

MINUTES

**CALIFORNIA EDUCATIONAL
FACILITIES AUTHORITY (“CEFA”)
5th Floor Conference Room
915 Capitol Mall, Room 587
Sacramento, California 95814**

Thursday – December 1, 2011

1:30 PM

Deputy Treasurer Patricia Wynne, serving as Chairperson, called the CEFA meeting to order at 1:33 p.m.

CEFA Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chairperson
David O’Toole for John Chiang, State Controller, Vice-Chairperson
Jennifer Rockwell for Ana Matosantos, Director, Department of Finance

Members Absent: Sylvia Scott-Hayes
Michael Jackson

Staff Present: Ronald Washington, Executive Director
Rosalind Brewer, Deputy Executive Director

Chairperson Wynne declared a quorum present.

The minutes from the CEFA October 27, 2011 meeting were approved. Ms. Rockwell moved for approval of the minutes; Chairperson Wynne seconded the motion. The motion was adopted 2 aye votes with 1 abstain (Mr. O’Toole).

CEFA’s Executive Director’s Report

Mr. Washington gave the Executive Director’s report for December 1, 2011, which reflected total and outstanding debt and program balances for the months of September 30, 2011 and October 31, 2011. Mr. Washington also noted that the CEFA Top Borrower’s list was attached to the report and had remained relatively unchanged with the exception of Chapman University which is now reflected in the list.

Mr. Washington concluded his report with a brief introduction of CEFA’s new Associate Treasury Program Officer, Brian Aguilar.

Item #4

Master Delegation of Powers Resolution No. 2011-03

Mr. Washington requested approval of Resolution No. 2011-03 delegating certain powers and authorizing certain actions related to bond financings. Resolution No. 2011-03 identifies essentially the same powers and duties for delegation as the previous delegation resolutions adopted with the exception of subpart (viii) that reads: *Execute and deliver escrow agreements and escrow instructions in connection with the redemption, prepayment, defeasance or discharge of bonds.*

Staff recommended the Authority approve Resolution Number 2011-03 authorizing the delegation of certain functions to the Executive Director and Deputy Executive Director.

Mr. O’Toole moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 3 aye votes.

Item #5**University of the Pacific
Resolution No. 286**

Mr. Aguilar of staff stated that the University of the Pacific (UOP) was requesting approval to issue bonds in an amount not to exceed \$40,000,000 to finance a portion of the acquisition, relocation and renovation of a new main campus for UPO's Dugoni School of Dentistry in San Francisco. In adding, UOP also plans to refund all or a portion of their CEFA Series 1998 and CEFA Series 2000 bonds.

Representing UOP: Mr. Larry Brehm, Chief Investment Officer & Associate Vice President for Business & Finance, Mr. Bayani Manilay, Associate Director of Treasury, both from UOP; Mr. Saul Rosenbaum, Managing Director, Prager & Co., LLC, Underwriter; Ms. Patricia Eichar, Managing Associate, Orrick, Herrington, & Sutcliffe, LLP, Bond Counsel.

Staff recommended the Authority approve Resolution No. 286 in an amount not to exceed \$40,000,000 for the University of the Pacific subject to a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concur with the Authority's staff recommendations.

Mr. O'Toole moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 3 aye votes.

Item #6**Saint Mary's College of California
Resolution No. 2011-04**

Ms. Waddell of staff stated that Saint Mary's College of California ("Saint Mary's") was seeking Authority approval for a Cancellation Agreement relating to a financial guaranty insurance policy with MBIA Insurance Corporation ("MBIA") for the Saint Mary's College Series 2007 Bond (the "Bonds") issuance. The Series 2007 Bonds are currently insured with MBIA and have a direct letter of credit issued by Bank of America, N.A. Saint Mary's also requested to amend the provisions of the First Amended and Restated Loan Agreement and the First Amended and Restated Indenture to remove certain covenants, including eliminating the Unrestricted Net Assets Ratio covenant, which was required by MBIA as a condition of insuring the Bonds, implement certain changes consistent with the cancellation of the insurance policy and to provide for the remarketing of the Bonds following a mandatory tender.

Ms. Waddell added that the amendments to the First Amended and Restated Loan Agreement and the First Amended and Restated Indenture are authorized under the master delegation resolution and the rating of the bonds will not change or materially impact the Bonds since the Bonds will continue to be secured by the letter of credit.

Staff recommended the Authority approve Resolution No. 2011-04 authorizing the execution of a Cancellation Agreement by and among CEFA, the National Public Finance Guarantee Corporation in its capacity as Administrator for MBIA, Saint Mary's College of California, Bank of America, N.A., as letter of credit bank, and Union Bank, N.A., as bond trustee relating to a financial guaranty bond insurance policy for the CEFA (Saint Mary's College) Series 2007 Bond issuance.

Mr. O'Toole moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 3 aye votes.

Item #7**Cal Loan Student Loan Program
Resolution No. 2011-05**

Ms. Brewer stated that the Cal Loan Student Loan Program ("ALL") was seeking approval for further modifications to their collection procedures regarding settlement authority and their rehabilitation loan program to allow the collection agencies more flexibility in their collection efforts for their pre-default and defaulted loans. ALL amended their procedures with CEFA's

approval in December 2011, but has seen minimal results. The following is a list of the Requested Settlement Modifications:

- 1.) Increase the settlement process to six months for the borrower to remit the agreed-upon settlement amount. (Currently, accounts are required to be paid off within 30 days of settlement.)
- 2.) Allow the collection agencies to immediately offer rehabilitation or the settlement option. (Currently the agency has to offer the borrower rehabilitation first, then offer the settlement option at a later date.)
- 3.) ALL's pre-approval allows the settlement amount to be reduced to no less than 50% of the outstanding balance including principle, interest and fees. (Currently, settlements are limited to 75% of the outstanding balance.)
- 4.) In all settlement cases, if the borrower fails to meet the agreed-upon settlement repayment terms, the agreement will be null and void, and the agency may collect the remaining balance in full.

Requested Rehabilitation Modifications:

- 1.) Amend the Administration Agreement to include language that states rehabilitated borrowers will not be eligible for deferments or forbearances, but will be eligible for loan discharge due to death or permanent and total disability.
- 2.) ALL may offer a rehabilitation program where the student loan account is re-amortized for the remaining term or an extended term not to exceed March 19, 2019.

Staff recommended the Authority approve Resolution No. 2011-05 to amend the Second Amended and Restated Administration Agreement between CEFA and ALL to further modify the rehabilitation loan program and the settlement authority collection procedures regarding the 2001 Cal Loan bond program.

Mr. O'Toole moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 3 aye votes.

Item #8

**Post Issuance Tax Compliance procedures
Resolution No. 2011-06**

Mr. Washington stated that the Authority approved post-issuance tax compliance procedures at its June 30, 2011 meeting due to the IRS revisions to Form 8038.

STO Counsel and Bond Counsel reviewed other conduit issuer's adopted post-issuance tax compliance policies and procedures and, based on that review, have made various changes to CEFA's procedures. These changes are consistent with the procedures that other STO Authorities have adopted. The most significant change added a model for CEFA's Borrower's procedures which will be particularly helpful for educational facilities that may not have procedures in place. Other procedures added clarity and expressly specified some of the Borrower's responsibilities. The changes may need to be amended in the future due to changes in IRS requirements.

Staff recommended the Authority approve Resolution No. 2011-06 authorizing the adoption of the amended written post bond issuance tax compliance procedures.

Mr. O'Toole moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 3 aye votes.

With no public comment, the meeting was adjourned at 2:08 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director