

**CALIFORNIA EDUCATIONAL  
FACILITIES AUTHORITY (CEFA)**

5th Floor Conference Room  
915 Capitol Mall, Room 587  
Sacramento, California 95814

*Alternate Location for Teleconference Participation*

University of Southern California  
3601 Trousdale Parkway  
Office of Vice President for Student Affairs  
Student Union 201  
Los Angeles, CA 90089-4891  
(213) 740-5240

Thursday, June 26, 2008

Deputy State Treasurer Patricia Wynne, serving as chair, called the meeting to order at 1:35 p.m.

**Roll Call**

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chair  
Cindy Aronberg for John Chiang, State Controller, Vice Chair via telecoference  
Anne Sheehan for Michael C. Genest, Director, Department of Finance  
Sylvia Scott-Hayes  
Michael Jackson via telecoference

Staff Present: Barbara J. Liebert, Executive Director  
Ronald Washington, Deputy Executive Director

The Chair declared a quorum present.

**Approval of Minutes**

The minutes from the California Educational Facilities Authority's (CEFA) May 29, 2008, meeting were approved. Anne Sheehan moved for approval of the minutes, Patricia Wynne seconded the motion. The motion was adopted with a 5-0 vote.

**Executive Director's Report**

Barbara Liebert stated that Item 6 on the Agenda had been converted to an Information item and that formal board action has been moved to the July 10, 2008 CEFA Board Meeting.

The Executive Director's Report was presented for May 31, 2008. Barbara Liebert reported that as of May 31, 2008, CEFA had issued total bonds of approximately \$8,232,743,538 and currently had \$3,759,326,619 in bonds outstanding. Bond activity included the closings of Stanford University and the University of Redlands. The CEFA fund balance as of May 31, 2008 was \$5,025,496.33 reflecting fees of \$41,937.50.

Barbara Liebert reported that as of May 31, 2008, the Student Loan Program had issued approximately \$265,372,500 in bonds, with \$31,435,000 in bonds currently outstanding. The Student Loan Program Fund balance as of May 31, 2008, was \$7,390,907.93.

Barbara Liebert stated that staff is reviewing the Authority's fee structure for competitiveness and costs associated with bond transactions and plans to bring a recommendation to the Board at the July 31, 2008 meeting.

Barbara Liebert stated that Ronald Washington is conducting outreach and marketing site visits and will be visiting Pomona College and Scripps College next week. Staff will be developing an outreach and marketing plan for the summer and early Fall.

**Item #4**

**Chapman University  
Resolution No. 257**

Martha Maldonado of staff introduced Mr. Bryan Victor, Esq., Bond Counsel, Orrick, Herrington & Sutcliffe; and, Ms. Casey Dove, Associate, Underwriter, Banc of America Securities.

Barbara Liebert stated that Chapman University was requesting \$96,000,000 in bond proceeds to refinance the CEFA Series 1996, 2005A and 2005B bonds, originally used to finance various campus projects. Additionally, the University seeks to refinance two taxable bank loans previously used to purchase several parcels in 1998 and 2002. Staff recommended approval in an amount not to exceed \$96,000,000 for Chapman University subject to a bond rating of at least an "A" by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

Anne Sheehan moved for adoption of the Resolution and Sylvia Scott-Hayes seconded the motion. The motion was adopted with a 5-0 vote.

**Item #5**

**California Lutheran University  
Resolution No. 258**

Summer Nishio of staff introduced Mr. Tom Marsh, Controller, California Lutheran University; Ms. Vessela Stoyanova, Associate, Bond Counsel, Nixon Peabody, and, Mr. Saul Rosenbaum, Managing Director, Underwriter, Prager, Sealy & Co.

Barbara Liebert stated that California Lutheran University was requesting \$40,000,000 in bond financing to finance the construction, renovation and acquisition of several projects, which will include a residence hall, cafeteria, academic building and a radio station. The University plans to incorporate several energy-efficient and environmentally-beneficial designs and materials into these projects and will be seeking to meet LEED Silver Certification for their new residence hall and academic building. Additionally, the University plans to refund the taxable CEFA Series 2004B bonds, allowing the University to restructure its long-term debt. Staff recommended approval in an amount not to exceed \$40,000,000 for California Lutheran University, subject to a bond rating of at least a "Baa" by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "Baa" rated debt.

Sylvia Scott-Hayes inquired if \$20,000,000 would be enough in bond financing to complete the projects outlined in the staff report.

Mr. Marsh replied that the University would also be using donor funds as well.

