

**STAFF REPORT**  
**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**  
**A Joint Powers Authority of Cities and Counties**  
**Meeting of July 10, 2007**

The Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations is requested to consider a Resolution authorizing conduit, tax-exempt bond financing of up to \$13 million for Eskaton Village Placerville, Inc. (the "Borrower"), a California nonprofit public benefit corporation located in Carmichael, California. The issue will be a multi-modal structure including Daily and Weekly variable rate demand bond modes, auction and fixed rate modes. The bonds will be enhanced by a direct pay Letter of Credit from Bank of America, N.A. who carries a rating from Moody's of 'P1/Aa1' and from S&P of 'A1+/AA'. Proceeds of the Authority's bonds would be used to finance all eligible tax exempt amounts related to the construction of the facility, fund a debt service reserve fund and pay for Letter of Credit fee and other costs of issuance. A TEFRA hearing for El Dorado County has been tentatively scheduled for July 10, 2007. Financing documentation for this transaction is in the process of being drafted and will be available for review upon request.

**ESKATON VILLAGE PLACERVILLE, Inc.**

|                                |  |
|--------------------------------|--|
| <b>Location of Facilities:</b> | 3380 Blair Lane, Placerville, within the city limits,<br>CA 95667  |
| <b>Use of Funds:</b>           | To finance construction of a 40-bed assisted living and<br>24-unit memory care center, to fund a debt service<br>reserve fund, to pay capitalized interest and to pay cost<br>of issuance for the Series 2007 Bonds. |
| <b>Financing Amount:</b>       | Not to exceed \$13,000,000   |
| <b>Ratings:</b>                | Moody's: P1/Aa1<br>S&P: A1+/AA   |

**Status of Local Approval, Actions and Funding**

The TEFRA hearing has been scheduled for July 10, 2007.

**The Financing Project**

See uses above

**Financing Structure and Security Provisions**

The Authority's securities are expected to be sold in the form of Multi-modal Variable Rate Demand Bonds, enhanced by a Letter of Credit from Bank of America. The initial mode of the bonds will be weekly mode. The bonds will be remarketed by Cain Brothers. The final maturity is expected to be December 2038 with bonds paying interest only for the first 3 years and then to be amortized over the life of the issue to approximate level net debt service payments.

**Estimated Sources & Uses of Funds**

| <b>Sources</b>            |            |
|---------------------------|------------|
| Par Amount                | 13,000,000 |
| Equity Contribution       | 2,640,000  |
|                           | <hr/>      |
|                           | 15,640,000 |
| <b>Uses</b>               |            |
| Project Fund              | 11,992,673 |
| Capitalized Interest Fund | 569,815    |
| Debt Service Reserve Fund | 848,365    |
| Cost of Issuance          | 210,670    |
| Underwriter's Discount    | 125,400    |
| Upfront LOC fees          | 31,350     |
| Annual LOC fees           | 36,672     |
| LOC Counsel               | 75,000     |
| Land                      | 1,250,000  |
| Operating Reserve Fund    | 500,000    |
| Additional Proceeds       | 55         |
|                           | <hr/>      |
|                           | 15,640,000 |

*The Authority's fees in connection with this financing would equate to approximately \$6,270 at delivery of the Bonds and an annual fee of .05% of the face amount of the Bonds then outstanding. The Authority's out-of-pocket costs including the costs of Authority Legal Counsel would be reimbursed separately at closing.*

The Authority would function solely as a tax-exempt conduit for funds being lent to the Borrower. The Authority would accept no financial risk in the transaction. The financing documentation and official statement would contain statements having the same effect as the following:

**Neither the faith and credit of the Authority or the Association of Bay Area Governments nor the faith and credit or taxing power of any member of the Authority, the Association of Bay Area Governments, the State of California, or any political subdivision thereof, is pledged to the payment of the principal of premium, if any, or purchase price of, or interest on these securities or other costs incident thereto except from the specific revenues and funds pledged therefor. These securities are not a debt of the Authority, the Association of Bay Area Governments or the State of California or any political subdivision thereof, and neither the Authority, the Association of Bay Area Governments nor the State of California, nor any political subdivision thereof is liable for the payment thereof.**

The Authority must also receive comprehensive indemnification from the Borrower and must receive a comprehensive legal opinion from a nationally recognized securities law firm with respect to matters of disclosure.

### **Public Benefit**

The Company has applied for an IRS determination letter to receive its tax-exempt status from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from California franchise tax under Section 23701d of the California Revenue and Taxation Code. The bonds will initially be issued under Eskaton Village Placerville LLC, whose sole corporate member is a non profit 501 (c)(3) organization. Eskaton Placerville will provide a home for the aging, furnishing room, board, complete medical care through terminal illness, with ancillary services, including personal care services, rehabilitation therapies, counseling, guidance and social activities. Eskaton Placerville Inc. will also fund a benevolent fund to be used for the residents who run out of financial resources.

### **Financing Team**

The Borrower has proposed that Cain Brothers & Company, LLC, serve as Underwriter; Ungaretti & Harris will serve as Underwriter's Counsel; Holland & Knight, San Francisco will serve as Bond Counsel; and Hefner, Stark & Marois, LLP of Sacramento and Hanson, Bridgett, Marcus, Vlahos & Rudy, of San Francisco, serve as Corporate Counsel. The Authority would be represented generally in this matter by Nixon Peabody LLP. The Authority's Trustee for this transaction would be BNY.

**Enclosures and Other Documentation**

Bank of America commitment letter for this financing has been sent separately.

**Authority Guidelines for Issuance**

As proposed, the financing would meet the Authority's Guidelines for Issuance in all respects.

**Staff Recommendation**

Staff respectfully recommend approval of a resolution authorizing the proposed financing.