

CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

*Request to Approve Issuance of Tax-Exempt Bonds and Transfer Industrial Development
Bond (IDB) Allocation*

**Xintec Corporation dba Convergent Laser Technologies
Application No. 10-012**

October 27, 2010

SUMMARY

Borrower – Mark Chim and Marilyn Chim

User – Xintec Corporation dba Convergent Laser Technologies

Issuer – Industrial Development Authority of Alameda County (ACIDA)

Location – City of Alameda, Alameda County

Requested Bond Issuance – \$4.38 million tax-exempt IDBs

Requested IDB Allocation – \$4.38 million

Public Benefit Points Awarded – 79 points out of 147 possible

Staff Recommendation – Approval

THE COMPANY

Xintec Corporation dba Convergent Laser Technologies (the “User” or the “Company”) was incorporated in California in 1984. The Company is owned by Mark and Marilyn Chim. The Company manufactures minimally invasive medical devices, specializing in surgical laser systems and related delivery systems and accessories. Its major customers include University of California at Irvine, Los Angeles, and Davis; Kaiser Permanente in Baldwin Park, Fontana and San Diego; Bakersfield Memorial Hospital; Loma Linda Hospital; and David Grant Medical Center (Travis Air Force Base).

THE PROJECT

The Company currently owns and operates a 34,000 square foot building in the City of Alameda. An additional facility is needed to accommodate the current and future growth of the company. Bond proceeds will be used to finance the purchase and renovation of a vacant, existing 60,000 square foot manufacturing facility, which is located ½ of a mile from the Company’s current

location. The renovation will include: installation of a replacement roof, solar panels, new energy efficient manufacturing equipment, new interior, installation of new air handling and vacuum systems and water treatment and recovery systems for the manufacturing process.

Anticipated Project and Issuance Costs

Acquisition of Land	\$ 1 million
Acquisition of Existing Buildings	2 million
Rehabilitation of Existing Buildings	1.193 million
Bond Issuance Expenses	87,000
Letter of Credit Fee	<u>100,000</u>
Total:	<u>\$ 4.38 million</u>

Timeline

The construction and rehabilitation of the buildings began in September 2010 and should be completed by July 2011.

Financing Details

The tax-exempt IDBs will be sold in a public offering. The bonds will be variable rate bonds secured by an irrevocable Direct-Pay Letter of Credit issued by Wells Fargo Bank, N.A. (“Wells Fargo”), which has a Standard and Poor’s rating of A/A-1. Wells Fargo will also serve as trustee for the bonds and has provided “no-tie” letter (see Attachment A).

Financing Team

- Issuer: ACIDA
- Credit Enhancement Provider: Wells Fargo Bank, N.A.
- Financial Advisor: Progressive Capital
- Bond Counsel: Lofton & Jennings
- Bond Underwriter: Westhoff, Cone & Holmstedt
- Trustee: Wells Fargo Bank, N.A.

PROJECT EVALUATION

PUBLIC BENEFITS: The project received 79 points out of a possible 147 pursuant to the scoring system approved by the California Debt Limit Allocation Committee (CDLAC) for evaluating IDB projects. The evaluation is detailed below:

A. Community Economic Need (0 of 25 points).

1. Unemployment Rate of the Project Area (0 of 10 points). In accordance with CDLAC procedures, points are awarded in this category if the 2009 unemployment rate of the county sub-area in which the project is located is at least 125 percent of the 2009 statewide rate. The unemployment rate for this project area is 64.04 percent of the statewide rate. Therefore, the project received no points.

2. Poverty Rate of Project Area (0 of 5 points). In accordance with CDLAC procedures, the most recent data from the U.S. Bureau of the Census, which in this case is Census 2000 data, is used to determine if the project qualifies for points in this category. Points are awarded in this category if the poverty rate is at least 110 percent or more of the statewide rate. The poverty rate for this project area is 8.9 percent, which is 84.3 percent of the Census 2000 statewide rate of 10.6 percent. Therefore, the project received no points.

3. Special Designation Area (0 of 5 points). The project is not located in a Special Designation Area.

4. Median Family Income (0 of 5 points). In accordance with CDLAC procedures, the most recent data from the U.S. Bureau of the Census, which in this case is from Census 2000, is used to determine if the project qualifies for points in this category. Points are awarded if the project is located in an area with a median family income of less than 80 percent of the statewide average. The project is located in Alameda County, census tract 4283.01, where the average median family income is \$78,804. The median family income for the State of California is \$53,025. So, the median family income for the project area is 149 percent of the statewide average. Therefore, the project received no points.