Anne Sheehan moved for adoption of the Resolution and Sylvia Scott-Hayes seconded the motion. The motion was adopted with a 5-0 vote.

Anne Sheehan stated that Item #6 had been converted to an information item on the Agenda and formal board action has been moved to the July 10, 2008 CEFA Board meeting.

Barbara Liebert stated that the student loan industry is the next victim in line following the housing crisis. Because of the credit downgrades and the general market instability associated with variable and auction rate upheavals, it has made it nearly impossible for this part of the industry to get access to credit support. ALL Student Loan is gearing up for the summer wave of student financings that will begin to filter in as students accept offers from various universities around California. ALL Student Loan faces a challenge in meeting credit support and has approached CEFA for this purpose. The concept is that ALL Student Loan would like to have access to approximately \$6.75 million of the Student Loan Fund which would be used as a mechanism for credit enhancement, enabling them to go out in the market for a much larger sum of \$225 million. ALL Student Loan provided staff with a proposed term sheet and various cash flows with default stress tests incorporated into them. CEFA's financial advisor, Public Financial Management is looking at the documents carefully and will work with staff to see if this is a transaction that can be recommended to the Authority at the July 10, 2008 meeting.

Patricia Wynne referred the Board Members to page 3 of the Executive Director's Report and pointed out the fund balance of \$7.3 million. She stated that the fund balance continues to grow but CEFA is limited on being able to create and provide a student loan program and by partnering with another non-profit organization, this is an opportunity to use the funds towards helping a student loan organization provide student loans to California students. This would be a way to leverage our funds to help them leverage their funds and California students would be the beneficiaries.

Quentin Wilson, President and Chief Executive Officer of ALL Student Loan expressed his appreciation to the Authority and provided a brief overview of what ALL Student Loan is trying to accomplish and how they envision CEFA assisting with the Student Loan Fund. He stated that using CEFA's fund balance, ALL Student Loan would be able to leverage over \$225 million in new student loans to California students this school year and with recent Federal Government action, All Student Loan feels they will be able to leverage more resources, not only for the current fiscal year, but may continue to increase for years to come if they can maintain these as long term bonds. Mr. Wilson stated that this is a tremendous leverage of a resource that until now has been waiting for a way to be used.

Michael Jackson asked if the Authority had the constitutional authority to fund this and how does this practically work using the fund balance as collateral to back this up and what is the mechanism leverage.

Mr. Wilson stated that the \$6.75 million will provide collateral, and in this market there was a time when you could finance student loans at 98 percent of par because they were 97 percent guaranteed. With the panic in the financial market, they now have to be guaranteed at over par despite the fact that they have a 97 percent guarantee for the underlying assets. CEFA's funds can provide this leverage. ALL Student loan will also be investing \$2.25 million into the transaction, but their debt will be subordinate to the funds provided by CEFA. This means if there is a loss, according to ALL Student Loan; the losses will first hit ALL Student Loan, and then CEFA.

Sylvia Scott-Hayes asked if the Authority needed to put out a proposal for other student loan financiers to have this opportunity.

Barbara Liebert stated she didn't think there was an obligation to send out a proposal and referred the question to the Attorney General's Office.

Julia Bilaver from the Attorney General's Office stated that student loan bonds fall underneath the yearly bond volume cap and at this time are the only applicant seeking allocation for student loans. Since this financing will be based on the volume cap for this year, ALL Student Loan is the only applicant eligible.

Cindy Aronberg asked if there were other competitors for student loan bonds going through the California Debt Limit Allocation Committee (CDLAC) for allocation.

Joanie Jones-Kelly, Executive Director for CDLAC stated that ALL Student Loan is the only applicant that has applied to CDLAC. The other student loan applicant that normally applies for allocation informed CDLAC that they decided not to apply this year because of the market and will not be in the student loan market in California this year.

(Sylvia Scott-Hayes left)

Patricia Wynne stated that staff will work with the Authority's financial advisor to review the benefits and the risk to the fund balance and will bring a clear understanding to the Board.

Barbara Liebert stated that if staff is unable to work through the specific information of this transaction, it will be brought before the Board as a conditional transaction with frame work from the Authority's Financial Advisor in mind as to ranges of terms that ALL Student Loan will need to satisfy in order to have the transaction go forward. A representative from the Authority's financial advisor firm will be at the Board meeting to walk through any questions the Board may have.

No public comment, the meeting was adjourned at 1:55 p.m.

Respectfully submitted by,

Barbara Liebert  
Executive Director