

MINUTES

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

Thursday, September 27, 2012

1:30 PM

Deputy Treasurer Patricia Wynne, serving as Chairperson, called the CEFA meeting to order at 1:30 p.m.

CEFA Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chairperson
Ruth Holton-Hodson for John Chiang, State Controller, Vice-Chairperson
Jennifer Rockwell for Ana Matosantos, Director, Department of Finance
William McGinnis

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

Chairperson Wynne declared a quorum present.

The minutes from the CEFA July 25, 2012 meeting were approved. William McGinnis moved for approval of the minutes; Jennifer Rockwell seconded the motion. Motion adopted 4-0.

CEFA’s Executive Director’s Report

Ronald Washington gave the Executive Director’s report for June 30, 2012 and July 31, 2012, which reflected total and outstanding debt and program balances for the month of June and July 2012 and stated that July did not reflect any activity for expenditures due to efforts to par back on budget expenditures. He also noted that the top ten borrowers remained unchanged.

Mr. Washington stated that the annual financial audit by Gilbert Associates has been completed. The audit was reviewed by CEFA staff and was due to the State Controller’s Office by the middle of October and would be available to Board members in October.

Mr. Washington reported that Macias, Gini & O’Connell (“Macias”) has completed the first of two phases of their desk audit of ALL Student Loan Corporation (“ALL”), the Administrator of the Cal Loan program that began in February 2012. The second phase of the desk audit is for Macias to work with ALL to implement their list of recommendations, as outlined in their findings. Mr. Washington reported that CEFA is negotiating with Macias to enter into a new agreement in which to act on a number of the recommendations from the previous desk audit. Staff anticipates this report would be finalized and presented at the December Board meeting.

Mr. Washington presented the Delegation of Powers regarding Chapman University (“Chapman”). He stated that Chapman notified the Authority in August 2012 of its intention to replace Bank of America, N.A. as the direct pay letter of credit provider and Remarketing Agent, with Wells Fargo Bank, N.A. for Chapman’s CEFA Series 2008 A, B, C bonds. Mr. Washington reported that under direction from the Attorney General’s Office, a Supplemental Tax Certificate was executed.

Mr. Washington presented the Delegation of Powers regarding California College of the Arts (“CCA”). He stated CCA notified the Authority in July 2012 of its intent to request the resignation of the Bank of New York Mellon Trust Company, N.A., as Trustee on the CEFA Series 2001 and Series 2005 bond issues and appoint Wilmington Trust, N.A. as Successor Trustee. Mr. Washington reported that under direction from the Attorney General’s Office, an Instrument of Resignation, Appointment and Acceptance relating to Series 2001 and Series 2005 bond issuances was executed.

Chapman University

Item # 4

Resolution No. 2012-02

Kenna Waddell reported that Chapman University (“Chapman”) was seeking Authority approval to amend the project description to their CEFA 2011 Indenture and Loan Agreement to include the redemption of their CEFA Series 2008 A, B, C bonds (“2008 Bonds”). Ms. Waddell reported that subsequent to the CEFA Series 2011 bond issuance, Chapman discovered environmental contamination in a portion of the project site that required Chapman to change its capital construction plans leaving a significant portion of the Series 2011 bond proceeds unapplied to an appropriate capital project.

In April 2012, the Authority approved Resolution No. 2012-01 enabling Chapman to seek approval from the Internal Revenue Service (“IRS”) to “repurpose” a portion of their Series 2011 bonds through the Voluntary Closing Agreement Program (“VCAP”) for Tax-Exempt Bonds and Tax Credit Bonds.

Ms. Waddell reported that in August 2012, the IRS approved Chapman’s VCAP request and staff recommended Authority approval to change the project description and amend the 2011 Bond Indenture and Loan Agreement and to perform any other ministerial acts, which may be deemed necessary.

Mr. Larry Sobel, Tax Counsel, Orrick, Herrington & Sutcliffe was present, representing Chapman. Mr. Sobel stated Chapman had experienced some challenges to their expansion plans and had to discontinue their plans for their student housing and commissary project that was to be located on the contaminated site. With the approval of the IRS VCAP, the primary use of the proceeds would now be used to redeem the 2008 Bonds. Mr. Sobel said the IRS acknowledged the seriousness of the issue and understood that the nature of the event was not within Chapman’s control. The IRS cooperatively worked with Tax Counsel in meeting a resolution that gave Chapman the outcome they were seeking.

Ms. Holton-Hodson moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 4-0.

With no public comment, the CEFA meeting was adjourned at 1:45 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director