

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

<p>Applicant: Pepperdine University ("Pepperdine") 24255 Pacific Coast Highway Malibu, CA 90263 Los Angeles County</p> <p>Facility Type: Private University</p> <p>Project Location: Malibu, CA</p> <p>Accreditation: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$75,000,000</p> <p>Date Requested: December 4, 2014</p> <p>Resolution Number: 300</p>														
<p>Use of Proceeds: Bond proceeds will be used to refund a portion of the outstanding CEFA Series 2005A and Series 2005B. In addition, bond proceeds will be used to fund capital improvements on the Malibu campus and pay the cost of issuance for the CEFA Series 2014 bonds.</p>															
<p>Type of Issue: Negotiated public offering, tax-exempt fixed rates</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: Aa3 (Moody's)</p> <p>Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>															
<p>Environmental Benefits: Pepperdine outlined several key goals to ensure that the operations and infrastructure projects model best practices for learning by all members of the community. In order to achieve these goals, Pepperdine has developed plans to implement solutions that involve using sustainable design principles, incorporating renewable energy sources and/or the conserving resources, and improving energy efficiency, air quality and water.</p>															
<p>Financial Overview: Pepperdine has exhibited strong results supported by a growing revenue base from net tuition and fees, student room and board, and investments. Pepperdine has a strong balance sheet with moderate relative debt with a solid debt service ratio of 8.31x.</p>															
<p>Sources of Funds:</p> <table> <tr> <td>Par Amount of Bonds</td> <td align="right">\$75,000,000</td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td>Total Sources</td> <td align="right"><u>\$75,000,000</u></td> </tr> </table>	Par Amount of Bonds	\$75,000,000	 	 	Total Sources	<u>\$75,000,000</u>	<p>Uses of Funds:</p> <table> <tr> <td>Project Fund</td> <td align="right">\$49,200,000</td> </tr> <tr> <td>Refunding</td> <td align="right">25,000,000</td> </tr> <tr> <td>Financing Costs</td> <td align="right"><u>800,000</u></td> </tr> <tr> <td>Total Uses</td> <td align="right"><u>\$75,000,000</u></td> </tr> </table>	Project Fund	\$49,200,000	Refunding	25,000,000	Financing Costs	<u>800,000</u>	Total Uses	<u>\$75,000,000</u>
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Refunding	25,000,000														
Financing Costs	<u>800,000</u>														
Total Uses	<u>\$75,000,000</u>														
<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the applicant.</p>															
<p>Staff Recommendation: Staff recommends the Authority approve Resolution No. 300 in an amount not to exceed \$75,000,000 for Pepperdine University 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.</p>															

STAFF SUMMARY AND RECOMMENDATION

Pepperdine University (“Pepperdine”)

December 4, 2014
Resolution No. 300

I. **PURPOSE OF FINANCING:** Pepperdine is embarking on a plan to restructure its debt and take advantage of the current low interest rate environment in the bond market. Bond proceeds will be used to advance refund a portion of the outstanding CEFA Series 2005A and Series 2005B Fixed Rate Revenue Bonds. In addition, bond proceeds will be used to fund capital improvements on the Malibu campus and pay the costs of issuance for the Series 2014 Bonds. The refunding will generate an overall net present value savings of approximately \$2.5 million over the life of the bonds.

Project Fund **\$ 49,200,000**

Pepperdine intends to use bond proceeds to fund capital improvements on the Malibu campus, including, but not limited to, renovations to and expansion of various educational buildings, student housing renovations or construction, enhancements to athletic facilities, construction of parking facilities or structures, a new athletic field, and other infrastructure projects.

Environmental Benefits:

Pepperdine outlined several key goals to ensure that the operations and infrastructure projects model best practices for learning by all members of the community. In order to achieve these goals, Pepperdine has developed plans to implement solutions that involve using sustainable design principles, incorporating renewable energy sources and/or the conserving resources, and improving energy efficiency, air quality and water.

Refunding **25,000,000**

Pepperdine plans to refund a portion of the CEFA Series 2005A and Series 2005B. The CEFA Series 2005 bonds were originally issued in the amount of \$120 million. Pepperdine intends to refund a portion of the outstanding balance of approximately \$24 million. Bond proceeds were originally used to refund the outstanding CEFA Revenue Bonds for Series 1995A and Series 1999B, advance refund a portion of Series 1999A and advance refund Series 2000 and Series 2002A. In addition, Pepperdine renovated the Thornton Administrative Center and made improvement to various campus facilities.

