [Note: Federal legislation to expand the types of companies eligible for IDB financing was one of the Plan’s original action items that now has been accomplished.] Further, in response to tightening of the credit markets and the accompanying fall-off in the number of IDB transactions executed this year, staff has included information about letters of credit as a lending product in its outreach to banks. The goal is to create a larger pool of banks willing and able to offer letters of credit to their IDB-eligible business clients.

This report summarizes staff’s marketing efforts in 2009. These efforts are reported under three categories: CIDFAC-sponsored workshops, speaking engagements, and web-based and other outreach.

MARKETING SUMMARY:

CIDFAC-Sponsored Workshops

- After the passage of HERA in July 2008, CIDFAC staff initiated contact with the FHLBs to discuss disseminating information regarding their new IDB credit enhancement program to California banks, finance practitioners and economic development professionals. The result was that CIDFAC and the FHLB of San Francisco jointly conducted free, half-day HERA workshops in Sacramento, San Francisco, and Los Angeles in January 2009. Attendance at each workshop reached maximum levels, and the feedback from attendees was overwhelmingly positive.

- Staff's contacts with banking and economic development professionals have indicated more banks – particularly regional banks – may be willing to offer letters of credit in support of IDB transaction if they are made aware of the IDB program and letters of credit as an alternative to direct commercial lending. With the current credit crunch and its harmful effects on small businesses' ability to borrow for capital expenditures, and with the enhancement of the IDB program through HERA and ARRA, CIDFAC staff believes the time is right to reach out to California's banks. On August 27, 2009, CIDFAC is sponsoring a free, two-hour call-in workshop targeted at banks at which experts will describe the state's IDB program, the enhancements to the program brought about by HERA and ARRA, and letters of credit as an alternative lending product. CIDFAC has posted the workshop notice and agenda on its website and emailed the announcement to its distribution list (see Attachment A). In addition, the FHLB of San Francisco and the California Bankers Association have agreed to notify their member banks of the workshop through via website announcements and electronic newsletters. The California Association of Local Economic Development (CALED) and the Council for Development Finance Agencies (CDFA) also have posted workshop announcements on their websites and in their electronic newsletters. (See Attachment B.)

Speaking Engagements

- Staff participated in a panel presentation about HERA's effects on IDB credit enhancement and marketing at CDFA's May 2009 annual conference in Pittsburgh, Pennsylvania. The audience included banking, finance and economic development professionals from around the country.

- Staff participated in a panel presentation about ARRA's effects on California's IDB program, and about recovery zone bonds as a new class of bonds created by ARRA, at a June 2009 conference co-sponsored by the California Debt and Investment Advisory Commission and the I-Bank. The audience included state and local issuers, and finance and economic development professionals.

- Treasurer Bill Lockyer on August 21, 2009 made a presentation to both the executive committee and the larger membership of the Silicon Valley Leadership Group regarding California's IDB program. Treasurer Lockyer focused on ARRA's expansion of IDB financing to knowledge-based industries. The audience included knowledge-based company executives and officers, banking professionals and economic development practitioners.

Web-Based and Other Outreach

- The California Bankers Association included a message from Treasurer Lockyer about the state's IDB program, and the enhancements to the program by HERA and ARRA, in its June 8, 2009 electronic newsletter. (See Attachment C.)
- Staff has contacted two biotech associations – BayBio out of the San Francisco-Bay Area and BIOCUM out of Southern California – regarding the expansion IDB financing to include knowledge-based companies, including those in the biotech industry. BayBio has agreed to include this information in an upcoming electronic newsletter to its members.
- Following contact by staff, the San Diego Regional Economic Development Corporation, which covers a region with many pharmaceutical, biotech and other knowledge-based companies, sent a notice to its board members regarding the availability of IDB financing to such companies. (See Attachment D.)
- Staff currently is working with the California Manufacturers and Technology Association to get the word out to its membership about the IDB program and enhancements to the program brought about by HERA and ARRA.
- On an ongoing basis, CIDFAC staff works with local agencies, largely through its CALED board membership, state agencies (e.g., the Governor's Jobs and Economic Growth Office, the California Business Investment Services division of the state's Labor Agency, the Employment Training Panel, and the California Workforce Investment Board), and nonprofit organizations (e.g., Apollo Alliance and East Bay Green Corridor Partnership) to market California's IDB program. These contacts stress the effectiveness of IDBs as a tool for economic development and job creation, and as a means of low-cost financing for the expansion of green and knowledge-based industries in California.

