

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
BOND FINANCING PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Chapman University ("Chapman") Orange, California Orange County</p> <p><b>Facility Type:</b> Private University</p> <p><b>Project Site:</b> Orange, California</p> <p><b>Accreditation:</b> Western Association of Schools and Colleges</p>	<p><b>Amount Requested:</b> \$130,000,000</p> <p><b>Date Requested:</b> June 25, 2015</p> <p><b>Resolution Number:</b> 304</p>
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**Use of Proceeds:** Bond proceeds will be used to finance various capital projects, improvements, reimbursement for renovation projects, refinance a non-revolving line of credit, equipping of several campus facilities, including a new Center for Science and Technology with additional parking, Digital Media Arts Center, and a Tennis Complex featuring seven National Collegiate Athletic Association (NCAA) tennis courts and a corresponding Tennis Center building. All renovations will include code, seismic, fire/life/safety, mechanical and ADA improvements.

<p><b>Type of Issue:</b> Negotiated public offering, fixed rate, \$5,000 minimum denominations</p> <p><b>Credit Enhancement:</b> None</p> <p><b>Expected Credit Rating:</b> A2; Moody's</p> <p><b>Financing Team:</b> <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>
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**Environmental Benefits:** Chapman's projects will not be LEED certified, but all projects have been designed to meet or exceed the requirements of the California Green Building Standards Codes. Chapman commits to using high energy efficiency equipment, with particular attention to selecting renewable and recycled materials.

**Financial Overview:** Chapman continues to post strong operating results supported by steady growth in net tuition and fees. Chapman's balance sheet reflects sound financial strength reporting \$809.2 million in total net assets in FY 2014 and a solid pro-forma debt service coverage ratio of 2.99x.

<u>Sources of Funds:</u>		<u>Uses of Funds</u>	
Par Amount of Bond	\$ 130,000,000	Project Fund	\$ 115,516,729
Premium	12,288,194	Refinancing	25,630,000
	_____	Financing Costs	1,141,465
Total Sources	\$ 142,288,194	Total Uses	\$ 142,288,194

**Legal Review:** Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect the financial viability or legal integrity of the applicant.

**Staff Recommendation:** Staff recommends the Authority approve Resolution No. 304 in an amount not to exceed \$130,000,000 for Chapman 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 Fieldman, Rolapp & Associates Inc., the Authority's financial advisor, concur with the Authority's staff recommendations.

STAFF SUMMARY AND RECOMMENDATION

Chapman University (“Chapman”)

June 25, 2015

Resolution Number: 304

- I. PURPOSE OF FINANCING: Chapman plans to use bond proceeds to provide financing for the acquisition, construction, equipping and improvement of educational facilities located throughout the main campus and to pay off a non-revolving line of credit associated with the financing of the Center for Science & Technology Building. These projects fit in with Chapman’s master plan of expanding facilities and growth for the university.

Project Fund ..... \$115,516,729

Center for Science & Technology Building

The building will be the new home to the Schmid College of Science and Technology. It will feature modernized research laboratories, additional space for new programs and classes, redesigned teaching laboratories, 344 subterranean parking spaces, and will include energy-efficient design features and technologies.

Roosevelt Hall Renovation

Built in 1928, the Hall is listed in the National Registry for Historical Buildings. It houses the Center for Academic Success, Department of Languages, Division of Social Sciences and the Writing Center. The project will include improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping, and ADA improvements.

Reeves Hall Renovation

Built in 1913, the Hall is listed in the National Registry for Historical Buildings. It houses the Kathleen Muth Reading Center, College of Lifelong Learning, and the School of Education. The project will include improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping, and ADA improvements.

Tennis Complex

A new and fully furnished Tennis Complex will be constructed on the University campus which will include seven NCAA tennis courts and a corresponding Tennis Center Building.

Rinker Health Science Campus Renovation

The project will retrofit two commercial buildings to house classrooms, laboratory and office space for graduate students in Chapman’s Schmid College of Science and Technology, and Crean School of Health and Life Sciences.

Becket Building Renovation Reimbursement

Renovation of a 1954 office building used primarily for faculty, academic department’s office space, and other academic uses.

Digital Media Arts Center Reimbursement

Renovation of a 1922 industrial building that houses the Dodge College of Film & Media Arts. The project includes three digital lab/classrooms, film screening theater, editing suites, art studio and a cine-stage.