Financing Costs..... **800,000**

Cost of Issuance 350,000
Underwriter’s Discount 450,000

TOTAL USES OF FUNDS..... **\$75,000,000**

II. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

Executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. 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 it at the meeting.

After reviewing Pepperdine credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Pepperdine, the Authority's financial advisor (Public Financial Management, Inc.), and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. Pepperdine, the underwriter and Public Financial Management, Inc. note that the current financial situation of Pepperdine does not suggest that additional covenants should be required by the Authority.

- ✓ **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. Section 5 of Loan Agreement. All Revenues¹ and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the bonds. No Gross Revenue pledge by Pepperdine but Revenue pledge under Section 5.01 of Indenture.*
- ✓ **Comply with SEC Rule 15c2-12.** *The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or borrower contractually agrees to disclose designated financial and operating information to the marketplace during the life of the bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc. Section 15(g) of Loan Agreement.*

Staff and Public Financial Management reviewed the entirety of this financing package and find it to be acceptable.

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¹Capitalized terms are defined in the Indenture.

III. FINANCIAL ANALYSIS:

Pepperdine University
Statement of Activities
 Unrestricted (\$000's)

	Year Ended July 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:			
Net tuition and fees	\$ 201,507	\$ 191,734	\$ 188,534
Room and board	34,425	34,675	32,465
Private gifts and grants	11,476	12,098	10,905
Endowment support	33,377	32,855	31,527
Government grants	3,679	3,546	3,624
Sales and services	6,430	7,032	6,273
Other revenue	6,118	5,455	4,344
Net assets released from restrictions	5,058	8,890	26,744
Total revenues	<u>302,070</u>	<u>296,285</u>	<u>304,416</u>
Expenses:			
Instructional and research	90,382	86,348	84,163
Academic support	49,647	51,670	49,506
Student services	49,145	48,381	48,806
Public service	14,202	14,168	15,009
Auxiliary enterprises	26,847	26,331	23,744
Management and general	52,521	52,609	46,608
Membership development	2,304	2,036	1,824
Fund-raising activities	7,445	7,431	7,707
Total expenses	<u>292,493</u>	<u>288,974</u>	<u>277,367</u>
Change in net assets before nonoperating revenues and expenses	9,577	7,311	27,049
Non-operating activities:			
Investment income			
Dividends	8,831	6,773	6,632
Interest	854	299	1,135
Other	6,142	6,731	7,599
Investment expenses	(3,500)	(3,018)	(3,246)
Net realized and unrealized investment gains	47,783	17,806	(16,788)
Foreign currency translation	15	1,362	(2,606)
Other changes	2,788	(1,905)	(60)
Total nonoperating revenues and expenses	<u>62,913</u>	<u>28,048</u>	<u>(7,334)</u>
Change in net assets	72,490	35,359	19,715
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>630,777</u>	<u>595,418</u>	<u>575,703</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 703,267</u>	<u>\$ 630,777</u>	<u>\$ 595,418</u>

Pepperdine University
Statement of Financial Position (000's)

	As of July 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS:			
Cash and cash equivalents	\$ 34,650	\$ 68,941	\$ 76,625
Student receivables, less allowance for doubtful accounts	1,848	1,295	1,183
Other accounts receivable	4,002	4,062	3,119
Prepaid expenses, inventories, and other assets	6,149	5,512	4,903
Student loans, less allowance for loan loss	22,038	22,749	23,812
Contributions receivable, net	33,877	30,597	28,905
Investments	963,133	830,726	767,261
Assets held as trustee or agent	128,374	123,843	124,459
Property, facilities, and equipment, net	361,613	362,409	341,180
Total assets	\$ 1,555,684	\$ 1,450,134	\$ 1,371,447
LIABILITIES AND NET ASSETS:			
Accounts payable and accrued liabilities	\$ 18,586	\$ 28,855	\$ 15,730
Accrued salaries and wages	4,369	3,579	3,364
Student deposits, advance payments and deferred revenue	11,092	9,977	10,012
Asset retirement obligations	6,199	5,912	5,720
US government-funded student loans	15,695	15,340	15,006
Trust and agency obligations	69,136	70,754	74,951
Long-term obligations	236,547	238,750	239,422
Total liabilities	361,624	373,167	364,205
Net assets:			
Unrestricted	703,267	630,777	595,418
Temporarily restricted	137,943	118,605	103,043
Permanently restricted	352,850	327,585	305,781
Total net assets	1,194,060	1,076,967	1,004,242
TOTAL LIABILITIES AND NET ASSETS	\$ 1,555,684	\$ 1,450,134	\$ 1,368,447

