

CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

*Request to Approve Refunding of Up to \$4,170,000 Aggregate Principal Amount of California Enterprise Development Authority Tax-Exempt Variable Rate Demand Industrial Development Revenue Bonds Series 2002*

**Trademark Plastics, Inc.  
Application No. 11-002**

**April 26, 2011**

**SUMMARY**

**Borrower** – Carolyn Carty, as Trustee of The Carty Family Trust A and/or a related entity

**User** – Trademark Plastics, Inc. and/or a related entity

**Issuer** – California Enterprise Development Authority (CEDA)

**Location** – City of Riverside, Riverside County

**Total Refunding Amount Requested** – Up to \$4.170 million

**Staff Recommendation** – Approval

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**BORROWER/USER BACKGROUND**

The Carty Family Trust (the Borrower) was created in September 26, 1995 for the estate planning purposes of Jerry and Carolyn Carty and their family (the “Trust”). The Trustees of the Trust purchased the real property, a portion of the cost of which was financed with the Prior Bonds (referenced below). Jerry Carty since has passed away and Carolyn Carty is the sole trustee of the Trust. The Trust also held the stock of Trademark Plastics Inc., the User of the financed facilities and equipment. Trademark Plastics, Inc. (the Company or Trademark or the User) was incorporated in California on December 29, 1988. Trademark manufactures and distributes injection molded plastic components for the medical and consumer components industries. Major customers include Carefusion, B Braun, Safety Syringes (manufacturers of medical products), and Levolor Home Fashions (manufacturer of household products).

The officers of Trademark are:

Carolyn Carty, President and Chairman  
Erin Carty, Vice President and Chief Executive Officer  
David Chenoweth, Chief Operating Officer  
Kris Carty, Corporate Secretary  
Bryan Graves, Controller

The major shareholders of the Company are:

Carty Family Trust A	13.8%
Carty Family Trust B	<u>86.2%</u>
<b>Total:</b>	<b><u>100.0%</u></b>

## **CURRENT REQUEST**

At its May 21, 2002 meeting, the California Industrial Development Financing Advisory Commission (CIDFAC) approved the Initial and Final Resolution No. 02-0001 for \$4.275 million in tax-exempt Industrial Development Bonds (IDBs) for the City of Riverside Industrial Development Authority on behalf of the Trademark Plastics, Inc. Project. On June 24, 2002, the California Debt Limit Allocation Committee (CDLAC) approved the Allocation Resolution No. 02-071 for \$4.275 million in IDB allocation for the Trademark Plastics, Inc. Project. The variable rate, weekly reset IDBs with a final maturity date of September 1, 2027 (the Prior Bonds) were issued pursuant to a September 1, 2002 Loan Agreement between the Borrower and the Industrial Development Authority (IDA) of the City of Riverside.

The proceeds of the Prior Bonds were used for the acquisition and improvements of real property and the acquisition and installation of manufacturing equipment.

The current request is for approval to refund the Prior Bonds. CIDFAC’s statute requires that the issuing authority make a finding that refunding existing IDBs “will be of benefit to a company or holders of such bonds, subject to the provisions of the proceedings.”<sup>1</sup> In its Resolution of Official Intent to Issue Bonds, CEDA finds that the refunding will have significant economic benefit to the Company and will be a substantial factor in the accrual of such public benefits from the use of the facilities.

The Company wants to refund the Prior Bonds because it wants the stability of a long-term, fixed rate financing during this time of unpredictability in the financial markets. With a fixed rate financing, the Company believes it will be able to spend more time focusing on its core business than on the effects of changing market conditions on a variable rate, weekly reset financing.

### **Proposed Refunding**

CEDA will issue the refunding bonds on a Private Placement basis to California Bank & Trust, which is a qualified institutional buyer (QIB) as defined by the U.S. Securities and Exchange Commission (SEC) Rule 144A. The financing provides the Company with a 10-year fixed rate loan secured by the deed of trust on its manufacturing facility at 807 Palmyrita Court, Riverside, California. The refunding bonds will:

- Be secured by the first trust deed on the real commercial property;
- Be used to pay off the Prior bonds; and,
- Have a fixed interest rate based on the long term LIBOR rate plus two percent for the appropriate period not to exceed ten years.

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<sup>1</sup> See Government Code Section 91527(j).

According to the finance team, the Company began making debt service payments to an account established by PFF Bank & Trust, the original Letter of Credit bank, in September 2003, but the funds were never used to make principal payments on outstanding bonds. The first and only interim principal payment on the Prior Bonds is \$105,000 due on April 28, 2011. The funds remaining in the debt service account will be returned to the Company upon closing of the proposed refunding, which will entail the issuance of a fixed rate, private placement bond for up to \$4.170 million of the remaining balance on the Prior Bonds.