B. Job Creation (35 of 35 points). Points are awarded in this category based on the User's representations with respect to using its best efforts to increase the number of direct, full-time employees within two years of project completion. The Company represents that it currently employs 18 direct, full-time employees. The Company represents that it anticipates hiring an additional 26 direct, full-time employees within two years of the project's completion. That equals a 69 percent increase in the workforce, which qualifies the project for the full 35 points in this category.

C. Job Retention (0 of 10 points). Points are awarded in this category based on the User's representation that they have considered moving operations out of state. The Company is not considering relocating. Therefore, the project received no points in this category.

D. Average Hourly Wage (10 of 10 points). In accordance with CDLAC procedures, the most recent data from the U.S. Bureau of Labor Statistics, which in this case is May

2009, is used to determine if the project qualifies for points in this category. The Company's average hourly wage is \$28.89. Points are awarded if the Company's average hourly wage is at least 105 percent of the nearest Metropolitan Statistical Area (MSA) average hourly wage. The MSA for the San Francisco-Oakland-Fremont area had an average manufacturing wage of \$15.44 in 2009. Therefore, the Company's average hourly wage is 187 percent of the average manufacturing wage for the San Francisco-Oakland-Fremont area, which qualifies the project for the full 10 points in this category.

E. Workforce and Economic Development (7 of 15 points).

1. Welfare-to-Work Plan (5 of 5 points). The Company provided a letter from Alameda County Social Services Agency that verifies Convergent Laser Technologies, Inc. will participate in CalWORKs employment services (See Attachment B).

2. Workforce Training (0 of 5 points). The Company provided no information indicating participation in a workforce training program.

3. Exports Outside California (2 of 5 points). The Company provided a letter indicating that approximately ten percent of its revenue comes from exporting its product outside California (See Attachment C).

F. Health Care Benefits (15 of 15 points). The Company provided documentation that it contributes to medical and dental insurance for 15 of its 18 employees. This contribution translates into an average of \$578 per month toward the health care benefits for each covered employee. The uncovered employees opted out of the plan for personal reasons. The Company represents that it will offer the same health benefits to new employees.

G. Payment of Retirement Benefits (0 of 5 points). The Company provided no information indicating that it contributes to employee retirement benefits.

H. Environmental Stewardship (7 of 27 points).

1. Land Use (3 of 3 points). This project involves the reuse of a vacant manufacturing building.

2. Public Transit Corridor (4 of 4 points). The Company provided verification that the project site is located within a public transit corridor. An Alameda County Transit bus stop is located about 300 feet from the project site.

3. Energy Efficiency and Renewable Energy (0 of 15 points). The Company did not provide information regarding the project's energy efficiency.

4. Manufacturer of Certified Environmentally Preferable Products (0 of 5 points). The Company provided no information indicating the project produces or will produce environmentally preferable products.

I. Leveraging (5 of 5 points). The total Project cost is \$7.881 million. The Company will borrow \$4.35 million of the Project costs in the form of tax-exempt IDB financing, which will cover approximately 56% of the Project costs. The remaining 44% of Project costs will be covered by the Company's equity.

RELOCATION OF COMPANY OPERATIONS

The Company will remain at its current location in the City of Alameda in Alameda County.

QUALIFICATION OF BOND ISSUANCE

Based on the proposed financial structure, and the application and other materials submitted to CIDFAC for the project, staff believes the bonds (a) will be adequately secured; (b) will be fair, just and equitable to a purchaser of the bonds; and (c) will not defraud the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of the bonds.

STATUS OF PERMIT/OTHER REQUIRED APPROVALS

- The Industrial Development Authority of Alameda County approved the Inducement Resolution in an aggregate amount not to exceed \$6 million for the project on July 27, 2010. ACIDA adopted a final resolution for the project on July 27, 2010.
- A TEFRA hearing was held by the County of Alameda on July 27, 2010, and no comments supporting or opposing the Project were received.
- The Borrower submitted a verification of zoning and local approvals from the County of Alameda.

LEGAL QUESTIONNAIRE

Staff reviewed the 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.

PRIOR ACTIONS AND FINANCINGS

Description	Date of Bond Issue	Original Amount	Outstanding Amount
Convergent Laser Technologies	2005	\$3.3 million TE	\$3.18 million

CIDFAC FEES

In accordance with CIDFAC regulations¹, the Company has paid or will pay CIDFAC an application fee of \$1,250 and a closing fee of up to \$10,950.

RECOMMENDATION

Staff recommends approval of Initial and Final Resolution No. 10-012 for \$4.38 million of tax-exempt bonds and Allocation Resolution No. 10-02-012 for \$4.38 million of tax-exempt IDB allocation for ACIDA for the Xintec Corporation dba Convergent Laser Technologies project. Staff’s recommendation is subject to staff analysis, approval of final bond documents and receipt of bond counsel’s opinion as set forth in Initial and Final Resolution No.10-012.