Financial Ratios

	Proforma			
	<u>FYE 7/31/14 (a)</u>			
Debt service coverage (x)	7.21	8.31	5.40	4.56
Debt to expendable net assets (x)	0.07	0.34	0.32	0.28
Expendable net assets to operations (x)		2.52	2.59	2.88
Margin		9%	2%	3%

(a) Recalculates FY 2014 results to include the impact of this proposed financing

Financial Discussion:

Pepperdine has exhibited strong results supported by a growing revenue base from net tuition and fees, student room and board, and investments.

Pepperdine has exhibited solid growth in revenues lead by net tuition and fees growth over the review period. Pepperdine's solid reputation and rankings have resulted in strong numbers of applications, heightened selectivity and increased enrollment. Revenues mainly consist of net tuition and fees, room and board, and investment returns/income, providing Pepperdine a solid well diversified revenue base. Pepperdine's academic operations remained solid over the review period. Net tuition and fee revenues for FY 2014 totaled approximately \$201.5 million and have increased 7% from FY 2012, which totaled \$188.5 million. Net student tuition and fees were Pepperdine's primary revenue source, accounting for 61.9%, 64.7%, and 66.7% of total revenues for the FY 2012, FY 2013, and FY 2014, respectively.

Although Pepperdine experienced a decline in total non-operating revenues and expenses of approximately a negative \$7.3 million in FY 2012, it rebounded in the following years with approximately \$28 million in FY 2013 and approximately \$62.9 million in FY 2014. According to Pepperdine, the primary reasons associated with net realized and unrealized investment gains were due to increased investment returns in its long-term investment (including endowment) portfolio. A significant improvement in equity markets contributed to the increases in FY 2013 and FY 2014.

Expenses increased from approximately \$277.4 million in FY 2012 to \$292.5 million in FY 2014, an increase of 5%. The increase in total expenses is commensurate with increases in net student tuition and fees, private gifts and grants, and endowment support. Expense increases are largely centered in instruction, research, academic support and student services. Additionally, management and general expense increased 13% from \$46.6 million in FY 2012 to \$52.5 million in FY 2014 due to increased personnel costs, including increased employee medical benefit expenses, increased equipment costs as a result of a reduced level of capitalization of costs compared to prior years, increased Malibu campus maintenance expenses and increased utilities costs.

Pepperdine has a strong balance sheet with moderate relative debt with a solid debt service ratio of 8.31x.

During the review period, Pepperdine's net assets increased from approximately \$1 billion in FY 2012 to approximately \$1.2 billion in FY 2014, an increase of 18.9%. According to Pepperdine, this growth rate was achieved despite the unique challenges, difficult external economic conditions, and volatile financial markets. The growth is a result of investment portfolio and solid returns from academic operations. Total assets have increased substantially from approximately \$1.4 billion in FY 2012 to approximately \$1.6 billion in FY 2014.

Asset growth was largely from investments that were funded through an increase in net assets and the issuance of long-term obligations. Investments returns were strong with approximately \$963.1 million in FY 2014 from FY 2012 of \$767.3 million, an increase of over 25%.

Although Pepperdine's investments have enjoyed respectable gains, accounts payable and accrued liabilities increased 83% from approximately \$15.7 million in FY 2012 to approximately \$28.9 million in FY 2013, back down to approximately \$18.6 million in FY 2014. According to Pepperdine, at the end of FY 2013, Pepperdine accrued significant campus construction costs

which were subsequently paid in FY 2014. This action increased accrued liabilities to amounts in excess of historical levels. A majority of these accrued costs were capitalized into property, facilities and equipment at year-end. Year-end FY 2014 accrued liability balances are in-line with historical levels, when factoring in increased costs due to inflation and historical spending patterns.

Pepperdine's debt service coverage appears strong with a solid debt service coverage ratio of 8.31x for FY 2014. Pepperdine's proforma debt service coverage remains strong at 7.21x with the new debt. Pepperdine's strong balance sheet indicates Pepperdine is capable of carrying the additional debt.