Attachment A

**CALL-IN WORKSHOP FOR BANKING AND
OTHER FINANCE PROFESSIONALS**

**ANOTHER TOOL FOR FINANCING BUSINESS CLIENTS'
CAPITAL EXPENDITURES: California's Low-Cost, Tax-
exempt Industrial Development Bond (IDB) Program**

The California Industrial Development Financing Advisory Commission (CIDFAC) has arranged a call-in workshop aimed at banks and other finance professionals who wish to learn about IDBs. IDBs are another tool that can help their business clients finance their capital expenditures. IDBs allow businesses to borrow from the low-cost, tax-exempt municipal market to finance capital projects. IDBs either are privately placed with an institutional buyer or are secured by a letter of credit issued by a bank. IDBs are very similar to commercial real estate loans, except the capital is acquired via the municipal bond market.

**** Learn how your bank and your business clients can benefit
from California's IDB program! ****

The workshop is free, but we ask that you register on-line using the following link so CIDFAC can ensure there is sufficient capacity for all those who wish to participate: <http://www.treasurer.ca.gov/cidfac/conference/registration.asp>

A full workshop agenda can be viewed at:
<http://www.treasurer.ca.gov/cidfac/conference/agenda.pdf>

Date: Thursday, August 27, 2009

Time: 10:00 AM through noon (PST)

Call-in number: (888) 808-8526 **Participant Code:** 106031

For additional information, contact Eileen Marxen at (916) 653-9129. If you wish to be included on CIDFAC's email list to receive meeting agendas and other information, please sign up at:
<http://orange.hosting.isoftware.com/list/subscribe.html?mContainer=21&mOwner=G2r2p1938362t2p3719342u2s>

Attachment B

Message

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Hamelin, Deanna

From: Hamelin, Deanna
Sent: Thursday, August 13, 2009 10:23 AM
To: Hamelin, Deanna
Subject: FW: Development Finance Review Weekly - August 13, 2009

-----Original Message-----

From: Marxen, Eileen
Sent: Thursday, August 13, 2009 10:05 AM
To: Dresslar, Tom; Hamelin, Deanna
Subject: FW: Development Finance Review Weekly - August 13, 2009

-----Original Message-----

From: cdfa@cdfa.net [mailto:cdfa@cdfa.net]
Sent: Thursday, August 13, 2009 9:55 AM
To: Marxen, Eileen
Subject: Development Finance Review Weekly - August 13, 2009

Development Finance Review Weekly
August 13, 2009

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	<h2 style="margin: 0;">Development Finance Review</h2> <h1 style="margin: 0; font-family: serif;">WEEKLY</h1>
This Week's Highlights from the Development Finance Industry	
<p>Feature</p> <p>CDFA and NAHB Offering Free TIF Webinar September 24</p> <p>The development finance toolbox provides dozens of tools to address infrastructure financing. Targeted special district financing has become one of the most highly used tools for addressing these challenges. Today, 49 states and the District of Columbia, have special district financing programs such as tax increment finance (TIF), in place.</p> <p>NAHB's Land Development Committee is hosting a free webinar on Sept. 24 beginning at 2:00 p.m. EDT that will provide an in-depth analysis on this issue. "Understanding Infrastructure Finance Tools that are Successful Alternatives to Impact Fees" will feature Toby Rittner of the Council of Development Finance Agencies (CDFA), which is a national association dedicated to the advancement of development finance concerns and interests, and Ken Powell of Stone & Youngberg, LLC, which is a nationally recognized financial services firm, who will dissect the use of special district financing tools and explore the variations and potential of these tools on local</p>	

