

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
BOND FINANCING PROGRAM**

**EXECUTIVE SUMMARY**

|  |  |              |                      |                            |  |           |              |                 |         |                   |                            |
|--|--|--------------|----------------------|----------------------------|--|-----------|--------------|-----------------|---------|-------------------|----------------------------|
| <p><b>Applicant:</b> Charles R. Drew University of Medicine and Science (“CDU”) Los Angeles County</p> <p><b>Facility Type:</b> Private University</p> <p><b>Project Location:</b> 1731 E. 120<sup>th</sup> Street, Los Angeles, CA 90059</p> <p><b>Accreditation:</b> Western Association of Schools and Colleges</p>   | <p><b>Amount Requested:</b> \$33,000,000</p> <p><b>Date Requested:</b> December 4, 2014</p> <p><b>Resolution Number:</b> 298</p> |              |                      |                            |  |           |              |                 |         |                   |                            |
| <p><b>Use of Proceeds:</b> Bond proceeds will be used to refund the outstanding CEFA Series 2007 Variable Rate Demand Bonds allowing CDU to terminate its letter of credit with Santander Bank, formally known as Sovereign Bank.</p>  |  |              |                      |                            |  |           |              |                 |         |                   |                            |
| <p><b>Type of Issue:</b> Direct Bank Placement; variable rate (minimum denominations of \$250,000)</p> <p><b>Credit Enhancement:</b> N/A</p> <p><b>Underlying Credit Rating:</b> Unrated (please see Guidelines discussion, Page 3)</p> <p><b>Financing Team:</b> Please see Exhibit 1 to identify possible conflicts of interest</p>  |  |              |                      |                            |  |           |              |                 |         |                   |                            |
| <p><b>Environmental Benefits:</b> Since this transaction is a refunding of existing debt, environmental benefits are not applicable to this financing.</p>   |  |              |                      |                            |  |           |              |                 |         |                   |                            |
| <p><b>Financial Overview:</b> CDU continues to exhibit strong operating results over the review period. CDU’s financial strength appears sound with approximately \$92.3 million in total net assets for FYE June 30, 2013, and a proforma debt service coverage ratio of 3.27x.</p>   |  |              |                      |                            |  |           |              |                 |         |                   |                            |
| <p><b>Sources of Funds:</b></p> <table> <tr> <td>Par Amount of Bonds</td> <td align="right">\$33,000,000</td> </tr> <tr> <td><b>Total Sources</b></td> <td align="right"><u><u>\$33,000,000</u></u></td> </tr> </table>  | Par Amount of Bonds  | \$33,000,000 | <b>Total Sources</b> | <u><u>\$33,000,000</u></u> | <p><b>Uses of Funds:</b></p> <table> <tr> <td>Refunding</td> <td align="right">\$32,440,000</td> </tr> <tr> <td>Financing Costs</td> <td align="right">560,000</td> </tr> <tr> <td><b>Total Uses</b></td> <td align="right"><u><u>\$33,000,000</u></u></td> </tr> </table> | Refunding | \$32,440,000 | Financing Costs | 560,000 | <b>Total Uses</b> | <u><u>\$33,000,000</u></u> |
| Par Amount of Bonds  | \$33,000,000   |              |                      |                            |  |           |              |                 |         |                   |                            |
| <b>Total Sources</b>   | <u><u>\$33,000,000</u></u>   |              |                      |                            |  |           |              |                 |         |                   |                            |
| Refunding  | \$32,440,000   |              |                      |                            |  |           |              |                 |         |                   |                            |
| Financing Costs  | 560,000  |              |                      |                            |  |           |              |                 |         |                   |                            |
| <b>Total Uses</b>  | <u><u>\$33,000,000</u></u>   |              |                      |                            |  |           |              |                 |         |                   |                            |
| <p><b>Legal Review:</b> No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>  |  |              |                      |                            |  |           |              |                 |         |                   |                            |
| <p><b>Staff Recommendation:</b> Staff recommends the Authority approve Resolution No. 298 in an amount not to exceed \$33,000,000 for Charles R. Drew University of Medicine and Science as an unrated Direct Bank Placement. Macias, Gini &amp; O’Connell, LLP, the Authority’s financial analyst, and Fieldman, Rolapp, &amp; Associates the Authority’s financial advisor, concur with the Authority’s staff recommendations.</p> |  |              |                      |                            |  |           |              |                 |         |                   |                            |

**STAFF SUMMARY AND RECOMMENDATION**

Charles R. Drew University  
of Medicine and Science (the “CDU”)  
December 4, 2014  
Resolution No. 298

- I. PURPOSE OF FINANCING:** Bond proceeds will be used to refund the outstanding CEFA Series 2007 Variable Rate Demand Bonds allowing CDU to terminate its letter of credit with Santander Bank, formally known as Sovereign Bank.