### **FINANCE TEAM**

- Issuer: CEDA
- Placement Agent: Zions First National Bank
- Private Placement Purchaser: California Bank & Trust
- Bond Counsel: Kutak Rock LLP

### **PROJECT EVALUATION**

With respect to the public benefits associated with a refunding, CIDFAC’s statute states that “...a proposed issuance of refunding bonds shall be evaluated solely under the requirement...” that the Commission finds that “...the proposed issuance is fair, just, and equitable to the purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by an authority in issuing them are not such as, in its opinion, will work a fraud on the purchaser thereof.”<sup>2</sup> Therefore, staff did not complete a new analysis of the Project’s public benefits.

Attachment A is CIDFAC’s 2002 staff summary for the Prior Bonds issue. The summary states that, in its 2002 CDLAC application, the Company indicated that the Project would produce the following public benefits:

1. Create 98 new jobs (3 management, 11 skilled, 18 semi-skilled, and 66 unskilled positions);
2. Utilize the Riverside Workforce Development Center Welfare-to-Work program for potential employees; And,
3. Pay a portion of eligible employees and their families’ health and dental insurance costs.

Staff received a letter from the Company indicating that the company’s total employment has increased since the initial financing in 2002, when the Company employed 142 workers. Trademark currently employs approximately 190 individuals at its City of Riverside facility. Employment had peaked at approximately 200 in 2006, but the loss of a major client, an increase in the automation of the manufacturing process, and the effects of the recent recession has had a negative impact on employment retention and growth.

With regard to utilizing the welfare-to-work program, Trademark indicated that it did use the program in 2003 and 2004 following the initial financing. In addition, the Company states that in

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<sup>2</sup> See Government Code Sections 91531(b)(3) and 91571.

2003 it employed 120 people who lived within the state enterprise zone and therefore qualified for state hiring tax credits for 10 new hires in 2003 and five new hires in 2004. (See Attachment B.)

With regard to health benefits, the Company indicated that it continues to contribute to a portion of the cost of health benefits of eligible employees and their families. Currently, there are approximately 86 employees that utilize the health care benefits. This translates the Company's contribution into about \$303 per employee. Employees not covered under the Company plan have opted out for personal reasons.

### **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

- On March 2, 2011, CEDA adopted a Resolution of Official Intent to Issue Bonds in an amount not to exceed \$4.275 of tax-exempt IDBs for the Project. CEDA adopted a final resolution for the project on April 20, 2011.
- The City of Riverside held a TEFRA hearing on March 8, 2011.
- The parcel upon which the Project is located is zoned for business and manufacturing. No additional permits will be required for this Project as a result of the proposed refunding.

### **LEGAL QUESTIONNAIRE**

Staff reviewed the Borrower's and User's responses to the questions contained in the Legal Status portion of the application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of the company.

### **CIDFAC FEES**

In accordance with CIDFAC regulations, the borrower has paid CIDFAC an application fee of \$1,250 and will pay a closing fee of up to \$10,425.<sup>3</sup>

### **RECOMMENDATION**

Staff recommends approval of Refunding Resolution No. 11-002 for the refunding of an aggregate principal of up to \$4.170 of IDA City of Riverside Tax-Exempt Variable Rate Demand Industrial Development Revenue Bonds Series 2002 for the Issuer for the Trademark Plastics, Inc. Project. Staff's recommendation is subject to staff analysis and approval of final bond documents and receipt of bond counsel's opinion as set forth in Initial and Final Resolution No.11-002.

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<sup>3</sup> California Code of Regulations Title 10, Chapter 8, Article 3, §6070

**REFUNDING APPROVAL RESOLUTION  
OF THE  
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING  
ADVISORY COMMISSION (CIDFAC)  
# 11-002**

WHEREAS, the California Enterprise Development Authority has transmitted the application of Carolyn Carty, as Trustee of The Carty Family Trust A and/or a related entity and Trademark Plastics, Inc. and/ or a related entity (Applicant) for the refunding of up to \$4,170,000 in tax-exempt bonds and has found that said application complies with the provisions of the California Industrial Development Financing Act and has certified to the California Industrial Development Financing Advisory Commission (the Commission) that it has approved such application and the transmitted said application to the Commission and the information necessary to permit review by the Commission; and

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

NOW, THEREFORE, the Commission resolves as follows:

1. The Commission conditionally finds that the proposed issuance and refunding of bonds, which in aggregate total up to \$4,170,000, qualifies under the provision of Article 5 of Title 10 of the Government Code, and further finds that:

(a) based on the agreement of California Bank and Trust to make a tax-exempt loan, the refunding bonds will be adequately secured and the funds available from the applicant will be sufficient to pay the principal of and interest on the refunding bonds to be issued; and

(b) based on its review of the preliminary material submitted to it, the proposed issuance of the refunding bonds will be fair just and equitable to the purchaser of the bonds, and that the methods proposed to be used in issuing the refunding bonds are not such as will work a fraud upon the purchaser of the bonds.