IV. BACKGROUND:

General:

Pepperdine University (“Pepperdine”) is an independent private university originally established as Pepperdine College in 1937 by Mr. George Pepperdine, the founder of Western Auto Supply Company. Pepperdine achieved its university status in 1970 with the addition of its graduate and professional schools and became known as Pepperdine University. Pepperdine opened its current Malibu campus in 1972, and currently enrolls approximately 7,400 students in its five colleges and schools. Seaver College, Pepperdine’s undergraduate liberal arts college, the School of Law, and the School of Public Policy are headquartered on 830 acres in the Santa Monica Mountains overlooking the Pacific Ocean in Malibu, California.

Administration:

Pepperdine is governed by self-perpetuating Board of Regents composed at present of 38 elected, voting members, including the president of Pepperdine. The Bylaws require that a majority of the Regents in office, a majority of the Executive Committee, the President of the University, and the Chairman of the Board of Regents shall be members of the Churches of Christ. Members of the Board are typically elected for three-year terms. Approximately one-third of the membership is elected annually. The full Board meets four times each year.

Accreditations:

Pepperdine is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (“WASC”), the primary accrediting body for institutions of higher education in the western United States. The last WASC accreditation review was completed in 2013 and resulted in a reaffirmation of Pepperdine’s accreditation. The School of Law is accredited by the American Bar Association and holds membership in the Association of American Law Schools. The Graziadio School of Business and Management is accredited by the Association to Advance Collegiate Schools of Business. The Graduate School of Education and Psychology receives accreditation for both teacher credentialing and doctoral study in psychology. The American Psychological Association accredits the doctoral program in psychology. The California Commission on Teacher Credentialing accredits Pepperdine’s education programs.

Academic Programs:

Pepperdine is comprised of five colleges and schools in Southern California. Seaver College, the School of Law, the Graduate School of Education and Psychology, the Graziadio School of Business and Management, and the School of Public Policy are located on the University’s 830-acre campus overlooking the Pacific Ocean in Malibu. Courses are taught in Malibu, at four graduate campuses in Southern California, permanent program facilities in Washington, D.C., and at international campuses in Germany, England, Italy, Switzerland, Argentina, and China.

- Seaver College is Pepperdine’s college of letters, arts and sciences offering an interdisciplinary curriculum that provides students with a broad and comprehensive education. With its academic program organized into eight major divisions, Seaver College offers the baccalaureate degree in over 38 fields of study, teaching credential programs in two fields of study, and the master’s degree in nine fields of study.

- The School of Law offers a full range of courses dealing with federal, state, and international law, leading to the Juris Doctor or the L.L.M., Dispute Resolution degrees. Additionally, the School of Law offers several Juris Doctor joint degrees.
- The George L. Graziadio School of Business and Management focuses on the development of managers for business, government, and education, and offers graduate and undergraduate degree programs for full-time students and working adults. The school offers several degrees to its students including the Master of Business Administration.
- The Graduate School of Education and Psychology offers masters and doctoral degrees in the education and psychology fields of study, with a total of ten available academic programs.
- The School of Public Policy offers a Master of Public Policy degree along with several joint degree programs in law, business administration, and dispute resolution. It also houses a research and special program division called the Davenport Institute.

V. OUTSTANDING DEBT (\$000's):

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 07/31/14*</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing Debt:			
CEFA, Series 2005A	\$ 92,365	\$ 92,365	\$ 72,175
CEFA, Series 2005B	16,340	16,340	12,770
Pepperdine Taxable Series 2009A	50,000	50,000	50,000
I-Bank Series 2010**	15,345	15,345	15,345
CEFA Series 2012	50,000	48,510	48,510
Proposed:			
CEFA, Series 2014		<u> </u>	\$ 75,000
Total		<u>\$ 222,560</u>	<u>\$ 273,800</u>

*As of proposed issuance date of Series 2014 Bonds, principal balance remaining outstanding

**"I-Bank" = California Infrastructure and Economic Development Bank

VI. 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

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 300 in an amount not to exceed \$75,000,000 for Pepperdine University 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, Inc. the Authority's financial advisor, concur with the Authority's staff recommendations.