**Refunding.....\$32,440,000**

CDU intends to refund the CEFA Series 2007 bonds, which \$32,440,000 is currently outstanding. With this financing, CDU will be able to terminate the letter of credit with Santander Bank, which is set to expire in November 2015.

CEFA Series 2007 bonds were originally issued in October 2007 in the amount of \$43,000,000. Bond proceeds were used to construct a new facility providing state-of-the-art space for laboratories, clinical research and support functions for the College of Medicine, the College of Science and Health, and the new School of Nursing.

**Environmental Benefits:** Since this transaction is a refunding of existing debt, environmental benefits are not applicable to this financing.

**Financing costs..... 560,000**

Cost of Issuance.....\$280,000  
Origination Fee..... 280,000

***TOTAL USES OF FUNDS..... \$33,000,000***

## **II. GUIDELINES DISCUSSION:**

Charles R. Drew University of Medicine and Science Series 2014 bonds (the “Bonds”) will be an unrated, direct bank placement with Western Alliance Public Finance. The following guidelines have been applied to this financing:

Charles R. Drew University of Medicine and Science, Series 2014 refunding revenue bonds (the “Bonds”) will be an unrated, direct bank placement with TPB Investments, Inc., a wholly-owned subsidiary of Western Alliance Bank (“Western Alliance”). The following guidelines have been applied to this financing until such time as the Bonds have achieved a rating of at least “A3” by Moody’s or “A-” by S&P:

- Must be privately placed with and transferred only to a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933, except that Western Alliance will be authorized to transfer the Bonds to (i) a Qualified Affiliate\* of Western Alliance, or (ii) a trust or custodial arrangement established by Western Alliance or a Qualified Affiliate the beneficial owners of which are Qualified Institutional Buyers;
- Minimum denomination of \$250,000;
- Unconditional Promise to Pay from Borrower;
- Investor Letter (or equivalent provisions in the bond purchase agreement) required at issuance;
- Bond transfer restrictions must be noted conspicuously on the Bond itself; and
- Bonds must be physically delivered.

All of the foregoing requirements are designed to maximize the likelihood that the unrated bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The Bonds are not rated at this time because Western Alliance, as purchaser, does not require the Bonds to be rated. Western Alliance has indicated it is a Qualified Institutional Buyer under SEC Rule 144A and will make an independent credit determination to purchase the Bonds. Both of the foregoing will be reflected in its investor letter (or equivalent provisions in the bond purchase agreement).

\* “Qualified Affiliate” means a Person that is an “accredited investor” as defined in Rule 501(a)(1) through (3) of Regulation D promulgated under the Securities Act of 1933, as amended, as in effect as of the date hereof, that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, Western Alliance. A Person shall be deemed to control another Person for the purposes of this definition if such first Qualified Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

### III. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

The Executive Summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff. These covenants cannot be diluted or removed without subsequent review. If there have been modifications to the covenant proposal following the preparation of this Executive Summary, staff will report such changes at the meeting.

After reviewing CDU's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, CDU's financial advisor, the Authority's financial advisor (Fieldman, Rolapp & Associates, Inc. ("Fieldman Rolapp")), and the underwriter of the proposed Bonds have concluded that the covenants listed below should be applicable to this transaction. CDU, CDU's financial advisor, and Fieldman Rolapp note that these covenants contain necessary tax and legal covenants that are consistent with those that have applied to CDU's prior bond transaction and CDU's current financial situation does not suggest that additional covenants should be required.