Staff report by: Deanna Hamelin

¹ California Code of Regulations Title 10, Chapter 8, Article 3, §6070

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #: 10-012

WHEREAS, the Industrial Development Authority of Alameda County (the “Applicant”) has transmitted the application of Mark Chim and Marilyn Chim (the “Project Sponsor”) for the issuance of \$4,380,000 in tax-exempt bonds under the provisions of the California Industrial Development Financing Act, and has transmitted said application to the California Industrial Development Financing Advisory Commission (the “Commission”) and the information necessary to permit review of said application by the Commission, and has informed the Commission that it has adopted a resolution declaring its intention to issue such bonds and that the County of Alameda has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Applicant; 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 described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the total principal amount of \$4,380,000; and

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 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) the Bond Counsel Opinion, when ready for execution, shall be submitted to Commission staff;

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

(i) Escrow Agreement

(ii) Loan Agreement,

(iv) Tax Certificate and Agreement, and;

(v) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(c) the Commission staff shall 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 are based the findings under Section 2, above;

(d) 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);

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

(f) the Project Sponsor agrees 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.

**THE CALIFORNIA INDUSTRIAL DEVELOPMENT
FINANCING ADVISORY COMMISSION
RESOLUTION NO. 10-02-012
RESOLUTION TRANSFERRING A PORTION OF THE 2010 STATE CEILING
FOR QUALIFIED PRIVATE ACTIVITY BONDS FOR A
SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT**

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) awarded allocation to the California Industrial Development Advisory Commission (the “Commission) for the purpose of awarding a portion of the allocation to local and State issuers; and

WHEREAS, the Commission has the authority to transfer a portion of its allocation to local and State issuers; and

WHEREAS, the Commission has received an application (“Application”) from the Industrial Development Authority of Alameda County (“Applicant”) requesting a transfer to the Applicant of a portion of the 2010 State Ceiling on Qualified Private Activity Bonds (the “State Ceiling”) under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations (“Bonds”) for a project as specifically described in Exhibit A (“Project”) (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Procedures of the CDLAC Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds (“CDLAC’s Procedures”)); and

WHEREAS, the Project Sponsor (as defined in Exhibit A) has represented certain facts and information concerning the Project in the Application, which the Applicant has confirmed; and

WHEREAS, in evaluating the Project and potential allocation of a portion of the State Ceiling to the Applicant for the benefit of the Project, the Commission has relied upon the written facts and information provided in the Application and otherwise by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Commission to approve a transfer of a portion of the State Ceiling (“Allocation”) in order to benefit the Project described in the Application.

NOW, THEREFORE, the California Industrial Development Financing Advisory Commission resolves as follows:

Section 1. An amount of the State Ceiling equal to \$4,380,000 shall be deemed to be transferred by the Commission to the Applicant. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated as though fully set forth herein (this resolution, together with Exhibit A, hereinafter referred to as the “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor, the Applicant and their respective successors and assigns will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Commission’s Procedures, such modification shall require reconsideration by the Commission before the Allocation may be used for the Project. Once the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. The Commission may, as circumstances warrant, consent to changes in the terms and conditions set forth in this Resolution in the event the Commission is advised of changes in the Project.

Section 4. Prior to the issuance of the Bonds, any material changes in the structure of the credit enhancement and not previously approved by the Commission shall require approval of the Commission Chair or the Executive Director.

Section 5. The Applicant is not authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Allocation to any governmental unit in the State other than this Commission.

Section 6. The Allocation transferred herein shall automatically revert to this Commission unless the Applicant has issued Bonds for the Project by the close of business within 90 days of the award of Allocation. In the case of extreme hardship, the Executive Director may extend this date by up to five (5) business days.

Section 7. Within twenty-four (24) hours of using the Allocation to issue the Bonds, the Applicant shall notify the Commission's staff and CDLAC's staff in writing (which may be by electronic or facsimile communication) that the Allocation has been used. Each notification to the Commission and to CDLAC shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of the Allocation used.

Section 8. Within fifteen (15) calendar days of the issuance of the Bonds, the Applicant or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting, in a form prescribed by and made available by CDLAC a completed Report of Action Taken.

Section 9. Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall automatically revert to the Commission. If at any time prior to the expiration date set forth in Section 6 of this Resolution the Applicant determines that part or all of the Allocation will not be used to issue Bonds by that date,

the Applicant shall take prompt action by resolution of its governing board or by action of its authorized officer to return such unused Allocation to the Commission.