2. The Commission, based upon representations of the Applicant, does determine that the refunding will be of benefit to the Company or holders of the original bonds.

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 Bond Counsel Opinion, when ready for execution, shall be submitted to Commission staff:

(b) that the final documents, when ready for execution, be submitted to Commission staff for its review. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Tax Certificate and Agreement, and
- (iii) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction.

**Agenda Item – 4.A.1.**

(c) that the Commission staff determine that the final documents associated with the transaction will be developed in form and content consistent with the findings under (1) above are based.

4. The resolution shall cease to be effective if the above described refunding bonds have not been issued six months from the date of its adoption.

5. In compliance with the provision of the California Industrial Development Financing Act (Section 91574 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.

Attachment A

Agenda Item – A.1.

**THE CARTY FAMILY TRUST AND/OR AN  
AFFILIATE**

**Total Bond Amount: \$4,275,000**  
Industrial Development Bonds  
Riverside, (Riverside County), CA  
Application No. 02-0001  
May 21, 2002

**STAFF SUMMARY-CIDFAC (IDB)**

**Prepared by: *Rebecca Wall***

**ISSUE:** On behalf of The Carty Family Trust and/or an affiliate (the "Borrower"), the Industrial Development Authority of the City of Riverside (the "Issuer") requests approval of Initial and Final Resolution No. 02-0001 for an amount up to \$4,275,000 in tax-exempt bonds to finance the construction of a new manufacturing facility and the acquisition and installation of new manufacturing equipment in Riverside, CA.

**CDLAC ALLOCATION:**

The Borrower applied to CDLAC's 2002 2<sup>nd</sup> round allocation on April 17, 2002. The hearing to consider the request is scheduled for June 21, 2002.

**TEFRA:**

The TEFRA was held in the City of Riverside, California on May 7, 2002 for the initial tax-exempt financing. No comments were received in support of or opposition to the project.

**BORROWER:**

**Type of Business.** The Carty Family Trust was created as a mechanism to hold the assets for Trademark Plastic's Inc., the proposed user of the financed facilities and equipment. Trademark Plastics, Inc. was incorporated in California on December 29, 1988. Trademark Plastics, Inc., manufactures and distributes injection molded plastic components for the medical industry and consumer use.

The sole owner of Trademark Plastics, Inc. is Jerry Carty, who is also the CEO of the company.

**Major Customers.**

- Alaris Medical Systems
- Levolor Home Fashions
- B Braun
- Coast Foundry

**Legal Questionnaire.** The Staff has reviewed the Borrower's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that would lead the Staff to question the financial viability or legal integrity of this applicant.

**Prior Financings.**

The Borrower has no outstanding tax-exempt financings through CIDFAC.

**PROJECT INFORMATION:**

**Relocation:**

The Redevelopment Director of the City of Rancho Cucamonga submitted a letter regarding the relocation and states no objection to the issuance of bonds for the benefit of the new Riverside facility. The Borrower's current facility located in Rancho Cucamonga is inadequate and doesn't contain enough space to meet future growth projections. The new location in the City of Riverside will enable the Borrower to grow and be more cost efficient by providing a new state of the art, energy efficient facility. The Borrower states that a majority of its employees live closer to the new facility and will have a reduced commute. Additionally, housing is much more affordable in the Riverside area. The Borrower expects to retain all 142 of its current employees.

**Project Description.** The project consists of the acquisition of real property and improvements and the acquisition and installation of manufacturing equipment. The improvements consist of an approximately 91,000 square foot concrete tilt-up building with an approximately 9,000 square foot mezzanine.

**Project Costs.**

Land	\$500,000
Building Construction	\$2,024,000
Manufacturing Equipment	<u>1,751,000</u>
	<b><u>\$4,275,000</u></b>

**Anticipated Timeline.**

The project construction has commenced and is estimated to be complete in September 2002.

**Permits.** The Borrower provided verification from the City of Riverside Economic Development Department stating that the project meets the local zoning requirements and all permits are in place.

**PUBLIC BENEFITS:**

**Job Creation.** The facility is being relocated from its Rancho Cucamonga site that employs 142 people. The Borrower expects to retain all 142 employees at the new facility located in the City of Riverside. The Borrower anticipates creating 98 new jobs within two years of project completion, translating to one new job for every \$43,622 in bond proceeds. The positions include 3 management, 11 skilled, 18 semi-skilled, and 66 unskilled with an average hourly wage of \$9.14, which is 72% of the 2001 Metropolitan Statistical Area hourly manufacturing wage rate of \$12.74.