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<p>projects. ↪Read More</p>
<p>CDFA Spotlight</p>
<p>CIDFAC Holding Call-in IDB Workshop For Banking and Other Finance Professionals The California Industrial Development Financing Advisory Commission (CIDFAC) has arranged a call-in workshop aimed at banks and other finance professionals who wish to learn about Industrial Development Bonds (IDBs). IDBs are another tool that can help their business clients finance their capital expenditures. IDBs allow businesses to borrow from the low-cost, tax-exempt municipal market to finance capital projects. ↪Read More</p> <p>Application for Section 1603 - Payments for Specified Renewable Energy Projects in Lieu of Tax Credits This Department of Treasury page is the electronic application for payments for specified renewable energy projects in lieu of tax credits as authorized under Section 1603 of ARRA. Applications are being accepted electronically in order to accelerate the review and approval process. ↪Read More</p>
<p>Job Postings</p>
<p>Director of State Programs, Council of Development Finance Agencies The Council of Development Finance Agencies seeks a motivated, well-organized and experienced individual to fill the position of Director of State Programs. This position is critical to the continued success of CDFA's education, outreach, roundtable, resource collection, research and networking efforts. This is an exciting opportunity for an energetic and enthusiastic person to contribute to a great organization, working to create economic prosperity across the country. ↪Read More</p> <p>Executive Director, Rhode Island Economic Development Corporation The Executive Director of the Rhode Island Economic Development Corporation will be a member of the Governor's cabinet and sit on a number of interagency cabinet level commissions. The Executive Director will serve as the State's Chief Operating Officer for economic development by providing assistance to individual businesses, municipalities, chambers of commerce, and associations. The Executive Director will also serve as the Chairman of Quonset Development Corporation, and Chairman of Slater Technology Corporation; the State's venture capital arm. ↪Read More</p>
<p>This Week's Headlines</p>
<p>In Economic Development, We Must Play the Hand We're Dealt <i>mlive.com</i> Aug. 12 Economic Development Tax Credits</p> <p>Renewable Energy Execs Say Change Comes Too Slowly <i>Reuters</i> Aug. 12 Sustainable Financing</p> <p>White House-Proposed Derivatives Regulation Legislation</p>

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<p><i>Treasury Department</i> Aug. 12 Bonds Legislative</p> <p>Federal Webinars Scheduled to Focus on Finding, Obtaining ARRA Funding <i>Grants.gov</i> Aug. 12 Economic Development</p> <p>FAME Ready to Deploy Venture Capital Money <i>Associated Press</i> Aug. 12 Seed, Venture Capital and Angel Investment</p> <p>Plan Targets East Side Wichita Falls Renewal <i>Times Record News</i> Aug. 11 TIF</p> <p>North Port Plans \$500K Business Loan Fund <i>Herald Tribune</i> Aug. 11 RLF</p> <p>Build America Bond Issues Through August 7 <i>The Bond Buyer</i> Aug. 11 Bonds</p> <p>Obama Sends Derivatives Industry Proposal to Congress <i>Bloomberg News</i> Aug. 11 Bonds Legislative</p> <p>For Renewable Energy Projects: Cash or Credits <i>Green Energy News</i> Aug. 10 Sustainable Financing Tax Credits</p> <p>Opinion: Changes to Arkansas TIF Law Could Help Development <i>The Morning News</i> Aug. 10 TIF</p> <p>Hollywood Dreams: Ohio Motion Picture Tax Credit <i>Columbus Dispatch</i> Aug. 10 Ohio Financing Roundtable Tax Credits</p> <p>Manufacturers Looking for New Ways to Rebound <i>Manufacturing & Technology eJournal</i> Aug. 7 General Finance</p> <p>Missouri Lawmaker Critical of State Tax Credits <i>St. Louis Post-Dispatch</i> Aug. 7 Tax Credits</p> <p style="text-align: right;">>>> SEARCH HEADLINES</p>
<p>New Additions to the Online Resource Database</p> <p>Georgia Economic Development Finance Programs Bonds Economic Development Tax Credits TIF The Georgia Department of Community Affairs has compiled this report documenting the various federal, state and local development financing programs available in Georgia. It does not include ARRA programs and changes to existing programs.</p> <p>Oklahoma Capital Investment Board 2009 Impact Report Seed, Venture Capital and Angel Investment The Oklahoma Capital Investment Board (OCIB) is the State of Oklahoma's institution for building the private venture capital industry in the state. This report looks at the impact the OCIB has had in terms of leveraging private dollars and the total impact of OCIB participating companies on the state's economy.</p> <p style="text-align: right;">>>> SEARCH ONLINE RESOURCE DATABASE</p>
<p>Upcoming Events</p>

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THE INDUSTRY PRIMER
Development Bond Finance Course
September 17-18, 2009 Washington, DC

The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit www.cdfa.net or e-mail info@cdfa.net.

