MINUTES

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

Thursday, January 30, 2014

1:30 PM

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

CEFA Roll Call

Members Present:	Michael Paparian for Bill Lockyer, State Treasurer, Chairperson Alan Gordon for John Chiang, State Controller, Vice-Chairperson Eraina L. Ortega for Michael Cohen, Director, Department of Finance William G. McGinnis
Absent:	Stacy Lewis Daher
Staff Present:	Ronald L. Washington, Executive Director Rosalind Brewer, Deputy Executive Director

Chairperson Paparian declared a quorum present.

Mr. Washington introduced Mark Weadick, Managing Director of Student Loan Capital Strategies LLC ("SLCS"), who participated via teleconference.

The minutes from the CEFA December 5, 2013 meeting were approved. Mr. Gordon moved for approval of the minutes; Ms. Ortega seconded it. Motion adopted 4-0.

CEFA's Executive Director's Report

Mr. Washington presented the Executive Director's report as of November 30, 2013 and December 31, 2013 that reflected total and outstanding debt and program balances and noted the top ten borrowers remained relatively unchanged.

Mr. Washington presented the Delegation of Powers report regarding Cal Loan Series 2001A. In December 2012, he stated the Authority requested Orrick, Herrington & Sutcliffe LLP ("Orrick") to seek clarification from the Internal Revenue Service ("IRS") regarding the tax treatment of a settlement payment received by CEFA from GE Funding Capital Market Services, Inc. for the investment of the proceeds of the Cal Loan Series 2001A bonds. Mr. Washington also reported, in January 2014, Orrick notified the Authority of the IRS' request for additional documentation in connection with the settlement received. In consultation with the State Treasurer's Office Legal Counsel, the CEFA Executive Director executed a supplemental statement in response to the IRS request, clarifying the Receipt of the Settlement Payment, providing a Statement of Good Faith, and confirmation that the Original Letter is a request for relief under the Tax Exempt Voluntary Closing Agreement Program.

Mr. Washington shared that, at the December 5, 2013 Authority meeting, the Board authorized ALL Student Loan Resources Corporation ("ALL") to hire a consultant to provide a valuation analysis on the Cal Loan portfolio for the possible sale of the loans. Mr. Washington reported ALL hired SLCS as a consultant for this project. SLCS performed a valuation of the Cal Loan Portfolio using data as of December 31, 2013 and provided ALL and CEFA with a preliminary valuation report.

Mr. Washington reported SLCS' valuation indicated approximately 85% of the loan pool has defaulted and is currently in collection status and the valuation of the defaulted loans is heavily dependent on recovery assumptions. Mr. Washington further reported SLCS' valuation range for this group of loans is 0.20% - 0.60% of par (or $0.002 - $0.006 cents per dollar). Approximately 15% of the performing pool is in a current pay status, defined as repayment, deferment or forbearance. The valuation range for the performing loans is 60% - 85% of par (or $0.60 - $0.85 cents per dollar).

Mr. Washington mentioned Macias Gini & O'Connell LLP, the Authority's financial analyst, previously recommended early redemption of the bonds in order to reduce the annual interest expenses on the outstanding bonds, which was projected to eliminate approximately $1.7 million in bond interest and administrative expenses over the remaining life of the bonds. Macias also projected a shortfall of $4 million after the performing pool of loans are paid off in 2017.

Representing ALL: Andre Afshar, Managing Director and Dawn Smith, Director, Strategic Planning, Compliance & Project Management.

Mr. Gordon stated the alternative scenario not being pursued at this time would be to allow the Bonds to default in 2017, which would require the insurer to pay the principal and interest on the outstanding Bonds.

Staff recommended the Authority approve Resolution No. 2014-01, authorizing the use of funds from the Student Loan Authority Fund to redeem all Bonds outstanding and allow the Executive Director to enter into an escrow agreement with the Credit Enhancer and Trustee, as Escrow Agent.

Mr. Gordon moved for the adoption of the Resolution and Ms. Ortega seconded it. Motion adopted 4-0.

With no public comment, the CEFA meeting was adjourned at 2:00 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director