

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
BOND FINANCING PROGRAM**

**EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Pepperdine University          (“Pepperdine”)          24255 Pacific Coast Highway          Malibu, CA 90263          Los Angeles County</p> <p><b>Facility Type:</b> Private University</p> <p><b>Project Location:</b> Malibu, CA</p> <p><b>Accreditation:</b> WASC Senior College and University Commission</p>	<p><b>Amount Requested:</b> \$100,000,000</p> <p><b>Date Requested:</b> February 25, 2016</p> <p><b>Resolution Number:</b> 308</p>																				
<p><b>Use of Proceeds:</b> Bond proceeds will be used to advance refund all or a portion of the outstanding I-Bank Series 2010 Bonds. The refunding of these bonds is expected to provide Pepperdine with a net present value savings of approximately \$1.6 million or 10.5%, under current market conditions. In addition, bond proceeds will be used to fund capital improvements on the Malibu campus and pay the costs of issuance for the Series 2016 Bonds.</p>																					
<p style="text-align: center;"><b>Type of Issue:</b> Negotiated public offering, tax-exempt fixed rates</p> <p style="text-align: center;"><b>Credit Enhancement:</b> None</p> <p style="text-align: center;"><b>Expected Credit Rating:</b> Aa3 (Moody’s)</p> <p style="text-align: center;"><b>Financing Team:</b> <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>																					
<p><b>Environmental Benefits:</b> 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><b>Financial Overview:</b> Pepperdine’s robust growth in its revenue has contributed to the consistent generation of operating surpluses. Pepperdine has a strong balance sheet with moderate relative debt with a solid debt service ratio of 4.08x.</p>																					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Sources of Funds:</u></th> <th colspan="2" style="text-align: left;"><u>Uses of Funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 25%;">Par Amount of Bonds</td> <td style="width: 25%; text-align: right;">\$100,000,000</td> <td style="width: 25%;">Project Fund</td> <td style="width: 25%; text-align: right;">\$100,710,000</td> </tr> <tr> <td>Premium</td> <td style="text-align: right;">19,146,615</td> <td>Refunding</td> <td style="text-align: right;">17,853,430</td> </tr> <tr> <td>Debt Service Fund</td> <td style="text-align: right;"><u>291,982</u></td> <td>Financing Costs</td> <td style="text-align: right;"><u>875,170</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;"><u>\$119,438,600</u></td> <td>Total Uses</td> <td style="text-align: right;"><u>\$119,438,600</u></td> </tr> </tbody> </table>		<u>Sources of Funds:</u>		<u>Uses of Funds:</u>		Par Amount of Bonds	\$100,000,000	Project Fund	\$100,710,000	Premium	19,146,615	Refunding	17,853,430	Debt Service Fund	<u>291,982</u>	Financing Costs	<u>875,170</u>	Total Sources	<u>\$119,438,600</u>	Total Uses	<u>\$119,438,600</u>
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<p><b>Due Diligence:</b> Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, and CEQA documentation. All documentation satisfies the Authority’s requirements.</p>																					
<p><b>Staff Recommendation:</b> Staff recommends the Authority approve Resolution No. 308 in an amount not to exceed \$100,000,000 for Pepperdine University subject to a bond rating of at least investment grade by a nationally recognized rating agency. Macias, Gini &amp; 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”)

February 25, 2016

Resolution No. 308

- I. PURPOSE OF FINANCING: Pepperdine is embarking on a plan to restructure its debt and take advantage of the historically attractive market conditions by locking in funding for additional capital investments. Bond proceeds will be used to advance refund all or a portion of the outstanding California Industrial and Development Bank (“I-Bank”) Series 2010 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 2016 Bonds. The refunding will generate an overall net present value savings of approximately \$1.6 million or 10.5%, over the life of the bonds, under current market conditions.

Project Fund ..... \$ 100,710,000

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 ..... 17,853,430

Pepperdine anticipates issuing tax-exempt bonds to advance refund all or a portion of the I-Bank Series 2010 Bonds, of which approximately \$15.3 million currently remains outstanding. The I-Bank Series 2010 Bonds were originally issued in the amount of \$15.3 million. Bond proceeds were used to refund all of the outstanding tax-exempt CEFA Series 1999A Bonds. Proceeds of the CEFA Bonds were used to fund the construction of a Business and Communications building, a Science Center, and a student service and recreation village.

Financing Costs ..... 875,170

Cost of Issuance ..... 475,000
Underwriter’s Discount ..... 400,170

TOTAL USES OF FUNDS..... \$119,438,600

## 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 are modifications to the covenant proposal following the preparation of this executive summary, staff will report them at the meeting.

After reviewing Pepperdine's 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. ("PFM")), and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. Pepperdine, the underwriter and PFM 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 Revenues<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. 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 PFM reviewed the entirety of this financing package and find it to be acceptable and appropriate give the credit quality of Pepperdine.