Council of Development Finance Agencies
815 Superior Avenue, Suite 1301
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(216) 920-3073
info@cdfa.net

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California Bankers Association

Monday Courier

June 8, 2009

Sponsored by GlobalVision Systems, provider of PATRIOT OFFICER® – the best-in-category BSA/AML/ATF solution endorsed by CBA, ABA and major core banking system vendors.

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Upcoming Events

Security Management & Information Technology Conference
 June 17 – 19, 2009
 Costa Mesa

31st Annual Regulatory Compliance Conference
 October 6 – 9, 2009
 Anaheim

Chief Credit Officers Symposium
 November 5 – 7, 2009
 Monterey

Education

Women in Banking
 June 9, 2009
 Pasadena

A Day with the Regulators
 June 23 – Sacramento
 June 25 – Costa Mesa

New Truth in Lending (Reg Z) Rules Webinar
 June 30, 2009

2009 Directors Certification Program Session Two
 July 7 – Los Angeles
 July 9 – San Francisco

Young Leaders in Banking
 July 17, 2009
 Huntington Beach

CRE Lending
 July 27 – 28, 2009
 Sacramento

State Issues

Supreme Court Victory in *Miller v. Bank of America* Comes After Five Year Court Battle

Last week, the California Supreme Court affirmed that a bank is not prohibited from charging overdraft fees on accounts that contain social security and other benefit funds. It should not have taken three different courts, millions of dollars in legal costs, and multiple *amicus curiae* briefs to arrive at this conclusion. But it did because the trial judge misconstrued the law, while both the Appellate Court and the Supreme Court, in two unanimous decisions, did not. Thanks are owed to Susan Jamison and Jonathan Bass of the law firm of Coblenz Patch Duffy & Bass for their excellent representation of CBA in the matter. Click [here](#) to view CBA's Regulatory Compliance Bulletin on the case.

Hearing Date Set for Measure Seeking to Consolidate Regulatory Agencies

Last week, CBA provided the sole testimony on behalf of industry to the Budget Conference Committee regarding the proposal to combine the Departments of Financial Institutions (DFI), Department of Corporations (DOC) and some portions of the Department of Real Estate (DRE) into a new Department of Financial Services (DFS). While this proposed consolidation is also advancing in legislation, [AB 33](#) (Nava), the Budget Conference Committee included this consolidation among the various other proposals by Governor Schwarzenegger to eliminate or combine other state agencies.

Given that any budget implications from consolidating DFI, DOC and DRE would not be realized until the 2011-12 fiscal year, CBA requested that the Budget Conference Committee remove this proposal from consideration and allow the appropriate policy committees to discuss this proposal. In addition, we raised concerns about the impact of consolidation, not wanting to see a dilution in the expertise or quality of bank examinations and examiner staff, indicated that commingling of funds between departments and different licensee types would be inappropriate, and that a general deviation from DFI's safety and soundness mission would be of substantial concern. We also argued that the cost savings associated with this consolidation should be passed on to licensees, reducing their assessments. Finally, we suggested that a study outlining the impact of consolidation be produced prior to the consolidation of these departments. CBA will testify in the Senate Committee on Banking, Finance and Insurance on June 17 when the committee considers AB 33. If you have any questions or concerns, please contact Alex Alanis at aalanis@calbankers.com or Kevin Gould at kgould@calbankers.com.

Residential Tenancy Measure Now Two-Year Bill

Last week, AB 603, which would have prohibited lenders that acquire residential real property through foreclosure from commencing tenant eviction proceedings for one year, was shelved for the remainder of the year. CBA opposed this measure and argued that the measure proposed changes to law that go beyond legislation enacted last year designed to resolve this very matter. SB 1137 (Perata), Chapter 69 of the Statutes of 2008, extended additional protections to tenants in terms of notice when a property is subject to a foreclosure sale and doubled the time from 30 to 60 days before a tenant may be evicted. In addition, recently enacted federal legislation precludes a lender from commencing eviction proceedings for 90 days after acquiring the property through foreclosure. Citing the recent and frequent changes in state and federal law on this topic, we urged that those changes be allowed to work to determine their effectiveness before layering on additional and unnecessary changes. The measure is now a two-year bill. CBA wishes to thank all

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of our members that assisted in our advocacy effort. For further information on this measure, please do not hesitate to contact Kevin Gould at kgould@calbankers.com or 916/438-4410.