- **Master Indenture and Master Note.** *Borrower will enter into a Master Indenture with Wells Fargo, as master trustee, and issue its Master Note to secure Borrower's obligations under the Loan Agreement.*
- **Unconditional Promise to Pay.** *Borrower agrees to pay Trustee all amounts required for principal and interest and other payments and expenses designated in the Loan Agreement. In addition, all amounts held in a designated fund or account under the Indenture (other than the Rebate Fund) are pledged to secure the full payment of the Bonds.*
- **Security Interest in Designated Property/Deed of Trust.** *The Borrower will deliver a Deed of Trust securing its obligations under the Master Indenture. The Deed of Trust will encumber Borrower properties in Los Angeles.*
- **Limited Permitted Encumbrances.** *Borrower is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Master Indenture, the Loan Agreement and the Deed of Trust.*
- **Disposition of Property Limitations.** *Borrower agrees not to sell, lease or dispose of substantially all assets unless authorized by the Master Indenture and the Loan Agreement.*
- **General Obligation of Borrower.** *Borrower's obligation to pay Trustee under the Loan Agreement is a general obligation payable from any and all legally available funds of the Borrower. There is no specific pledge of revenues of the Borrower.*
- **No Debt Service Reserve.** *There will not be any debt service reserve established under the Master Indenture or the Indenture.*
- **Debt Service Coverage Requirement.** *A minimum ratio of at least 1.10x coverage to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments is required in the Master Indenture.*
- **Additional Debt Limitation.** *Borrower agrees not to incur additional Debt unless authorized by the Master Indenture and the Loan Agreement.*
- **Cash or Liquidity Requirements.** *Under the Master Indenture, Borrower promises to maintain a balance of its liquid assets at a prescribed level (60 days). This is measured semiannually.*
- **Initially Exempt from SEC Rule 15c2-12.** *The Bonds are being privately placed with TPB Investments, Inc., a subsidiary of Western Alliance Bank, and so are initially exempt from continuing disclosure pursuant to SEC Rule 15c2-12. Borrower agrees to comply with such continuing disclosure undertakings under the Rule if the Bonds ever become subject to the Rule.*

Staff and Fieldman Rolapp have reviewed the entirety of this financing package and find it to be acceptable and appropriate given the credit quality of CDU.

#### IV. FINANCIAL ANALYSIS:

Charles R. Drew University of Medicine and Science  
Statement of Activities  
 Unrestricted

|  | Fiscal Year Ended June 30, |                      |                       |
|--|----------------------------|----------------------|-----------------------|
|  | 2013                       | 2012                 | 2011                  |
| <b>Operating activities:</b>   |                            |                      |                       |
| <b><i>Revenue and gains:</i></b>   |                            |                      |                       |
| Tuition and fees   | \$ 12,574,400              | \$ 11,089,300        | \$ 5,227,800          |
| Federal grants and contracts   | 19,990,500                 | 23,092,500           | 24,423,400            |
| State and local government grants and contracts                          | 12,603,700                 | 11,817,200           | 22,380,900            |
| Private gifts, grants and contracts                                      | 668,600                    | 625,700              | 24,500                |
| Investment income (loss), net  | 3,948,800                  | (1,543,500)          | 1,326,200             |
| Auxiliary enterprises  | 934,000                    | 647,100              | 892,700               |
| Total revenue and gains  | 50,720,000                 | 45,728,300           | 54,275,500            |
| <br>Net assets released from restrictions                                | <br>4,283,800              | <br>4,979,600        | <br>6,409,400         |
| <br>Total revenue and gains and<br>Net assets released from restrictions | <br>55,003,800             | <br>50,707,900       | <br>60,684,900        |
| <br><b><i>Expenses:</i></b>  |                            |                      |                       |
| Instruction  | 8,384,200                  | 8,111,300            | 4,509,000             |
| Public service   | 2,783,400                  | 3,055,400            | 3,047,400             |
| Research   | 18,451,200                 | 20,000,200           | 21,599,600            |
| Academic support   | 3,900,800                  | 5,044,600            | 5,575,200             |
| Student services   | 1,480,600                  | 1,243,900            | 1,170,500             |
| Institutional support  | 12,721,400                 | 7,604,700            | 10,284,400            |
| Special events   | 28,000                     | 14,700               | 18,800                |
| Operation and maintenance of plant                                       | 1,591,100                  | 1,550,500            | 1,619,200             |
| Auxiliary enterprises  | 962,800                    | 628,000              | 620,300               |
| Total expenses   | 50,303,500                 | 47,253,300           | 48,444,400            |
| <br>Change in net assets before other changes                            | <br>4,700,300              | <br>3,454,600        | <br>12,240,500        |
| <br><b><i>Other changes:</i></b>   |                            |                      |                       |
| Unrealized gain (loss) on interest rate swap                             | 4,352,100                  | (3,941,200)          | 1,376,500             |
| <br><b>Change in net assets</b>  | <br><b>9,052,400</b>       | <br><b>(486,600)</b> | <br><b>13,617,000</b> |
| <br>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR                           | <br>14,891,400             | <br>15,378,000       | <br>1,761,000         |
| UNRESTRICTED NET ASSETS, END OF YEAR                                     | <b>\$ 23,943,800</b>       | <b>\$ 14,891,400</b> | <b>\$ 15,378,000</b>  |