**Environmental Benefits:**

Chapman's projects will not be LEED certified, but all projects have been designed to meet or exceed the requirements of the California Green Building Standards Codes. Chapman commits to using high energy efficiency equipment, with particular attention to selecting renewable and recycled materials

<b>Refinancing .....</b>	<b>25,630,000</b>
Chapman plans to pay off a non-revolving line of credit with the Bank of America, N.A. The non-revolving line of credit was used for costs associated with the construction, expansion, demolition, improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of the Center for Science and Technology Building.	
<b>Financing Costs.....</b>	<b>1,141,465</b>
Underwriter's Discount.....	\$641,465
Costs of Issuance .....	<u>500,000</u>
<b><i>TOTAL USES OF FUNDS.....</i></b>	<b><u>\$142,288,194</u></b>

## II. 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 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 such changes at the meeting.

After reviewing Chapman's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Chapman's financial advisor, the Authority's financial advisor, and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable for this transaction. The financing team notes that these covenants contain necessary tax and legal covenants that are less restrictive than those that have applied to Chapman's prior bond transactions. Chapman's current financial situation suggests that these modifications will be acceptable to the investing community.

- ✓ **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. All Revenue<sup>1</sup> 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.*
- ✓ **Brandman University Guarantee.** *Brandman University, a separate 501(c)(3) entity controlled by Chapman, guarantees any and all obligations of Chapman University arising under the Loan Agreement.*
- ✓ **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.*

Staff and the Authority's financial advisor have reviewed the entirety of this financing package and find it to be acceptable and appropriate given the credit quality of Chapman.

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<sup>1</sup> Capitalized terms defined in the Indenture.

### III. FINANCIAL ANALYSIS:

Amounts provided in the financial statements reflect the consolidated amounts for Chapman and Brandman University.

**Chapman University and Affiliates**  
**Statement of Activities**  
**Unrestricted**

	Year Ended May 31		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>Revenues, gains, and other support:</i></b>			
Net tuition and fees	\$ 296,887,000	\$ 272,177,000	\$ 249,243,000
Endowment returns designated for operations	2,159,000	1,669,000	1,923,000
Other investment income (loss)	662,000	627,000	(1,433,000)
Private gifts, grants, and bequests	8,407,000	10,324,000	9,024,000
Auxiliary enterprises	31,551,000	29,110,000	28,742,000
Other sources	<u>14,050,000</u>	<u>14,244,000</u>	<u>12,778,000</u>
Net assets released from donor restrictions	<u>6,045,000</u>	<u>6,442,000</u>	<u>5,276,000</u>
Total revenues, gains, and other support	<u>359,761,000</u>	<u>334,593,000</u>	<u>305,553,000</u>
<b><i>Expenses:</i></b>			
<b><i>Educational and general:</i></b>			
Instruction	147,753,000	139,903,000	130,438,000
Academic support	48,104,000	47,127,000	43,825,000
Student services	52,607,000	46,187,000	42,354,000
General institutional support	<u>57,784,000</u>	<u>53,124,000</u>	<u>46,243,000</u>
Total educational and general expenses	306,248,000	286,341,000	262,860,000
Auxiliary enterprises	<u>23,427,000</u>	<u>21,243,000</u>	<u>19,330,000</u>
Total expenses	<u>329,675,000</u>	<u>307,584,000</u>	<u>282,190,000</u>
Increase from operating activities	<u>30,086,000</u>	<u>27,009,000</u>	<u>23,363,000</u>
<b><i>Non-Operating Activities:</i></b>			
Endowment returns (loss), net of designation for operations	10,602,000	11,982,000	(6,399,000)
Unrealized gain on interest rate swap related to bonds	1,312,000	4,359,000	(7,907,000)
Building gifts released from restriction	25,367,000	13,235,000	6,108,000
Net asset transfer to meet donor matching requirement	-	(7,000,000)	(17,000,000)
Other	<u>(124,000)</u>	<u>(2,899,000)</u>	<u>(3,189,000)</u>
Increase (decrease) from nonoperating activities	<u>37,157,000</u>	<u>19,677,000</u>	<u>(28,387,000)</u>
Change in net assets	67,243,000	46,686,000	(5,024,000)
Net assets, beginning of year	<u>441,678,000</u>	<u>394,992,000</u>	<u>400,016,000</u>
Net assets, end of year	<u>\$ 508,921,000</u>	<u>\$ 441,678,000</u>	<u>\$ 394,992,000</u>