Message From California State Treasurer to California Banks Regarding IDB Program

California State Treasurer Bill Lockyer has prepared a [communication](#) to California banks promoting the Industrial Development Bond Program (IDB). IDBs are a type of private activity bond (PAB) which, due to specific provisions in tax law, can be sold as tax-exempt bonds on the municipal bond market. In California, IDBs can be issued by authorized state or local government agencies to finance capital projects (e.g., the acquisition, construction or rehabilitation facilities and equipment) for private businesses. The bonds generally are privately placed with a qualified institutional buyer or sold on the open market based on the credit rating of a bank that provides credit support for the transaction in the form of an irrevocable, direct-pay letter of credit. The government issuer loans the bond proceeds to the private business, which pledges collateral to the private investor or to the letter of credit bank. The pledged collateral includes those assets financed with the bond funds and also may consist of other assets and guarantees. The bond transaction is similar in many ways to a private commercial loan between a bank and a business except that the source of capital is the municipal bond market.

The recently passed American Recovery and Reinvestment Act of 2009 contains several provisions that will enhance California's IDB program. Most notable is the provision that expands the federal definition of 'manufacturing facility' to include businesses that produce intangible, as well as the customary tangible, products. Up until now, low-cost, tax-exempt IDB financing could be used to finance capital costs incurred by manufacturers that produce tangible products, i.e., personal property with physical attributes. ARRA expands the possible uses for IDB financing to include capital costs incurred by businesses that produce intangible property, i.e., patents, copyrights, formulas, processes, designs and trademarks.

Furthermore, the Housing and Economic Recovery Act (HERA) of 2008 expanded the types of tax-exempt private activity bonds (PABs) for which the Federal Home Loan Banks can provide credit enhancement to include industrial development bonds (IDBs) issued before January 1, 2011. Under this program, the Federal Home Loan Bank provides a stand-by letter of credit in support of a member bank's irrevocable, direct-pay letter of credit issued on behalf of a private client seeking access to tax-exempt bond funds to finance certain capital projects (e.g., acquire, construct or rehabilitate facilities and equipment). The tax-exempt bonds then can be marketed on the municipal market carrying the Federal Home Loan Bank's triple-A credit rating, thereby making them more attractive to investors and potentially lowering the cost of borrowing for the bank's client.

If your bank has an interest in learning more about the program please call Eileen D. Marxen, of the State Treasurer's office at (916) 653-9129 or at Eileen.Marxen@treasurer.ca.gov. For additional information on the IDB program please click [here](#).

Budget Discussions Underway – State's Cash Flow a Concern

After voters rejected five of the six propositions during the May 19 special election, legislators reconvened to solve a \$21 billion and growing budget deficit. Meeting nearly every day during the last couple of weeks, the Budget Conference Committee is pouring over proposals to close the budget gap. While efforts to reduce expenditures are under consideration, it is also expected that the state will seek

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short-term external borrowing by issuing \$5.5 billion, or more, in revenue anticipation warrants. Cash flow analyses provided by the Legislative Analyst's Office indicate the state will experience cash deficits as early as July. Depending on the revised budget solution, it's feasible that the state will re-deploy their delayed payment program as a short-term cash management tool. In February, State Controller John Chiang imposed a 30-day delayed payment plan deferring nearly \$3.69 billion. These deferred payments included personal and corporate income tax refunds, local assistance monies to local governments and certain payments to vendors providing goods and services to the state.

In regard to other cash management tools, we continue to participate in discussions with the Department of Finance, State Controller's Office and the State Treasurer's Office gauging the probability for the potential issuance of registered warrants. Following discussions earlier in the year, and at CBA's urging, the state secured a unique routing number that will improve item processing should an individual bank decide to accept registered warrants. The state will purchase new warrant stock that incorporates that new routing number. CBA has requested a follow-up meeting with those departments so that we may better understand what cash management tools the state may employ. We will keep you updated on the outcome of that meeting. If you have any questions or concerns, please do not hesitate to contact Kevin Gould at kgould@calbankers.com or 916/438-4410.

