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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** February 1, 2005

**SUBJECT:** **Spring Air Project**  
**Industrial Development Revenue Bonds, Series 2003**  
**Amendments to Indenture and Loan Agreement**

**AFFECTED COUNCIL DISTRICTS:** District 3

**STAFF REPORT BY:** Gary Mumford

**ADMINISTRATIVE DEPT.** City Attorney's Office  
**AND CONTACT PERSON:** Chris Bramhall

**CC:** Rocky Fluhart, Ed Rutan, Chris Bramhall, Dan Mulé, DJ Baxter

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## KEY ELEMENTS:

On July 1, 2003, the City Council authorized the issuance of industrial development revenue bonds for the Spring Air Mountain-West project. The bond proceeds were used to finance expansion and renovation of the existing Spring Air mattress manufacturing facility located at 402 West 300 North. The bonds did not constitute a debt, liability or obligation of the City. The debtors of the bonds are Spring Air Mountain-West and LeDuc Properties. Under a corporate restructuring, Spring Air desires to remove this debt from its liabilities and lease the facility from LeDuc Properties. LeDuc Properties is willing to assume the responsibility for the entire amount of the bond obligations.

## MATTERS AT ISSUE/POTENTIAL QUESTIONS FOR ADMINISTRATION:

In October 2003, Spring Air Mountain-West was acquired by Spring Air West, a Washington company. Spring Air West is licensed by The Spring Air Company. According to a Spring Air Company web site, the Spring Air Company has plants in the U.S., Canada, Mexico, Ireland, Australia, the Middle East, and Argentina. The company is the fourth-largest bedding manufacturer in the world. In an effort to consolidate the Spring Air Company licenses and the Spring Air brand, H.I.G. Capital LLC has offered to acquire 100% of the stock of Spring Air West.

H.I.G. Capital plans to continue manufacturing mattresses in Salt Lake City and will enter into a lease agreement with LeDuc Properties for use of the Salt Lake manufacturing facility. According to the transmittal from City Administration, LeDuc Properties is very confident that operations will continue at the present facilities. The original bond application in 2003 stated that the Salt Lake facility is very important since one of Spring Air's major accounts is R.C. Willey. In that application, Spring Air said it employed 60 people and planned to add 85 new permanent jobs over the next ten years. *At the briefing, Council Members may wish to assure themselves, to the extent possible, that the proposed amendment will not negatively impact the Salt Lake City facility or the employees at that facility.*

Salt Lake City requires industrial development revenue bonds issued by the City to be secured by a direct pay letter of credit from a financial institution with at least AA rating. In 2003, Spring Air Mountain-West and LeDuc Properties obtained a direct-pay letter-of-credit with U.S. Bank to guarantee repayment of the bonds. U.S. Bank is willing to reissue its letter of credit to reflect LeDuc Properties as the sole obligor. *At the briefing, Council Members may wish to assure themselves that the proposed amendment will not negatively impact Salt Lake City financially.*

**OPTIONS:**

The Council may wish to consider the following options:

1. Forward the resolution to a council meeting for consideration.
2. Request additional information and assurances from the City Attorney's Office, bond attorneys or the City's financial advisor that the amendment will not negatively impact the financial position of Salt Lake City.
3. Request additional information from representatives of Spring Air West regarding the success of the expansion project and assurances that the Salt Lake manufacturing facility will continue to operate under the corporate restructure.