**Special Designation Area.** The project is located in the Agua Mansa Enterprise Zone.

**Welfare to Work.** The Borrower provided a letter from the Riverside Workforce Development Center that confirmed that the Borrower would participate in employee hiring through the Riverside Workforce Development Center Welfare to Work program.

Attachment A

Agenda Item – A.1.

**Health Benefits.** The Borrower currently pays a portion of all employees and their families’ medical and dental insurance costs. The average monthly employer contribution is \$212.05 per employee. The Borrower provided independent documentation from PacifiCare of California verifying the Borrower’s monthly contributions toward eligible employees medical benefits.

**Land Use.** The Borrower states that the project site was a vacant parcel that had completed infrastructure and improvements 10 years ago.

**Public Transit.** The Borrower has provided documentation that verifies the project site is located within a public transit corridor.

**Leveraging.** There is no taxable debt on this financing.

**FINANCING DETAILS:** The Borrower anticipates it will complete a public offering of approximately \$4,275,000 in tax-exempt, weekly, variable rate Industrial Development Bonds. A standby letter of credit from the PFF Bank & Trust and a confirming letter of credit from California State Teachers’ Retirement System (STRS) will secure the bonds. STRS’ rating is “Aaa” from Moody’ Investors Service rating agency.

**FINANCING TEAM:**

- Issuer City of Riverside
- Underwriter Gates Capital
- Bond Counsel Kutak Rock LLP
- Financial Advisor Growth Capital Associates, Inc.

**RECOMMENDATION:** Staff recommends approval of Initial and Final Resolution No. 02-0001 to issue up to \$4,275,000 in tax-exempt bonds for The Carty Family Trust and/or an affiliate subject to staff analysis and approval of final bond documents including receipt of bond counsel opinion as set forth in the Initial and Final Resolution of the California Industrial Development Financing and Advisory Commission (CIDFAC) (Tax-Exempt) IR/FR No. 02-0001.

Attachment A

**INITIAL AND FINAL RESOLUTION  
OF THE  
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING  
ADVISORY COMMISSION (CIDFAC)  
INDUSTRIAL DEVELOPMENT BONDS  
IR/FR #02-0001**

WHEREAS, the Industrial Development Authority of the City of Riverside (the "Authority") has transmitted the application of the Trustee of the Carty Family Trust, dated September 26, 1995 and Trademark Plastics, Inc. (collectively, the "Applicant") for the issuance of \$4,275,000 of bonds under the provisions of the California Industrial Development Financing Act (the "Act") to the California Industrial Development Financing Advisory Commission (the "Commission"), and has informed the Commission that it has adopted resolutions declaring its intention to issue such bonds and that the City Council of the City of Riverside 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;

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, construction and equipping 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 \$4,275,000; and

(b) neither the completion of the project nor the operation of the facility will result in the relocation of any substantial operations of the Applicant from one area to another to the prejudice of any locality within the State of California, or in the abandonment of any substantial operation of the Applicant in any other area in the State of California.

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 from 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.

Attachment A

May 21, 2002  
IR/FR #02-0001

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.

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.

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.

Attachment B



*TRADEMARK PLASTICS, INC.*

April 11, 2011

Ms. Mona Dmitrenko  
Executive Director  
California Enterprise Development Authority  
550 Bercut Drive, Suite G  
Sacramento, CA 95811

Re: Trademark Plastics, Inc.

Dear Ms. Dmitrenko:

You have requested clarification with respect to certain matters relating to the original bond financing completed in 2002 for the benefit of The Carty Family Trust and Trademark Plastics, Inc. (the "Corporation"). With respect to employment at the Corporation, total employment has in fact increased since the initial financing. The Corporation currently employs approximately 190 individuals in the city of Riverside. Employment at the Corporation had peaked at approximately 200 in 2006, but a loss of a major customer limited additional employment gains at that time. The Corporation also increased the amount of automation in its manufacturing process which also resulted in slower employment growth. The recent recession has also had a negative impact on employment growth. The Corporation has a significant investment in plant and equipment in the city of Riverside and plans to increase sales and employment in the future.

As for the welfare-to-work program, the Corporation did utilize the welfare-to-work program and hired eligible individuals. In 2003, the Corporation employed 120 individuals who lived in the state enterprise zone. As a result of hiring eligible individuals, the Corporation was eligible for the state hiring tax credit for 10 new hires in 2003 and 5 new hires in 2004.

Please feel free to call or email me if you should have any additional questions.

TRADEMARK PLASTICS, INC.

By Bryan Graves  
Bryan Graves, Controller

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