Campaign Committee Accounts

The California Fair Political Practices Commission (FPPC) is issuing a new rule effective on June 7, 2009 that requires campaign committees to identify the bank and account number where the committee's account is held when it files for its Form 410 registration with the FPPC, which is equivalent to registration for a corporation. Usually a bank, for customer identification program (CIP) purposes, requires evidence of a duly established committee before it will open the account, but the committee now cannot receive its registration number unless the Form 410 is completed, which includes the bank ID. Banks should develop (and get approval for) their own policies on the necessary documentation to open these accounts, which policies may vary depending on what type of person or entity the customer is. For example, the delayed availability of an approved registration may warrant limiting transactions until approval is secured.

Case Highlights Risks to Levying Creditors

In the recent California case of *Franke v. BAM Building Company*, a creditor enforcing a levy on assets that were encumbered by a prior lien was found to be liable for damages with respect to a priority dispute with a secured creditor. The damages were well in excess of the amount of the bond posted to indemnify the secured creditor and in excess of the amount of the levying creditor's claim. This decision has a significant impact on any dispute between a levying and secured creditor. Also, recoverable losses can include interest and attorneys fees in a related action and, if the undertaking so provides, can include attorneys fees in the underlying action on the bond. See CBA Legal Bulletin attached.

Federal Issues

CBA Concludes Successful Visit to Washington, D.C.

Last week, nearly two dozen CBA members participated in our annual visit to Washington, D.C. Leading the California banker delegation were Dan Doyle, CBA chairman, Tom Beene, CBA's federal government relations committee chairman, CBA president and CEO Rod Brown and CBA's chief administrative officer, Maurine Padden. During the trip, our participating bankers had direct access to key members

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of Congress and to executive leadership at several regulatory agencies. A variety of critical industry issues were discussed including credit union regulation, overdraft protection, mortgage bankruptcy reform and the outlook for a new regulatory framework. Participants also had the opportunity to meet with FDIC chairwoman Sheila Bair and hear from Federal Reserve Board Governor, Elizabeth Duke, who shared their unique and timely perspectives on the current state of the financial services industry. Thank you to all members who participated and made this trip a success. We look forward to our second visit to Washington, D.C., September 8 – 10, with the Florida Bankers Association.

Membership Issues

Young Leaders in Banking: Challenging the Process

Continue your learning with the *Leadership Challenge*, and join us for the second installment of our Young Leaders in Banking series as we delve deeper into the practice of *Challenge the Process*. The second part of the practice is experimenting with new ways of doing what we do, and learning from experience.

Aspiring, new and experienced leaders will benefit from this workshop, led by Wayne Bennett, president, Teamworx, and Daren Blonski, VP of leadership development, Sonoma Learning Systems. Please join us on Friday July 17, 2009 at the Hyatt Regency Huntington Beach. Click here for more information or to register for this program. For questions on this or any other CBA program, please contact Laurie Eaton at 916/438-4433 or leaton@calbankers.com

Deposit Pricing & Cost of Funds Strategies

In response to liquidity pressures, many institutions are attempting to grow their own deposits with aggressively priced accounts. Often times, however, these retail deposits are raised at marginal costs considerably above wholesale funding alternatives because institutions:

- Lack an effective deposit pricing process
- Fail to evaluate the marginal cost of new money raised
- Lack systems to track pricing decisions and their effect on demand
- Fail to understand how to design effective segmentation strategies that allow them to go after rate sensitive funds without paying up for non-rate sensitive funds

This workshop will help you install a best practices deposit pricing process and provide critical insights into how to manage your cost of funds, while hitting funding growth goals critical to your situation. Tom Farin, chairman, president and CEO, of Farin & Associates, a widely known banking industry lecturer and consultant, will lead the session.

CEOs, CFOs, CAOs and COOs; controllers, treasurers, cashiers, finance, audit and accounting managers; lenders, retail officers, marketing staff and financial analysts; directors and ALCO teams should attend.

We will be offering this workshop only once: August 13, 2009 at the Hyatt Regency Huntington Beach. For more information/registration please visit the CBA Web site or contact John Lingvall at 916/438-4428 or jlingvall@calbankers.com.

Annual Convention Photos Have Been Posted

Thank you to all who attended the 118th Annual Convention of Bank Officers and Directors in Henderson, Las Vegas. It was a great event, where we also welcomed

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**From Bill Lockyer
California State Treasurer**

California is working hard to get its economy back in high gear, and our banks obviously will play a crucial role. As Treasurer, I manage an important economic development program for our state's businesses. The program needs banks' help to ensure it thrives, and creates jobs and prosperity for workers, business owners and communities.