**Charles R. Drew University of Medicine and Science**  
**Statement of Financial Position**

|  | As of June 30,        |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | <u>2013</u>           | <u>2012</u>           | <u>2011</u>           |
| <b>ASSETS:</b>                             |                       |                       |                       |
| Cash and cash equivalents                  | \$ 8,041,100          | \$ 7,310,000          | \$ 4,509,100          |
| Restricted cash and cash equivalents       | 682,900               | 2,981,000             | 2,944,800             |
| Grants and contracts receivable, net       | 9,215,100             | 7,811,900             | 8,657,000             |
| Prepaid expenses and other assets          | 1,651,900             | 1,154,900             | 1,593,900             |
| Deferred charge                            | 1,344,600             | 1,392,700             | 1,435,900             |
| Investments and investments held by others | 75,179,100            | 61,339,000            | 51,973,300            |
| Property, plant and equipment, net         | 48,826,200            | 51,375,700            | 53,310,000            |
| <b>TOTAL ASSETS</b>                        | <b>\$ 144,940,900</b> | <b>\$ 133,365,200</b> | <b>\$ 124,424,000</b> |
| <br><b>LIABILITIES AND NET ASSETS:</b>     |                       |                       |                       |
| Accounts payable                           | \$ 2,566,000          | \$ 2,400,000          | \$ 1,416,200          |
| Accrued expenses                           | 4,293,400             | 5,883,200             | 7,971,300             |
| Notes payable                              | 2,825,700             | 2,881,600             | 2,921,800             |
| Bond payable                               | 32,700,000            | 34,570,000            | 34,650,000            |
| Interest rate swap liability               | 4,329,400             | 8,681,500             | 4,740,300             |
| Refundable advances                        | 1,788,400             | 845,700               | 600,300               |
| Deferred revenue                           | 3,883,100             | 2,484,100             | 1,975,400             |
| Obligations under capital leases           | 222,500               | 408,500               | 475,300               |
| <b>TOTAL LIABILITIES</b>                   | <b>52,608,500</b>     | <b>58,154,600</b>     | <b>54,750,600</b>     |
| <br><b>NET ASSETS:</b>                     |                       |                       |                       |
| Unrestricted                               | 23,943,800            | 14,891,400            | 15,378,000            |
| Temporarily restricted                     | 37,618,400            | 29,549,000            | 23,525,200            |
| Permanently restricted                     | 30,770,200            | 30,770,200            | 30,770,200            |
| <b>Total Net Assets</b>                    | <b>92,332,400</b>     | <b>75,210,600</b>     | <b>69,673,400</b>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>    | <b>\$ 144,940,900</b> | <b>\$ 133,365,200</b> | <b>\$ 124,424,000</b> |

Financial Ratios

|   | <b>Proforma</b>        |             |             |             |
|---|------------------------|-------------|-------------|-------------|
|   | <b>FYE 6/30/13 (a)</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| Debt service coverage (x)               | 3.27                   | 3.85        | 4.00        | 9.56        |
| Debt to expendable net assets (x)       | 0.59                   | 0.58        | 0.85        | 0.98        |
| Expendable net assets to operations (x) |                        | 1.27        | 0.94        | 0.77        |
| Margin (%)                              |                        | 7.75        | 6.81        | 22.25       |

(a) Recalculates FY 2013 financial results to include the impact of the proposed financing.

## **Financial Discussion:**

### **CDU continues to exhibit strong operating results over the review period.**

Unlike most private universities, which are primarily funded through tuition and fees, CDU receives a majority of its funding from federal, state and local government grants and contracts, and tuition and fees, which represents approximately 64.3% of total revenues in FY 2013.