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

### III. FINANCIAL ANALYSIS:

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

	Year Ended July 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>Revenues:</i></b>			
Net student tuition and fees	\$ 217,729	\$ 201,507	\$ 193,496
Room and board	34,278	34,425	32,913
Private gifts and grants	11,950	11,476	12,098
Endowment support	34,571	33,377	32,855
Government grants	3,574	3,679	3,546
Sales and services	6,815	6,430	7,032
Other revenue	5,463	6,118	5,455
Net assets released from restrictions	9,405	5,058	8,890
Total revenues	323,785	302,070	296,285
<b><i>Expenses:</i></b>			
Instructional and research	91,579	90,382	86,348
Academic support	54,588	49,647	51,670
Student services	51,580	49,145	48,381
Public service	14,900	14,202	14,168
Auxiliary enterprises	27,559	26,847	26,331
Management and plant operations	53,566	52,521	52,609
Fundraising	6,172	7,445	7,431
Alumni relations and development	2,545	2,304	2,036
Total expenses	302,489	292,493	288,974
Change in net assets before nonoperating revenues and expenses	21,296	9,577	7,311
<b>Non-operating activities revenues and expenses:</b>			
Investment income			
Dividends	7,834	8,831	6,773
Interest	340	854	299
Other	7,138	6,142	6,731
Investment expenses	(4,156)	(3,500)	(3,018)
Net realized and unrealized investment (losses) gains	(23,822)	47,783	17,806
Foreign currency translation	(789)	15	1,362
Other	(734)	2,788	(1,905)
Total nonoperating revenues and expenses	(14,189)	62,913	28,048
Change in net assets	7,107	72,490	35,359
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	703,267	630,777	595,418
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 710,374	\$ 703,267	\$ 630,777

**Pepperdine University**  
**Statement of Financial Position (000's)**

	As of July 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 193,700	\$ 34,650	\$ 68,941
Student receivables, less allowance for doubtful accounts	2,198	1,848	1,295
Other accounts receivable	4,647	4,002	4,062
Prepaid expenses, inventories, and other assets	2,330	2,997	5,512
Student loans, less allowance for loan loss	21,481	22,038	22,749
Beneficial interest and contributions receivable, net	35,872	33,877	30,597
Investments	848,218	963,133	830,726
Assets held as trustee or agent	117,032	128,374	123,843
Property, facilities, and equipment, net	358,787	361,613	362,409
Total assets	\$ 1,584,265	\$ 1,552,532	\$ 1,450,134
<b>LIABILITIES AND NET ASSETS:</b>			
Accounts payable and accrued liabilities	\$ 22,925	\$ 18,586	\$ 28,855
Accrued salaries and wages	3,324	4,369	3,579
Student deposits, advance payments and deferred revenue	9,136	11,092	9,977
Asset retirement obligations	6,428	6,199	5,912
US government-funded student loans	16,004	15,695	15,340
Trust and agency obligations	64,323	69,136	70,754
Long-term obligations, net	261,903	233,395	238,750
Total liabilities	384,043	358,472	373,167
<b>Net assets:</b>			
Unrestricted	710,374	703,267	630,777
Temporarily restricted	127,308	137,943	118,605
Permanently restricted	362,540	352,850	327,585
<b>Total net assets</b>	1,200,222	1,194,060	1,076,967
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,584,265	\$ 1,552,532	\$ 1,450,134

Financial Ratios

	<b>Proforma</b>			
	<b><u>FYE 7/31/2015 (a)</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Debt service coverage (x)	2.66	4.08	3.19	3.55
Debt to expendable net assets (x)	0.36	0.31	0.28	0.32
Expendable net assets to operations (x)		2.77	2.88	2.59
Margin		7%	3%	2%

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

## **Financial Discussion:**

### **Pepperdine's robust growth in its revenue has contributed to the consistent generation of operating surpluses.**

Pepperdine continues to post positive operating results over the three-year review period. Total unrestricted revenues have grown from nearly \$296.3 million in FY 2013 to approximately \$323.8 million in FY 2015, a 9% increase. This revenue growth is the result of consistent growth in net tuition and fees, room and board, and endowment support. Together these sources represent nearly 81% of Pepperdine's total unrestricted revenues and continue to provide Pepperdine with a sound revenue base.

Pepperdine experienced positive returns in total non-operating revenues and expenses, recording nearly \$28 million in FY 2013, and increasing nearly \$35 million to total \$62.9 million in FY 2014, before experiencing a decrease of \$77 million in FY 2015. According to Pepperdine, these increases and decreases in non-operating revenues were primarily due to net realized and unrealized investment gains and losses from Pepperdine's long-term investment portfolio.

Operating expenses for Pepperdine increased from approximately \$288.9 million in FY 2013 to \$302.5 million in FY 2015, an increase of 5%. Pepperdine attributes this slight increase to instruction, research, academic support, student services, management and plant operations. Although expenses have increased, they are well below the growth of revenues, which has allowed Pepperdine to post positive operating results of approximately \$21.3 million in FY 2015.