**Chapman University and Affiliates**  
**Statement of Financial Position**

	As of May 31		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 41,779,000	\$ 66,940,000	\$ 64,285,000
Investments	38,617,000	38,070,000	36,968,000
Accounts receivable	9,550,000	15,550,000	10,680,000
Current portion of contributions receivable, net	18,655,000	14,837,000	19,618,000
Current portion of notes receivable	267,000	274,000	269,000
Other current assets	6,220,000	5,684,000	5,261,000
Total current assets	115,088,000	141,355,000	137,081,000
<b>LONG-TERM ASSETS:</b>			
Notes receivable	4,739,000	5,289,000	6,133,000
Contributions receivable, less current portion, net	72,099,000	71,597,000	76,349,000
Long-term investments	284,073,000	243,059,000	286,455,000
Plant assets, net	533,560,000	455,887,000	414,645,000
Other real property	65,000	15,104,000	15,101,000
Other long-term assets	287,400	2,809,000	3,172,000
Total long-term assets	897,410,000	793,745,000	801,855,000
Total assets	\$ 1,012,498,000	\$ 935,100,000	\$ 938,936,000
<b>CURRENT LIABILITIES :</b>			
Accounts payable and accrued liabilities	\$ 43,829,000	\$ 37,935,000	\$ 32,958,000
Deferred revenues and student deposits	21,435,000	22,185,000	23,221,000
Current portion of bonds and notes payable	4,476,000	4,816,000	5,430,000
Other current liabilities	1,076,000	1,132,000	1,855,000
Total current liabilities	70,816,000	66,068,000	63,464,000
<b>LONG-TERM LIABILITIES:</b>			
Annuities payable, less current portion	2,161,000	2,171,000	2,147,000
Refundable loan programs	2,225,000	2,225,000	2,241,000
Bonds and notes payable, less current portion	114,664,000	119,140,000	199,897,000
Liability related to interest rate swaps	9,637,000	10,949,000	15,308,000
Other long-term liabilities	3,759,000	3,661,000	3,738,000
Total long-term liabilities	132,446,000	138,146,000	223,331,000
Total liabilities	203,262,000	204,214,000	286,795,000
<b>NET ASSETS:</b>			
Unrestricted	508,921,000	441,678,000	394,992,000
Temporarily restricted	173,210,000	165,014,000	140,211,000
Permanently restricted	127,105,000	124,194,000	116,938,000
<b>TOTAL NET ASSETS</b>	809,236,000	730,886,000	652,141,000
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,012,498,000	\$ 935,100,000	\$ 938,936,000

Financial Ratios

	<b>Proforma</b>			
	<b><u>FYE 5/31/15 (a)</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Debt service coverage (x)	2.99	5.03	0.60	1.43
Debt to expendable net assets (x)	0.37	0.17	0.20	0.38
Expendable net assets to operations (x)		2.07	1.97	1.90
Margin (%)		8.4%	8.1%	7.6%

(a) Recalculates FY 2015 results to include the impact of this proposed financing

## **Financial Discussion:**

### **Chapman continues to post strong operating results supported by steady growth in net tuition and fees.**

Chapman has posted strong operating results over the three-year review period. Total unrestricted revenues have shown an 18% increase from approximately \$305.5 million in FY 2012 to approximately \$359.7 million in FY 2014. This revenue growth is primarily supported by net tuition and fees, which increased from \$249.2 million in FY 2012 to \$296.8 million in FY 2014 and can be attributed to an increase in student enrollment and tuition fees. Net tuition and fees account for approximately 83% of Chapman's total revenues in FY 2014.

Operating expenses for Chapman totaled approximately \$329.6 million in FY 2014, increasing approximately 17% from approximately \$282.1 million in FY 2012. Chapman attributes the increase primarily to the opening of the new Rinker Health Science Campus and the increase in faculty and new program majors. Although Chapman experienced an increase in expenses, they were able to post operating results of \$30.0 million in FY 2014.

Non-operating activities have fluctuated over the review period from negative \$28.3 million in FY 2012 to \$37.1 million in FY 2014. Chapman reports that FY 2012 was affected by investment market conditions and costs associated to the discovery of environmental contamination at a campus building construction site.

### **Chapman's balance sheet reflects sound financial strength reporting \$809.2 million in total net assets in FY 2014 and a solid pro-forma debt service coverage ratio of 2.99x.**

Chapman's balance sheet reflects continued growth over the review period, with total net assets increasing from approximately \$652.1 million in FY 2012 to approximately \$809.2 million in FY 2014, approximately a 23% increase. Chapman attributes this increase to strong operating results, fundraising for the Center for the Performing Arts Building and other projects, and growth of the endowment from investment returns and additions to quasi-endowment.

Cash and cash equivalents declined approximately 35% from FY 2012 to FY 2014, which according to Chapman is directly related to the purchase of two buildings for the Rinker Health Science Campus in Irvine, California and the purchase of a hotel in the City of Orange that was converted to student housing.

