

CALIFORNIA EDUCATIONAL FACILITIES FINANCING AUTHORITY
California College of the Arts
Amendment to Loan Agreement

Staff Summary
Resolution No. 2007-02

January 25, 2007

ISSUE:

California College of the Arts (“CCA”) is requesting an amendment to its 2001 and 2005 Loan Agreements to modify certain covenants in order to exclude gains or losses on the extinguishment of debt from the calculation of such covenants.

BACKGROUND:

The Authority approved the 2001 Bonds and 2005 Bonds in the amounts of \$14,490,000 and \$18,535,000 respectively. The 2001 Bonds were issued for the purpose of constructing and furnishing student housing for the Oakland Campus. The 2005 Bonds were issued to acquire and renovate buildings at Oakland and San Francisco campuses. The 2005 Bond proceeds were also used to refinance the Series 1993B, and the Series 1995B bonds.

As a result of FASB statement 145 effective April 2002, CCA proposes to amend certain covenants with regards to how the debt service coverage and the additional bonds test calculations are made. The amended 2001 and 2005 covenants would conform to the covenants in CCA’s 2007 Loan Agreement, also under consideration for approval at this meeting pursuant to Resolution No. 240.

As required by the 2001 Indenture, Bond Counsel, Squire, Sanders & Dempsey L.L.P. will provide a legal opinion to the Authority and the Trustee that the amendment will not materially adversely affect the interests of the holders of the Bonds or result in a material impairment of the security given for the Bonds.

CCA will deliver a certificate requesting the amendment and E.J. De La Rosa, Inc. will deliver a certificate relating to the net present value savings to be realized in connection with CCA’s proposed refunding of its 1998 Bonds. Bond counsel will rely on these certificates for factual matters.

STAFF RECOMMENDATION:

Staff recommends the Authority approve the proposed amendment to the Loan Agreements to modify certain covenants in regards to gains or losses on the extinguishment of debt from the calculations of such covenants.