### **Pepperdine has a strong balance sheet with moderate relative debt with a solid debt service ratio of 4.08x.**

During the review period, Pepperdine's total net assets increased from approximately \$1.1 billion in FY 2013 to approximately \$1.2 billion in FY 2015, an increase of 11.4%. According to Pepperdine, this improvement was achieved despite the unique challenges of difficult external economic conditions and volatile financial markets. The growth is a result of investment portfolio and solid returns from academic operations.

In FY 2015, Pepperdine transferred a portion of cash held at brokerage accounts into operating cash accounts at its primary commercial bank. Pepperdine intends to use the funds currently held in construction project accounts, as well as any new funds raised through the proposed CEFA Series 2016 Bond issuance during the remainder of FY 2015 through the end of FY 2018. The construction or renovation of all facilities fits in with Pepperdine's master plan of growth for the university.

Pepperdine's investments have enjoyed respectable gains, while long-term obligations increased 9.7% from nearly \$238.8 million in FY 2013 to approximately \$261.9 million in FY 2015. In December 2014, Pepperdine issued approximately \$51.5 million of tax-exempt bonds, which were used to refund approximately \$23.8 million par amount of previously issued debt and fund approximately \$30.0 million for investments in the Malibu campus. In September 2015, Pepperdine issued nearly \$76.5 million of tax-exempt bonds, which were used to refund the CEFA Series 2005A and 2005B bonds.

Pepperdine's debt service coverage appears strong with a solid debt service coverage ratio of 4.08x for FY 2015. Pepperdine's proforma debt service coverage remains strong at 2.66x 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 7,600 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.

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

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 07/31/2015</u>	<u>Estimated Amount Outstanding After Proposed Financing*</u>
<b>Existing Debt:</b>			
CEFA, Series 2005A	\$ 92,365	\$ 72,175 **	\$ -
CEFA, Series 2005B	16,340	12,770 **	-
Pepperdine Taxable Series 2009A	50,000	50,000 ***	-
I-Bank Series 2010	15,345	15,345	-
CEFA Series 2012	50,000	46,975	45,395
CEFA Series 2014	51,458	51,485	51,165
CEFA Series 2015	76,455	- ****	76,455
<b>Proposed:</b>			
<b>CEFA, Series 2016</b>		<u>                    </u>	<u>100,000</u>
Total		<u>\$ 248,750</u>	<u>\$ 273,015</u>

\*As of proposed issuance date of Series 2016 Bonds, principal balance remaining outstanding

\*\* Refunded CEFA Series 2005A and 2005B with CEFA Series 2015, closed on September 3, 2015

\*\*\*Pepperdine called the Taxable Series 2009A on February 1, 2016

\*\*\*\*Pepperdine issued Series 2015 bonds on September 3, 2015

## 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. 308 in an amount not to exceed \$100,000,000 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.

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

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/Escrow Agent: The Bank of New York Trust Company, N.A

Trustee Counsel: The Law Office of Samuel D. Waldman

Auditor to the University: PricewaterhouseCoopers LLP

Verification Agent: To Be Determined

**RESOLUTION NO. 308**

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

**February 25, 2016**

**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**, at the request of the Borrower, the California Infrastructure and Economic Development Bank issued the California Infrastructure and Economic Development Bank Refunding Revenue Bonds (Pepperdine University) Series 2010 (the “2010 Bonds”) in the aggregate principal amount of \$15,345,000, of which the entire original principal amount is currently outstanding, and made a loan (the “2010 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 \$100,000,000 and apply the proceeds thereof (i) to make a loan of the proceeds of the Bonds (as defined below) to the Borrower (a) to refinance the 2010 Loan, the proceeds of which were applied to the costs of the Prior Project and refund the outstanding 2010 Bonds, 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 (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 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 2016” (the “Bonds”), in a

total aggregate principal amount not to exceed \$100,000,000, 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 Purchase Agreement relating to the Bonds (the “Purchase Agreement”), among Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association (the “Underwriters”), 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 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 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 Purchase Agreement 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. 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

### 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:

#### **The Prior Project**

The Prior Project means the refunding and defeasance of the California Infrastructure and Economic Development Bank Refunding Revenue Bonds (Pepperdine University) Series 2010 originally issued in the aggregate principal amount of \$15,345,000, the proceeds of which were loaned to the Borrower and applied to finance the costs of design, acquisition, construction, improvement and equipping of (a) the Keck Science Center for Seaver College, an approximately 32,000 square foot building which contains approximately 3 classrooms, 20 labs, and 6 faculty offices, which is used entirely for academic purposes; (b) a Business and Communication building for Seaver College, an approximately 60,000 square foot academic complex which contains approximately 34 classrooms and 70 offices for communications and business faculty, which is used for academic purposes, as well as serving as the base of operations for the Borrower's Public Safety department; and (c) a student recreation village, which includes tennis court grandstands, tennis facility locker rooms and coaching offices, as well as aerobics and weight lifting facilities.

#### **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 and relocate and construct Outer Precinct Road and underground utilities in preparation for residence hall construction;
- (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;

(9) acquire additional housing units and related furniture and fixtures to be made available for students or faculty/staff near the Malibu campus; and

(10) 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 Learning Center and 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.