Chapman reports that after the issuance of the CEFA Series 2011 bonds, environmental contaminations were discovered in a portion of the original project site that required Chapman to request relief under the Internal Revenue Service ("IRS")'s Voluntary Closing Agreement Program ("VCAP") to repurpose a large portion of the CEFA Series 2011 bond proceeds. In FY 2013, the IRS authorized the VCAP and Chapman refunded approximately \$80,000,000 of the CEFA Series 2008 bonds. This unexpected refunding resulted in Chapman's uncharacteristically low debt service coverage ratio in FY 2013. Chapman's debt service coverage fluctuated over the review period, exhibiting 1.43x in FY 2012, dipping to 0.60x in FY 2013, and rebounding in FY 2014 with a 5.03x. With the addition of the proposed Series 2015 bonds, the pro-forma debt service coverage ratio remains solid at 2.99x.

## IV. BACKGROUND

### **General:**

Chapman University (“Chapman”) is a non-profit co-educational institution of higher learning, originally founded in 1861 as a Hesperian College. The college merged with California Christian College in 1934 and was renamed in recognition of C.C. Chapman, a pioneering Orange County leader, real estate investor and rancher. In 1991, the college officially changed its name to Chapman University to recognize its breadth of programs and variety of degrees. Located in the City of Orange California, Chapman’s 82.2-acre main campus is within ten miles of ocean beaches and an hour’s drive of local mountains and deserts. The campus includes a number of buildings which date back to the early 1900s, most of which have been completely renovated. Chapman University is the largest private university in Orange County. It is organized into nine schools and colleges, including: the Dale E. Fowler School of Law, the School of Pharmacy, the John and Donna Crean College of Health and Behavioral Sciences, the George L. Argyros School of Business and Economics, Lawrence and Kristina Dodge College of Film and Media Arts, the College of Educational Studies, the College of Performing Arts, Wilkinson College of Humanities and Social Sciences, and Schmid College of Science and Technology. Chapman attracts students from around the country and world. The freshman class for 2014 fall semester represented more than 747 high schools. Total 2014 fall semester enrollment recorded 8,132 at the Orange and Rinker campuses, consisting of 6,281 undergraduates and 1,851 graduate students.

In addition, Chapman offers adult education courses through Brandman University. Brandman University operates as an independently accredited and incorporated university that is part of the Chapman University System, providing courses in 28 Academic Centers located in California and Washington.

### **Administration:**

Chapman is governed by a Board of Trustees, composed of 45 elected members, one-third of whom are elected annually for three-year terms, and ex-officio members. The ex-officio members are the President of the University, the Emeritus Trustees, the president and immediate past president of the Alumni Board, the president of Town and Gown (a separate non-profit organization that supports Chapman works to maintain excellent City/University relations), the President of Women of Chapman, the Chairman of the Board of Governors, the Senior Minister of the Orange First Christian Church, the Regional Ministers of each of three western Regions of the Christian Church (Disciples of Christ, and the Conference Minister for the United Church of Christ (UCC) Southern California Conference. The Board normally meets five times each year.

The Board of Trustees is managed by an Executive Committee consisting of a Chairman and no more than four Vice Chairmen, each of whom is a member of the Board of Trustees and is elected by vote. The Chairman serves for two consecutive years, with the eligibility for one two-year extension, for a maximum tenure of four years. Vice Chairmen serve for a term of two years, with the eligibility for two two-year extensions, for a maximum tenure of six years. In addition to an Executive Committee which acts for the Board between meetings, the Board has thirteen standing committees.

### **Accreditations and Affiliations:**

Chapman is accredited by the Western Association of Schools and Colleges, Accrediting Commission for Senior Colleges and Universities. Other accreditations include: The Association to Advance Collegiate Schools of Business; California Commission on Teacher Credentialing, Teacher Education Accreditation Council, National Association of School Psychologists, International School Psychology Association, Council on Academic Accreditation in Audiology

Speech-Language Pathology of the American Speech-Language-Hearing Association, California Commission on Teacher Credentialing, Commission on Accreditation of Athletic Training Education, American Bar Association, Commission on Accreditation in Physical Therapy Education, Commission on Accreditation for Marriage and Family Therapy, National Association of Schools of Music, National Association of Schools of Dance, and the National Association of Schools of Theatre (NASI).

**Academic Programs:**

Chapman offers a broad spectrum of undergraduate, graduate, credential, and certificate programs, as well as continuing education programs. In the 2013-14 academic year, Chapman awarded degrees to a total of 1,997 students, of whom 1,311 received undergraduate degrees and 687 received graduate degrees (including law degrees).