The industrial development bond (IDB) program provides small to medium businesses access to low-cost financing to help them locate, expand or improve their operations in California. Local governmental entities sell the IDBs to investors on behalf of businesses, which can use the proceeds to buy land, buildings, equipment or machinery, and furnishings. Proceeds also can cover the costs of architects, engineers, attorneys and permits, as well as the cost of the bond issuance. Investors pay no state or federal income taxes on the interest earned on IDBs. Since the proceeds benefit private businesses, the projects must provide a public benefit, such as job creation or environmental protection.

Here's how banks can help these economic development projects succeed. The business (as the borrower) ultimately is responsible for ensuring investors get paid on time and in full. Because IDB borrowers are small to medium businesses, they do not possess credit ratings from the national rating agencies. These unrated IDB borrowers must obtain credit enhancement in order to successfully sell IDBs in the municipal market. Rated banks can provide that enhancement, generally in the form of a letter of credit. By ensuring projects go forward, banks produce a three-pronged benefit: Businesses get access to low-cost financing, banks get an additional product to provide their customers, and communities get good jobs and economic stimulus.

The federal government last year, in the Housing and Economic Recovery Act (HERA), made the program even more attractive for banks and businesses. The HERA allows Federal Home Loan Banks (FHLBs) to "wrap" letters of credit provided by member banks to IDB borrowers. The IDBs then can be sold with the FHLB's triple-A rating. This expands the pool of banks that can provide IDB borrowers a letter of credit, because the FHLB's triple-A rating eliminates the need for the letter-of-credit bank to be rated.

The American Recovery and Reinvestment Act of 2009 also includes several provisions that should improve and expand the IDB program in California. Perhaps the most important expands the definition of businesses that qualify for IDB financing to include manufacturers of "intangible" products. The new definition will open this valuable, low-cost financing to the state's knowledge-based sector, including the high tech, biotech and nanotech industries.

For more information, visit www.treasurer.ca.gov/cidfac.

Attachment D

From: Sandra Cowan **On Behalf Of** Julie Meier Wright
Sent: Wednesday, July 22, 2009 10:14 AM
To: EDCBoard@sandiegobusiness.org
Cc: Jason Anderson
Subject: Of Interest: Low-Cost Tax-Exempt IDB Financing Extended to Knowledge-Based Industries
Importance: High

The Governor's Office and the California Industrial Development Financing Advisory Commission have asked us to distribute this announcement in San Diego. It has significance to our innovation economy! Please feel free to pass it along to others who may have interest.

Julie

Julie Meier Wright
President & CEO

Office 619.234.8484 Fax 619.234.1935

San Diego Regional Economic Development
Corporation
530 B Street, 7th Floor
San Diego, CA 92101

<http://www.sandiegobusiness.org>

Low-Cost, Tax-Exempt IDB Financing Extended to Knowledge-Based Industries

The American Recovery and Reinvestment Act (ARRA) of 2009 opens the door to low-cost industrial development bond (IDB) financing to California's knowledge-based sector. IDBs can help small to medium sized businesses build, expand and modernize in California by providing affordable financing for land, facilities, equipment and other costs.

The ARRA expands the federal definition of 'manufacturing facility,' for purposes of qualifying for tax-exempt IDBs, to include businesses that produce intangible products. Prior to the ARRA, only manufacturers that produce tangible products could obtain IDB financing.

The new definition extends the benefits of IDBs to businesses that produce patents, copyrights, formulas, processes, designs, trademarks, know-how, etc. Examples of knowledge-based businesses that may access IDB

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financing under the expanded definition include software developers; biotech, pharmaceutical and nanotech companies; and entertainment industry firms.

In California, IDBs can be issued by authorized state or local government agencies to finance capital projects for private businesses. The California Industrial Development Financing Advisory Commission (CIDFAC), an agency of the State Treasurer's Office, approves the issuance of all IDBs in the state.

The expanded definition is set to expire at the end of 2010. However, there are efforts underway to make it permanent.

For more information regarding California's IDB program, go to CIDFAC's website at www.treasurer.ca.gov/cidfac or contact CIDFAC at (916) 653-3843.