Section 10. The staff of the Commission is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain, for the term of the Bonds, a copy of this Resolution in the Applicant's official records. The Commission staff is further directed to retain a copy of this Resolution in the files of the Commission (or any successor thereto) for the same period of time.

Section 11. The Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission expressly agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Commission is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 12. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by the Commission.

Section 13. This Resolution shall take effect upon its adoption.

EXHIBIT A

**RESOLUTION NO: 10-02-012
(A SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT)**

1. Applicant: ACIDA
2. Application No.: 10-012
3. Project Sponsor: Mark Chim and Marilyn Chim. and/or a related entity
4. Project User: Xintec Corporation dba Convergent Laser Technologies and/or a related entity
5. Project Name: Convergent Laser Technologies Project
6. Project Description: Renovation of existing buildings
7. Address: 1201 Harbor Bay Parkway
Location: Alameda, CA 94502
County: Alameda County
8. Amount of Allocation: \$4,380,000
9. The Project Sponsor has represented that it reasonably expects the User will use its best efforts to achieve within two years of the completion of the Project the following:
 - participation in the Welfare-to-Work Plan with the Alameda County Social Services Agency;
 - creation of 26 additional direct, full-time positions.

ATTACHMENT A



East Bay Commercial Banking
One Kaiser Plaza, Suite 850
Oakland, CA 94612

Wells Fargo Bank, N.A.

OCT 13 '10 AM 10:41

October 13, 2010

VIA EMAIL AND FACSIMILE AT (916) 657-4821

California Industrial Development
Financing Advisory Commission
915 Capitol Mall
Sacramento, CA 95814
Attn: Sherri Kay Wahl

Re: \$4,380,000 Industrial Development Authority of the County of Alameda Variable Rate
Demand Revenue Bonds (Convergent Laser Technologies Project) Series 2010 (the
"Bonds")

Dear Ms. Wahl:

This letter will confirm that in connection with the issuance of the Bonds, Wells Fargo Bank, National Association ("Wells Fargo") intends to serve as trustee under the Indenture related to the Bonds and to provide a letter of credit supporting the Bonds. This letter will further confirm that Wells Fargo does not require that it serve as trustee of the Bonds in connection with providing the proposed letter of credit and that there is no "tying" of Wells Fargo's proposed services as trustee with its proposed services as issuer of the letter of credit supporting the Bonds.

Sincerely,

WELLS FARGO BANK, N.A.

By: 
Name: Peggy Lusco
Title: Relationship Manager

ATTACHMENT B



Yolanda Baldovinos
Agency Director

Thomas L. Berkley Square
2000 San Pablo Avenue, Oakland, CA 94612
510-271-8100 / Fax: 510-271-8108
ybaldov12@co.alameda.ca.us
<http://alamedasocialservices.org>

August 5, 2010

Ms. Eileen Marxen
Deputy Executive Director
California Industrial Development Financing Advisory Commission
915 Capitol Mall, Room 457
Sacramento, Ca 95814

Dear Ms Marxen:

Convergent Laser Technologies has applied for an Industrial Development Bond to expand its operations in the City of Alameda and has expressed an interest in having Alameda County's Welfare-to-Work program assist in identifying, screening and preparing CalWORKs clients to fill the 20 new semi-skilled jobs that the company hopes to create over the next two years.

Alameda County has staff assigned to work with the business to help make this important connection and make this new project a success for its CalWORKs clients as well as the business.

The linkage of the CalWORKs and the Industrial Development Bond program continues to promote self-sufficiency and stability; provides support to individuals and families and fosters a workforce development system that increases the economic vitality and human potential of communities through public and private sector partnerships.

Alameda County is committed to both of these initiatives and encourages the approval of the IDB for this project.

Sincerely,

A handwritten signature in cursive script that reads "Yolanda Baldovinos".

Yolanda Baldovinos

ATTACHMENT C

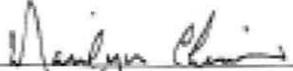
ATTACHMENT H (ADDENDUM)

Export activities

Convergent Laser Technologies is actively pursuing export opportunities worldwide. The products that Convergent manufactures and sells are regulated medical products and the process of obtaining regulatory approval in foreign countries is expensive and time consuming.

To date, Convergent medical equipment has obtained approval for marketing in Australia, India, China, Canada and several Latin American countries. The two most recent major territories for which Convergent products have been granted regulatory approval are Japan and the European Union.

Convergent currently generates approximately 10% of its sales from foreign countries. It is anticipated that with the planned business expansion, export sales will grow by 10% to 20% per year or more, assuming that the world economy will stabilize and resume normal growth.


Marilyn Cliff, Owner
Convergent Laser Technologies