EXHIBIT 1

Financing Team Pepperdine University

Borrower: Pepperdine University

Agent for Sale: California State Treasurer

Issuer's Counsel: Attorney General's Office

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

Borrower's Counsel: Ropes & Gray, LLP

Bond Counsel: Orrick Herrington & Sutcliffe LLP

Senior Underwriter: Morgan Stanley & Co. LLC

Co-Manager: Wells Fargo Securities

Underwriter's Counsel: O'Melveny & Meyers LLP

Trustee: The Bank of New York Trust Company, N.A

Trustee Counsel: The Law Office of Samuel D. Waldman

Rating Agency: Moody's Investor Service

Auditor to the University: PricewaterhouseCoopers LLP

RESOLUTION NO. 300

RESOLUTION OF THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND/OR REFINANCE PROJECTS AT THE EDUCATIONAL FACILITIES OF PEPPERDINE UNIVERSITY

December 4, 2014

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, Pepperdine University (the “Borrower”) is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State of California;

WHEREAS, the Authority has previously issued its California Educational Facilities Authority Refunding Revenue Bonds (Pepperdine University) Series 2005A (the “2005A Bonds”) in the aggregate principal amount of \$92,365,000, the entire principal amount of which is currently outstanding, and its California Educational Facilities Authority Refunding Revenue Bonds (Pepperdine University) Series 2005B (the “2005B Bonds” and, together with the 2005A Bonds, the “2005 Bonds”) in the aggregate principal amount of \$16,340,000, the entire principal amount of which 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 its revenue bonds in an aggregate principal amount of not to exceed \$75,000,000 and apply the proceeds thereof (i) to refund a portion of the outstanding 2005 Bonds, (ii) to make a loan of the proceeds of the Bonds (as defined below) to the Borrower (a) to refinance, in part, the Prior Loan and (b) to acquire and construct projects (as defined in the Act), as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project” and, together with the Prior Project, the “Project”), 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 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, 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 Revenue Bonds (Pepperdine University) Series 2014” (the “Bonds”), in a total aggregate principal amount not to exceed \$75,000,000, 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, hereinafter mentioned in Section 3, 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, at issuance, shall be rated at investment grade by an active nationally recognized rating agency. 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 The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the “Trustee”),

(c) the Escrow Agreement relating to the refunded portion of the 2005 Bonds (the “Escrow Agreement”), among the Authority, the Borrower and the trustee, as escrow agent, relating to the 2005 Bonds;

(d) the Purchase Contract relating to the Bonds (the “Purchase Contract”), among Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association (the “Underwriters”), the Treasurer and the Authority and approved by the Borrower, and

(e) the Preliminary Official Statement relating to the Bonds (the “Preliminary Official Statement”).

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 in the case of the Loan Agreement, the Escrow Agreement, the Indenture and the Purchase Contract, and by delivery thereof in the case of the Preliminary Official Statement. 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 Underwriters are hereby authorized to distribute the Preliminary Official Statement for each issue of the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriters (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriters are hereby directed to deliver a final official statement for each issue of the Bonds (the "Official Statement") to all actual purchasers of such Bonds.

Section 6. 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 Underwriters 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 respective Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 7. Each officer of the Authority is hereby authorized and directed, for an 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, the Indenture, the Loan Agreement, the Escrow Agreement, the Purchase Contract and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation the following: (a) a tax certificate and agreement; 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 8. 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 9. 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 10. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A

THE PRIOR PROJECT AND THE NEW PROJECT

The proceeds of the Bonds will be loaned to the Borrower for the purpose of, among other things:

Prior Project

The Prior Project means the following financed and refinanced projects:

(1) the refunding and defeasance of the Borrower's portion of the Authority's Revenue Bonds (Pooled College and University Projects) 1995 Series A, an aggregate \$16,230,000 of which is currently outstanding and attributable to the Borrower, the proceeds of which were applied to finance: (a) construction of a 120-bed graduate apartment complex, (b) construction of a 1.75 acre terraced general parking lot; (c) upgrade of Malibu Mesa Wastewater Plant adjacent to the Malibu campus; (d) renovation of Tyler Campus Center, a student center, foodservice, book store, office complex, which includes remodeling the kitchen, expanding dining room and adding second floor space for offices; (e) construction of a student recreation/fitness center with extensive exercise and weight equipment on the Malibu campus adjacent to Firestone Fieldhouse; (f) construction of an intramural gymnasium with additional facilities for intramural athletic activities on the Malibu campus near Firestone Fieldhouse; (g) construction of a tennis stadium including a major grandstand and locker facilities for tennis tournament play on the Malibu campus near existing courts; (h) development and construction of a graduate complex on the Malibu Campus, including necessary infrastructure and grading relating thereto; (i) construction of a science annex to the Rockwell Academic Center; (j) construction and development of a communications and business complex on the Malibu Campus; and (k) acquisition of various equipment used for operational purposes including, but not limited to personal computers, vehicles, computer server systems, telephone and photocopy equipment, and the renewal, renovation and replacement of various equipment and facilities on the Malibu campus;

