

MINUTES

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
MINUTES JUNE 30, 2005–1:30 P.M.
915 CAPITOL MALL, ROOM 587
SACRAMENTO, CA 95814**

Mark Paul, for Chairman Philip Angelides, called the meeting to order at 1:30 p.m.

Present: Mark Paul for Philip Angelides, Treasurer, Chairperson
Winnie Scott for Steve Westly, Controller, Vice Chairperson
Molly Arnold for Tom Campbell, Director, Department of Finance

Staff: Frank Vega, Executive Director
Gregory Rogers, Deputy Executive Director
Susan Patella, PriceWaterhouseCoopers

Absent: Michael L. Jackson
Sylvia Scott- Hayes

The Chairperson declared a quorum present.

The minutes from the California Educational Facilities Authority's May 26, 2005 meeting were approved as submitted. (Moved by Winnie Scott and seconded by Molly Arnold.)

Frank Vega reported that as of April 30, 2005, the Authority had \$3.19 billion in outstanding bonds and that bond activity for the month of May included the closing of Golden Gate University and the California College of the Arts, bringing the total outstanding bonds of the Authority to \$3.21 billion. He stated that the Authority anticipated closing another \$177 million in bond issuances over the following two months.

Mr. Vega reported the fund balance as of May 1, 2005 of \$6.33 million for CEFA, with \$134,000 in new revenue. Factoring in the expenditures for the month of May, Mr. Vega reported the fund balance as of May 31, 2005 of \$6.38 million, an increase of \$50,000 from the prior month. He reported no new activity in the Student Loan Program, and as of May 31, 2005 the fund balance remained at \$6.54 million.

Item #4

Chapman University Resolution No. 230

Barry Scarff stated that Chapman University was requesting \$90,000,000 to advance refund a portion of their 1996 CEFA Bond Series, and to construct and renovate various campus facilities. Representing the University: Mr. Gary Brahm, Executive Vice President/CFO, Chapman University; Mr. Richard Chisholm, Managing Director, and Ms. Erin Gore, Principle, both of Banc of America Securities LLC; and, Mr. Eugene Carron Esq., Orrick, Herrington & Sutcliffe LLP, Bond Counsel.

Molly Arnold asked if staff had confirmed that the CEFA debt remaining outstanding had provisions for parity debt.

Barry Scarff stated that he had been given assurances from both Bond Counsel and Issuer's Counsel that all the Authority debt was equally covered.

Staff recommended the Authority approve Resolution No. 230 in an amount not to exceed \$90,000,000 to issue tax-exempt revenue bonds for Chapman University, subject to a bond rating of at least an “A” category by a nationally recognized rating agency and the standard bond issuance guidelines.

Molly Arnold moved for adoption of the Resolution and Windie Scott seconded it. Motion adopted with a 3-0 vote.

Item #5

**Pepperdine University
Resolution No. 231**

Martha Maldonado stated that Pepperdine University was requesting \$120,000,000 to current refund their outstanding CEFA Revenue Bonds Series 1995A and Series 1999B, to advance refund a portion of their Series 1999A Bonds and to advance refund their Series 2000 and Series 2002A bonds. In addition, the University planed to renovate the Thornton Administrative Center as well as make other improvements to campus facilities. Representing Pepperdine University: Mr. Paul Lasiter, Associate Vice President for Finance, Pepperdine University; Mr. Christopher Cowen, Managing Director, and Mr. Remy Hathaway, Vice President, both of Prager, Sealy & Co. LLC; and, Mr. Kevin Hale, Esq., Orrick, Herrington & Sutcliffe LLP, Bond Counsel.

Staff recommended the Authority approve Resolution No. 231 in an amount not to exceed \$120,000,000 to issue tax exempt revenue bonds for Pepperdine University subject to a bond rating of at least an “A” category by a nationally recognized rating agency and the standard bond issuance guidelines.

Martha Maldonado stated that Pepperdine University had received an “A” rating and the bonds would be insured by AMBAC.

Molly Arnold asked if Pepperdine University had provided a religiosity certificate.

Martha Maldonado stated that Pepperdine University had provided a religiosity certificate and that staff was working with Issuer’s Counsel to ensure that all the requirements had been met prior to closing and the issuance of the bonds.

Windie Scott moved for adoption of the Resolution and Molly Arnold seconded it. Motion adopted with a 3-0 vote.

Item #6

**University of Southern California
Amendment to Resolution No. 181**

Kristine Scully stated that the University of Southern California (USC) was requesting an amendment to Resolution Number 181, permitting the University to issue the remaining \$87,205,000 at either a variable or a fixed interest rate and to include the option to refund the 1997 Series A Bonds. Representing the University: Mr. Glen Cavagnaro, Associate Treasurer, University of Southern California; Mr. Christopher Cowen, Managing Director, and Mr. Remy Hathaway, Vice President, both of Prager, Sealy & Co. LLC; and, Mr. John Myers, Esq., Orrick, Herrington & Sutcliffe LLP, Bond Counsel.

Staff recommended the Authority approve the amendment to Resolution No. 181 in an amount not to exceed \$300,000,000 for USC to advance refund all or a portion of their 1997 Series A, 1997 Series C and Series 1999 CEFA bonds, in an amount not to exceed \$87,205,000 subject to certain prior provisions and conditions to remain unchanged and in full effect and extending the expiration date of the resolution from July 27, 2005 to January 27, 2006.