**V. OUTSTANDING DEBT:**

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 05/31/14</u>	<u>Estimated Amount Outstanding After Proposed Financing*</u>
<b>Existing Debt:</b>			
CEFA Series 2011	\$ 100,000,000	\$ 94,205,000	\$ 90,430,000
Note Payable (Brandman)		-	10,730,012
Bank Loan Payable**		11,189,000	-
Bank Loan Payable		7,229,000	7,070,670
<b>Proposed:</b>			
<b>Chapman University, Series 2015</b>			<b>130,000,000</b>
Total		<u>\$ 112,623,000</u>	<u>\$ 238,230,682</u>

\* Utilizes unaudited amounts outstanding as of 5/31/2015.

\*\* Bank Loan Payable was refinanced in September 2014 with Note Payable (Brandman).

**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. 304 in an amount not to exceed \$130,000,000 for Chapman University subject to a bond rating of at least investment grade by a nationally recognized rating. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Fieldman, Rolapp & Associates Inc., the Authority’s financial advisor, concur with the Authority’s staff recommendations.

## EXHIBIT 1

### Financing Team Chapman University

Borrower:	Chapman University
Guarantor:	Brandman University
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Attorney General's Office
Issuer's Financial Advisor:	Fieldman, Rolapp & Associates, Inc.
Issuer's Financial Analyst:	Macias Gini O'Connell LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Borrower's Financial Advisor	Public Financial Management, Inc.
Underwriter:	Wells Fargo Securities
Underwriter's Counsel:	Hawkins Delafield & Wood LLP
Borrower's Counsel:	Stradling Yocca Carlson & Rauth
Guarantor's Counsel:	Rutan & Tucker, LLP
Trustee:	Union Bank, N.A.
Trustee Counsel:	Union Bank, N.A.
Rating Agency:	Moody's Investors Service
Prior Lender:	Bank of America

**RESOLUTION NO. 304**

**RESOLUTION OF THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND REFINANCE PROJECTS AT THE EDUCATIONAL FACILITIES OF CHAPMAN UNIVERSITY**

**June 25, 2015**

**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**, Chapman University (the “Borrower”) is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California;

**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 \$130,000,000 and apply the proceeds thereof (i) to make one or more loans of the proceeds of the Bonds (as defined below) to the Borrower (a) to finance the costs of the New Project, as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project”) and (b) to refinance the costs of the Prior Project, as more particularly described under the caption “Prior Project” in Exhibit A hereto (the “Prior Project” and, together with the New Project, the “Project”) by repaying a loan from Bank of America, and (ii) 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**, 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 (Chapman University), Series 2015” (the “Bonds”), in a total aggregate principal amount not to exceed \$130,000,000, 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 below, 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 MUFG Union Bank, N.A., as trustee (the “Trustee”);

(c) the Bond Purchase Agreement, including the appendices thereto, relating to the Bonds (the “Bond Purchase Agreement”), among Wells Fargo Bank, National Association (the “Underwriter”), the Treasurer and the Authority and approved by the Borrower; and

(d) 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 Indenture, and the Bond Purchase Agreement 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 Underwriter is 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 Underwriter (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is 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 Underwriter 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 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 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, Bond Purchase Agreement and Official Statement. 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 8.** The provisions of the Authority’s Resolution No. 2014-03 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**

### **New Project**

The New Project means the following financed projects:

(A) the construction, expansion, demolition, improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of the Center for Science and Technology, a science center with laboratory and classroom space, the address of which is 450 North Center Street, Orange, California;

(B) the improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of Roosevelt Hall, the address of which is 332 North Orange Street, Orange, California;

(C) the improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of Reeves Hall, the address of which is 333 North Glassell Street, Orange, California;

(D) the construction, expansion, demolition, improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of the Tennis Complex, the address of which is 250 North Cypress Street, Orange, California;

(E) the expansion, improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of the Harry and Diane Rinker Health Science Campus, a health science center with classrooms and research laboratories, the address of which is 9401 & 9501 Jeronimo Road, Irvine, California;

(F) the expansion, improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of the Becket Building, the address of which is 303 West Palm Avenue, Orange, California; and

(G) the construction, expansion, improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of the Digital Media Arts Center, the address of which is 220 North Cypress Street, Orange, California; and

(H) other related and appurtenant facilities of the Borrower.

### **Prior Project**

The Prior Project means the following refinanced projects:

(A) the acquisition, construction, expansion, demolition, improvement, installation, rehabilitation, renovation, remodeling, furnishing and equipping of the Harry and Diane Rinker Health Science Campus, a health science center with classrooms and research laboratories, the address of which is 9401 & 9501 Jeronimo Road, Irvine, California; and

(B) other related and appurtenant facilities of the Borrower.