

## MINUTES

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
MINUTES JULY 27, 2006 – 1:30 P.M.  
915 CAPITOL MALL, ROOM 587  
SACRAMENTO, CA 95814**

Dennis Trujillo for Chairperson Philip Angelides called the meeting to order at 1:30 p.m.

Present: Dennis Trujillo for Philip Angelides, State Treasurer, Chairperson  
Winnie Scott for Steve Westly, State Controller, Vice Chairperson  
Molly Arnold for Michael C. Genest, Director, Department of Finance  
Sylvia Scott-Hayes

Absent Michael L. Jackson

Staff: Frank Vega, Executive Director

The Chairperson declared a quorum present.

The minutes from the California Educational Facilities Authority's (CEFA) June 29, 2006 meeting were approved as submitted. (Moved by Sylvia Scott-Hayes and seconded by Molly Arnold.)

Frank Vega reported that the Authority's fund balance report was not available for Board review due to the financial year-end close process. He stated that the data needed would not be available from CalStars until early August and that the report would be presented at the next Authority meeting.

### **Item #4**

### **Heald College Resolution No. 2006-05**

Summer Nishio stated that Heald College was in technical default of the financial covenants in the Financing Agreement for the Heald College Private Placement Revenue Bonds, Series 2003. Ms. Nishio stated that Heald College informed the Authority and Wells Fargo Bank that the College was in technical default with the Consolidated Adjusted EBITDA Coverage Ratio and the Profitability Covenant due to a substantial decrease in operating revenues. Wells Fargo Bank being the sole bondholder had waived noncompliance and requested certain amendments be made to the Financing Agreement that would add a new provision and modify the existing covenants.

Ms. Nishio stated that execution of the First Amendment to the Financing Agreement would remove Heald College from noncompliance currently, but would require that Heald College perform to certain standards to remain in compliance with the amended covenants. Representing Heald College: Mr. Mark Murray, Chief Financial Officer, Heald College; and, Mr. Jeff Browning, Company Counsel, Chapman and Cutler LLP.

Staff recommended the Authority approve Resolution No. 2006-05 authorizing the First Amendment to the Financing Agreement for the Authority's Heald College Private Placement Revenue Bonds, Series 2003.

After discussion by the Authority, Molly Arnold moved for adoption of the Resolution and Sylvia Scott-Hayes seconded it. Motion adopted with a 4-0 vote.

### **Item #5**

### **Qualified Scholarship Funding Corporations**

**Resolution No. 2006-06**

Evelyn Gorman stated that staff was seeking Authority approval of the permanent regulations relating to the Qualified Scholarship Funding Corporations and to obtain authorization for staff to submit the regulations to the Office of Administrative Law (OAL). Ms. Gorman stated that in March of 2006, the Authority approved proposed regulations and authorized staff to proceed with the rulemaking process through the OAL and that part of the initial regulation process included providing the opportunity for the public to submit comments. She stated that the proposed permanent regulations have incorporated the public comments and include a refinement of the requirements, updates to the definitions, and various technical amendments. Specific changes include:

- Replacing the term *Applicant* with the term *Candidate* throughout the regulations;
- Adding the term *Eligible Candidate*;
- Adding clarification language that it is the Authority's discretion whether to grant approval regardless of eligibility;
- Adding language for the Authority to consult with the California Debt Limit Allocation Committee (CDLAC) before making a final determination;
- Adding the term *Proper Notice*, including a timeline for a Candidate to communicate its intent to seek CEFA approval;
- Adding the requirement for an entity to be exempt from federal and state taxation and to provide the necessary verification;
- Adding an additional requirement that affiliates of a for-profit entity must meet an additional requirement to provide a public benefit that is not already being met by a Qualified Scholarship Funding Corporation; and
- Adding a new section, *Public Notice*, to correspond with the new term Proper Notice and to provide a means to communicate a list of potential Candidates seeking Authority approval.

Mr. Christopher P. Chapman, President and Chief Executive Officer, All Student Loan offered support of the proposed permanent regulations and commended staff for the work involved in developing the proposed regulations.

Staff recommended the Authority approve Resolution 2006-06 approving the permanent regulations relating to the Qualified Scholarship Funding Corporations for submission to the Office of Administrative Law.

Sylvia Scott-Hayes moved for adoption of the Resolution and Molly Arnold seconded it. Motion adopted with a 4-0 vote.

**Item #7**

**Southwestern University School of Law  
Resolution No. 2006-07**

Summer Nishio stated that Southwestern University School of Law was requesting a Resolution from the Authority authorizing a request to Trustee for cancellation of the Deed of Trust and the release and reconveyance of mortgaged property as required by the Loan Agreement of the Southwestern University Refunding Revenue Bonds, Series 2003.

Ms. Nishio stated that at the time of issuance, the Borrower pledged the Deed of Trust as security for the Bonds, which was not a requirement of the bond issuance guidelines, but was done at the request of the Borrower. The Authority then transferred the Deed of Trust to the Trustee. Ms. Nishio stated that at the option of the Borrower, the Deed of Trust must be released if the Borrower meets one of two covenants, either an "A2" or higher rating by Moody's, or an unrestricted resources ratio of at least 1.70. Prager, Sealy & Co. reviewed the 2005 audited financial statements and calculated the unrestricted resources ratio to be 1.73. Ms. Nishio confirmed that staff had also reviewed and verified the ratio to be 1.73.

Southwestern University School of Law has satisfied the specified covenants and requested the release of all facilities encumbered by the Deed of Trust.

Staff recommended the Authority approve Resolution No. 2006-07 authorizing the Trustee to cancel the Deed of Trust being held in relation to the California Educational Facilities Authority Refunding revenue Bonds (Southwestern University), Series 2003.

After discussion by the Authority, Sylvia Scott-Hayes moved for adoption of the Resolution and Molly Arnold seconded it. Motion adopted with a 4-0 vote.

There being no public comment, the meeting was adjourned.

Respectfully submitted by,

{Approved at the September 28, 2006 CEFA Board Meeting }

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Frank Vega  
Executive Director