Windie Scott moved for adoption of the Resolution and Molly Arnold seconded it. Motion adopted with a 3-0 vote.

Item #7**University of La Verne
Amendment to Resolution No. 228**

Martha Maldonado stated that at the May 26, 2005 Authority Meeting, the University of La Verne came before the Authority requesting \$30,000,000 in bond financing. At that time, it had been discovered that a portion of the Authority's 2000 B Series bonds was not eligible to be refinanced with tax-exempt bonds. The University of La Verne's bond counsel has since identified the portion of the CEFA 2000 B bonds that are not eligible for tax-exempt financing, and requests an Amendment to Resolution No. 228 to include a combination of taxable and tax-exempt bonds and to raise the amount originally approved from \$25 million to \$30 million. The bond proceeds will be used to advance refund the University's portion of CEFA Pool Series 2000 B using taxable and tax-exempt bonds, refund CEFA Series 1993 bonds and renovate various campus facilities.

Ms. Maldonado noted that the University of La Verne is prohibited from borrowing additional debt on parity with the existing bonds due to the fact that the University of La Verne did not receive bondholder consent to amend the technical drafting error regarding the gross revenue pledge within the existing bonds. This refunding would allow the University to be released from the covenants associated with the CEFA Pool Series 2000 B bonds. Representing the University of La Verne: Ms. Harriet Welch, Esq., Squire, Sanders & Dempsey LLP, Bond Counsel; and, Mr. Christopher Cowen, Managing Director and Mr. Remy Hathaway, Vice President, both of Prager, Sealy & Co. LLC.

Staff recommended the Authority approve the amendment to Resolution No. 228 in an amount not to exceed \$30,000,000 to issue taxable and tax-exempt revenue bonds for the University of La Verne, subject to all prior provisions and conditions to remain unchanged and in full effect.

Molly Arnold moved for adoption of the Resolution and Windie Scott seconded it. Motion adopted with a 3-0 vote.

Item #8**Resolution No. 2005-6
Pacific Graduate School of Psychology
Request to Amend Documents Pertaining to the
Authority's Revenue Bonds
(Pacific Graduate School of Psychology) Series 1997
for the Purpose of Permitting the
Early Redemption of the Series 1997 Bonds**

Greg Rogers stated that the Pacific Graduate School of Psychology (PGSP) was requesting approval to amend its First Supplemental Indenture, permitting the redemption of the Series 1997 Bonds issued by the Authority prior to their respected maturity dates. This request was the result of PGSP's desire to sell property that was purchased with proceeds from the issuance of the 1997 Bonds in the amount of \$1.57 million. With the proposed property sale, PGSP anticipates prepaying the 1997 bonds outstanding in the amount of \$1.345 million. The reason for the sale is for PGSP to be in compliance with its debt covenants and also to reduce their operating overhead so additional revenues could be achieved. They anticipate a purchase price of \$3.8 million for the property with a gain of \$2.475 million after all expenses are paid. Mr. Rogers state that PGSP had been operating under "Going Concern" for the last three years and that Pacific Graduate School's management has taken several steps to improve its financial position, including the sale of this property. Representing the Pacific Graduate School of Psychology: Dr. Allen Calvin, President, Pacific Graduate School of Psychology; and, Ms. Harriet Welch, Esq., Squire, Sanders & Dempsey LLP, Bond Counsel.

Staff recommended the Authority approve the Pacific Graduate School of Psychology's Amendment to the First Supplemental Indenture permitting the redemption of the 1997 Bonds prior to their respective stated maturity dates resulting from the sale of property financed with the proceeds of the 1997 Bonds, and subject to an opinion of Bond Counsel, that as a result of selling the property acquired with tax-

exempt bonds, or redeeming such bonds, such actions will not affect the tax-exempt status of interest on the 1997 bonds.

Mark Paul asked staff if the sale of the property would help the school's financial situation.

Greg Rogers stated that the sale of the property would help Pacific Graduate School turn their financial position around.

Winnie Scott asked when staff expected to have the Bond Counsel Opinion.

Greg Rogers stated that staff had a draft of the Bond Counsel Opinion.

Harriet Welch, Bond Counsel, stated that she had been working with the Attorney General's Office and that the final opinion would reflect the date of the actual payment of the bonds, anticipated to be July 13, 2005. Ms. Welch also stated that pending Authority approval, signed documents would be processed and then the funds would be released from the real estate escrow to the bond trustee and the simultaneous payment of the bonds and release of the CEFA Deed of Trust.

Winnie Scott moved for adoption of the Resolution and Molly Arnold seconded it. Motion adopted with a 3-0 vote.

Item #9 **Update to Academic Assistance Program Regulations**

Kristine Scully stated that at the May 26, 2005 Authority Meeting, the Board approved the draft regulations, overview and instructions, and the application for submission to the Office of Administrative Law (OAL). On June 2, 2005, all necessary documentation was sent to the Office of Administrative Law for approval and publication.

On June 17, 2005, the Notice of Proposed Adoption of Regulation, the Initial Statement of Reasons, the draft regulations, overview and instructions, and application were published by OAL and posted on the Authority's website. The public comment period was set to end on August 1, 2005, and pending no substantial changes, staff expects to present permanent regulations to the Board on August 25, 2005.

There being no public comment, the meeting was adjourned.

Respectfully submitted by,

{Approved at the December 1, 2005 CEFA Board Meeting}

Frank Vega
Executive Director