Total revenue fluctuated over the review period from approximately \$60.7 million in FY 2011, decreasing to approximately \$50.7 million in FY 2012, and increasing to approximately \$55 million in FY 2013. According to CDU, this fluctuation is due to a significant increase in net tuition and fees, a one-time \$10 million supplement from the University of California Regents to reduce the principal amount of the CEFA Series 2007 bonds in FY 2011, and fluctuations in investment income.

Net tuition and fees have significantly increased, from approximately \$5.2 million in FY 2011 to approximately \$12.6 million in FY 2013. According to CDU, the key factor contributing to this increase is the successful development of the Student of Nursing (“SON”) program. This program began in the Fall of 2010 with 18 students and grew dramatically over the course of the academic years. Student Enrollment increased from 321 in Fall 2010 to 603 in Fall 2014 primarily due to the opening of the SON. Actual enrollment in SON far exceeded original projections. Relative to the first term of SON instruction in Fall 2010 (with 18 initial students taking 259 credit hours), Master of Science in Nursing enrollments as of Fall term 2013 increased over 15-fold to over 292 students, and almost 13-fold to 3,605 student credit hours. College of Science and Health enrollment has also exceeded budget projections in recent years.

According to CDU, the investment loss of approximately \$1.5 million in FY 2012 was due to turbulence in the financial markets.

Total operating expenses fluctuated from approximately \$48.4 million in FY 2011 to approximately \$50.3 million in FY 2013. According to CDU, this fluctuation can be attributed to the increase in instructional expenses due to the successful development of the SON program. CDU hired additional staff to support the growing student enrollment in the SON program. Additionally, the office of Chief Operating Officer was created in FY 2013 incurring approximately \$2 million in consulting, legal, and personal expenditures.

### **CDU’s financial strength appears sound with approximately \$92.3 million in total net assets for FYE June 30, 2013, and a proforma debt service coverage ratio of 3.27x.**

CDU has exhibited significant growth in its total net assets of approximately 33% from \$69.7 million in FY 2011 to \$92.3 million in FY 2013. According to CDU, this growth can be attributed to continuous positive operations and the significant growth in investments and investments held by others, which increased approximately 45% from \$51.9 million in FY 2011 to \$75.2 million in FY 2013. Investments held by others represent funds invested with the University of California, Los Angeles (“UCLA”) Foundation endowment pool.

According to CDU, total assets increased approximately \$11.5 million from FY 2012 to FY 2013 from \$133.4 million to approximately \$144.9 million. This increase is a result of the \$5 million National Institutes of Health endowment grant, investment gains and positive cash flow.

CDU anticipates continuing to generate positive financial results due to improvements to its facilities. With this proposed financing, the proforma debt service coverage ratio remains solid at a 3.27x, indicating CDU can likely manage the additional debt.



## **V. BACKGROUND:**

### **General:**

Charles R. Drew University of Medicine and Science (“CDU”) is a nonprofit educational institution that is comprised of a college of medicine, a college of science and health and a variety of educational, research, and community programs. CDU is an academic health sciences center developing students and ideas that improve the quality of health for medically underserved and multicultural populations.

Located in the Watts-Willowbrook area of South Los Angeles, CDU has graduated more than 550 medical doctors, 2,500 post-graduate physicians, more than 2,000 physician assistants and hundreds of other health professionals. CDU has earned the designation as a minority-serving institution by the U.S. Office of Civil Rights. Its College of Medicine is recognized by the Department of Education as a Historically Black Graduate Institution. CDU is a charter member of the Hispanic Serving Health Professions Schools, a national nonprofit dedicated to improving the health of Hispanic people through research initiatives, training opportunities, and academic development. CDU’s mission is to conduct education, research and clinical services in the context of community engagement to train health professionals who promote wellness, provide care with excellence and compassion, and transform the health of underserved communities.

### **Administration:**

CDU is governed by a Board of Trustees (the “Board”), which may consist of up to 21 members. All members of the Board, except ex-officio members, hold a term of office of three years. The Board is composed of the President of the University, one faculty member, and a member of the student body, in addition to non-ex-officio members.. The Board currently includes the Dean of the University of California at Los Angeles School of Medicine and Dean of the Keck School of Medicine of the University Southern of California.

### **Accreditations and Affiliations:**

CDU is accredited by the Western Association of Schools and Colleges (“WASC”). It is also a recipient of a number of other program-specific accreditations including the Liaison Committee on Medical Education, and National League for Nursing Accrediting Commission.