(2) the refunding and defeasance of the Authority's Revenue Bonds (Pepperdine University) Fixed Rate Revenue Bonds 1999 Series A, an aggregate \$26,880,000 of which is currently outstanding, and the Authority's Revenue Bonds (Pepperdine University) Weekly Rate Revenue Bonds, 1999 Series B, an aggregate \$7,255,000 of which is currently outstanding, the proceeds of which were applied to finance (a) construction of a business communications building for Seaver College; (b) construction of a science center for Seaver College, (c) construction of the Drescher Graduate Campus, located on the upper Malibu campus, including infrastructure comprised of grading, roads, utilities and buildings for the Graziadio School of Business, the Executive Center offering lodging, dining and conferencing facilities, the Graduate School of Education and Psychology, the School of Public Policy, and academic support facilities containing offices, classrooms, an auditorium, recreational areas and other academic facilities; and facilities for graduate program headquarters (d) construction of a recreation village, including an auxiliary gymnasium; (v) construction of a fitness center; (e) funding of certain fees paid to governmental agencies, including, but not limited to, utilities hookups; and (f) acquisition of capital equipment including computers, furniture, vehicles and heavy

equipment, maintenance equipment, campus renewal projects and dormitory rewiring for computers/cable television/telephones;

(3) the refunding and defeasance of the Authority's Revenue Bonds (Pepperdine University) Series 2000, an aggregate \$40,000,000 of which is currently outstanding, the proceeds of which were applied to finance the construction, development and equipping of the Drescher Graduate Campus;

(4) the refunding and defeasance of the Authority's Revenue Bonds (Pepperdine University) Series 2002A, an aggregate \$32,000,000 of which is currently outstanding, the proceeds of which were applied to finance the construction, development, equipping and furnishing of Drescher Graduate Campus including but not limited to infrastructure, utilities, grading and roads, construction, equipping and furnishing of buildings for student housing and parking; and

(5) the renovation and improvement of the Thornton Administrative Center, the replacement of high voltage electrical lines to the Borrower, upgrade student housing fire alarm systems, replace student housing hot water systems and renovate student housing bathrooms, all of which are located on the Borrower's Malibu campus.

The New Project

The New Project means financing the costs of the acquisition, construction, renovation, remodeling and equipping of existing educational, administrative, physical plant and housing facilities and the acquisition of furnishings, equipment, technology and/or library materials for use thereon including the following:

(1) reconstruct and elevate the existing soccer field by ten feet, construct a new soccer field and running track, construct and install new lighting, restrooms, storage, and spectator seating for 1,000 guests;

(2) construct and install broadcast-level game lighting on baseball field;

(3) construct a 200+ parking space surface lot with lighting and landscaping to serve the Borrower's Malibu campus;

(4) hardscape and grade Alumni Park to expand existing reclaimed water reservoirs and create additional parking in the Theme Tower lot;

(5) design and construct two parking structures to serve the Event Center and School of Law;

(6) complete design and entitlements in preparation for construction of an approximately 458-bed Junior Residence Hall;

(7) relocate the existing Marie Canyon Debris Basin upstream in preparation to receive soil export from other projects;

(8) replace existing exterior area lighting with high efficiency and dark sky compliant lighting; and

(9) renovation, remodeling and infrastructure improvements as follows, Payson Library remodel, Student Residence renovation, Caruso Auditorium renovation, renovation of first floor restroom facilities at the School of Law; renovate and upgrade the Waves Café as well

as create additional food service capacity; renovation of Thornton Administrative Center 1st Floor for additional classrooms and faculty offices, renovation of Pendleton Computer Center for additional academic space; construction of permanent or temporary classroom and/or faculty office space during other project construction; replace irrigation control systems and reclaimed water distribution pipe-lines across the Malibu campus; install card access systems, including infrastructure and replacement of remaining Intelli-key locks, as well as select interior and exterior brass locks; construct and install hydronic/forced air heating system in Lovernich Apartments; replace original natural gas lines servicing student residence halls on upper and lower residence roads, including required pavement and landscaping repairs; construct a temporary field for student use between the grading projects that will contribute export soil to this site; construct and replace baseball and tennis stadium seating; replace the roof and fire life safety system in conjunction with the Payson renovation and remodel project; and paint student residence buildings on the Malibu campus.