### **Academic Programs:**

CDU is organized into three educational schools: College of Science and Health (“COSH”), College of Medicine (“COM”), and the School of Nursing (“SON”).

The College of Science and Health has 21 full-time faculty and 19 part-time faculty (six of the full-time faculty hold joint appointments in the College of Medicine). Enrollment in these programs as of Fall 2014 was 190 students. It offers undergraduate programs in Radiology (AS), Life Sciences (BS), and Post-Baccalaureate Pre-Medicine (Certificate). It also offers a graduate program in Urban Public Health (MPH).

The COM has a Medical Education (MD) program, which is conducted in partnership with the David Geffen School of Medicine at UCLA, and is registered by WASC as a UCLA affiliate degree

program (Medicine-Drew). COM currently has 54 full-time faculty, 27 part-time faculty and 108 non-compensated faculty (the latter are primarily clinical and research faculty members who make voluntary contributions to academic programs and university service). The majority of full time faculty members have dual UCLA appointments. Student enrollment as of Fall 2014 was 121 students. COM also conducts a continuing medical education (“CME”) program, which recently received professional accreditation with commendation by the Accreditation Council for Continuing Medical Education (“ACCME”).

The SON has 23 full-time faculty, 19 part-time faculty and 5 non-compensated faculty members. Student enrollment as of Fall 2014 was 292 students. SON offers a master of science in nursing with three tracks: an entry-level master, family nurse practitioner, and advanced nurse educator track. SON also offers a postmaster’s certificate in advanced nursing education.

## VI. OUTSTANDING DEBT:

| <u>Issue</u>                                  | <u>Original Issue<br/>Amount</u> | <u>Amount<br/>Outstanding<br/>as of 6/30/2013</u> | <u>Estimated<br/>Amount<br/>Outstanding After<br/>Proposed<br/>Financing</u> |
|---|----------------------------------|---|--|
| <b>Existing Debt:</b>                         |                                  |   |  |
| CEFA, Series 2007                             | \$ 43,000,000                    | \$ 32,700,000                                     | \$ -   |
| Mortgage Payble, CalHFA*                      |                                  | 1,863,400   | 1,863,400  |
| Mortgage Payble, CalHFA* second deed of trust |                                  | 704,700   | 704,700  |
| Mortgage Payble, CalHFA* third deed of trust  |                                  | 257,600   | 257,600  |
| <b>Proposed:</b>                              |                                  |   |  |
| <b>CEFA, Series 2014</b>                      |                                  |   | <b>33,000,000</b>  |
| Total   |                                  | <u>\$ 35,525,700</u>                              | <u>\$ 35,825,700</u>   |

\*California Housing Finance Authority

## VII. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act
- Iran Contracting Act Certificate – Not required with this financing

## VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 298 in an amount not to exceed \$33,000,000 for Charles R. Drew University of Medicine and Science as an unrated Direct Bank Placement. Macias, Gini & O'Connell, LLP, the Authority's financial analyst, and Fieldman, Rolapp & Associates, the Authority's financial advisor, concur with the Authority's staff recommendations.

## EXHIBIT 1

### Financing Team Charles R. Drew University of Medicine and Science

Agent for Sale: California State Treasurer

Borrower: Charles R. Drew University  
of Medicine and Science

Issuer's Counsel: Attorney General's Office

Issuer's Financial Advisor: Fieldman, Rolapp & Associates

Issuer's Financial Analyst: Macias Gini & O'Connell LLP

Borrower's Counsel: Dentons US LLP

Borrower's Financial Advisor: Public Financial Management, Inc.

Bond Counsel: Kutak Rock LLP

Direct Placement Purchaser: TPB Investments, Inc.

Direct Placement Purchaser's Counsel: Squire Patton Boggs (US) LLP

Trustee: Wells Fargo Bank, National Association

Trustee's Counsel: Wells Fargo Bank & Company

Auditor: Haskell & White LLP

**RESOLUTION**

RESOLUTION NO. 298

**RESOLUTION OF THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
AUTHORIZING THE ISSUANCE OF REVENUE BONDS  
TO REFINANCE PROJECTS  
AT THE EDUCATIONAL FACILITIES  
OF CHARLES R. DREW UNIVERSITY OF MEDICINE AND SCIENCE**

December 4, 2014

**W I T N E S S E T H :**

WHEREAS, the California Educational Facilities Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Educational Facilities Authority Act (the “Act”) to issue revenue bonds and to loan the proceeds thereof to a participating private college or a participating nonprofit entity (both as defined in the Act) for the acquisition or construction of projects (as defined in the Act), to refund existing bonds, mortgages, or advances or other obligations incurred, given, or made by a participating private college for the acquisition or construction of any projects, to loan the proceeds thereof to a participating private college for the purpose of refinancing projects not originally funded pursuant to the Act (including repayment of costs, as defined in the Act), and to refund existing bonds or notes of the Authority;

WHEREAS, Charles R. Drew University of Medicine and Science (the “Borrower”) is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California;

WHEREAS, the Authority has previously issued its Variable Rate Demand Revenue Bonds (Charles Drew University of Medicine and Science Project), Series 2007 (the “Prior Bonds”), in the aggregate principal amount of \$43,000,000, of which \$32,440,000 is currently outstanding, and made a loan (the “Prior Loan”) of the proceeds thereof to the Borrower to finance or refinance the acquisition or construction of projects, as more particularly described under the caption “Prior Project” in Exhibit A hereto (the “Prior Project”);

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$33,000,000, (i) to refund all or a portion of the outstanding Prior Bonds, (ii) to make one or more loans of the proceeds of the Bonds (as defined below) to the Borrower to refinance the Prior Loan and (iii) to pay costs of issuance of the Bonds;

WHEREAS, to the extent required by subdivision (b) of Section 94212 of the Education Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Prior Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a “project” under such division; and

WHEREAS, the Bonds shall be sold to TPB Investments, Inc. (the “Purchaser”), a Qualified Institutional Buyer, as defined in the indenture pursuant to which the Bonds will be issued; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought.

NOW, THEREFORE, BE IT RESOLVED by the California Educational Facilities Authority as follows:

**Section 1.** Pursuant to the Act, revenue bonds of the Authority designated as the “California Educational Facilities Authority Refunding Revenue Bonds (Charles R. Drew University of Medicine and Science), Series 2014” (the “Bonds”), in a total aggregate principal amount not to exceed \$33,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth recital above.

**Section 2.** The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time within one year of the date of adoption of this Resolution, at public or private sale, in such aggregate principal amount (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices, at such interest rate or rates, with such maturity date or dates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds may be unrated and shall be subject to transfer restrictions as provided in the Indenture (defined below). The Bonds or any series of them may, at the sole option of the Borrower, be secured or supported by one or more of the following: deed of trust, bond reserve fund, bond insurance, other credit and/or liquidity facility and/or another security arrangement.

**Section 3.** The following documents:

(a) the Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower;

(b) the Indenture relating to the Bonds (the “Indenture”), between the Authority and Wells Fargo Bank, National Association (the “Trustee”); and

(c) the Bond Purchase Agreement, including the appendices thereto, relating to the Bonds (the “Bond Purchase Agreement”), among the Purchaser, the Treasurer and the Authority, and the Borrower;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer(s) executing the same may require or approve, such approval to be

conclusively evidenced by execution and delivery thereof. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

**Section 4.** The dated dates, maturity dates (not exceeding 50 years from the respective date of issue), interest rates, manner of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of purchase or tender, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for credit and/or liquidity facilities, if any, from time to time, shall be as provided in the Indenture, as finally executed.

**Section 5.** The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Purchaser thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Purchaser, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

**Section 6.** Each officer of the Authority is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indenture, Loan Agreement and Bond Purchase Agreement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provision of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

**Section 7.** The provisions of the Authority's Resolution No. 2013-01, dated as of January 31, 2013, as amended on December 5, 2013, apply to the documents and actions approved in this Resolution.

**Section 8.** The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

**Section 9.** This Resolution shall take effect from and after the date of adoption.

Date of Adoption: December 4, 2014

## **EXHIBIT A**

### **DESCRIPTION OF THE PROJECT**

The Project includes (i) an approximately 63,000 square foot building for life sciences research and nursing education owned by the Borrower and located in the County of Los Angeles on the Borrower's campus at or about 1748 E. 118<sup>th</sup> Street, Los Angeles, California (the "Building"); and (ii) the furniture, fixtures and equipment in the Building.