

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

<p>Applicant: University of Redlands ("Redlands") 1200 E. Colton Avenue Redlands, CA 92373 San Bernardino County</p> <p>Facility Type: Private University</p> <p>Project Location: Redlands, CA</p> <p>Accreditations: WASC Senior College and University Commission</p>	<p>Amount Requested: \$45,000,000</p> <p>Date Requested: February 25, 2016</p> <p>Resolution Number: 309</p>																				
<p>Use of Proceeds: Bond proceeds will be used to refund all or a portion of the CEFA 2005 Series A bonds and advance refund all or a portion of the CEFA 2008 Series A bonds. The refunding of these bonds is expected to provide Redlands with a net present value savings of approximately \$2.93 million or 9.44%, under current market conditions. In addition, bond proceeds will be used to fund capital improvements and pay cost of issuance for the Series 2016 bonds.</p>																					
<p>Type of Issue: Negotiated public offering, tax-exempt fixed rates</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: A3 (Moody's)</p> <p>Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>																					
<p>Environmental Benefits: Planned renovations included in the project likely will result in utility savings and increased energy efficiency. Several projects will be in compliance with Title 24 of the State of California's Code of Regulations governing Energy Efficiency Standards for Residential and Nonresidential Buildings. Energy efficiency projects such as the Light Emitting Diode (LED) upgrade and chiller replacement will also assist with the State of California's executive order to reduce the State's emissions 80 percent below the 1990 level by 2050.</p>																					
<p>Financial Overview: Continued growth in revenues, coupled with manageable operating expenses, has provided Redlands with solid operating results over the review period. Redlands continues to maintain strong fiscal strength as the result of increased student enrollment and tight budgetary and expenditure controls, posting \$225.9 million in total net assets in FY 2015.</p>																					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Sources of Funds:</u></th> <th style="width: 15%;"></th> <th style="text-align: left;"><u>Uses of Funds</u></th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Par Amount of Bond</td> <td style="text-align: right;">\$ 45,000,000</td> <td>Refunding</td> <td style="text-align: right;">\$ 34,018,384</td> </tr> <tr> <td>Premium</td> <td style="text-align: right;">7,469,715</td> <td>Project Fund</td> <td style="text-align: right;">18,340,000</td> </tr> <tr> <td>Prior Debt Service Fund</td> <td style="text-align: right; border-bottom: 1px solid black;">438,595</td> <td>Financing Costs</td> <td style="text-align: right; border-bottom: 1px solid black;">549,926</td> </tr> <tr> <td style="padding-top: 10px;">Total Sources</td> <td style="text-align: right; border-bottom: 3px double black; padding-top: 10px;">\$ 52,908,310</td> <td style="padding-top: 10px;">Total Uses</td> <td style="text-align: right; border-bottom: 3px double black; padding-top: 10px;">\$ 52,908,310</td> </tr> </tbody> </table>		<u>Sources of Funds:</u>		<u>Uses of Funds</u>		Par Amount of Bond	\$ 45,000,000	Refunding	\$ 34,018,384	Premium	7,469,715	Project Fund	18,340,000	Prior Debt Service Fund	438,595	Financing Costs	549,926	Total Sources	\$ 52,908,310	Total Uses	\$ 52,908,310
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<p>Legal Review: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, and CEQA documentation. All documentation satisfies the Authority's requirements.</p>																					
<p>Staff Recommendation: Staff recommends the Authority approve Resolution No. 309 in an amount not to exceed \$45,000,000 for the University of Redlands 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.</p>																					

STAFF SUMMARY AND RECOMMENDATION

University of Redlands (“Redlands”)

February 25, 2016
Resolution No. 309

I. PURPOSE OF FINANCING: Redlands is taking advantage of current low rates in the bond market to restructure and lower the cost of its debt and fund capital projects. Redlands intends to refund all or a portion of the CEFA 2005 Series A bonds and advance refund all or a portion of the CEFA 2008 Series A bonds, which is expected to provide Redlands with a net present value savings of approximately \$2.98 million or 9.44% of the refunded bonds, under current market conditions. In addition, bond proceeds will be used to fund the cost of several capital renovations and improvement projects, and pay certain costs of issuance on the 2016 bonds.

Refunding..... **\$34,018,384**

Redlands intends to refund all or a portion of the CEFA 2005 Series A bonds and advance refund all or a portion of the CEFA 2008 Series A bonds, of which \$10,345,000 and \$21,125,000 are currently outstanding.

The CEFA 2005 Series A bonds were originally issued in the amount of \$27,180,000. Bond proceeds were used to current refund its Series 1995 Bonds, advance refund its CEFA Series 2000A Bonds, fund the construction and renovation of various campus facilities, purchase telephone equipment, and pay certain costs of issuance.

The CEFA 2008 Series A bonds were originally issued in the amount of \$21,125,000. Bond proceeds were used to construct a new art center building, expand a theater, renovate a library, improve infrastructure, and pay certain costs of issuance.

Project Fund..... **18,340,000**

Redlands intends to finance the cost of capital improvements, including LED replacement; infrastructure improvements to their Physical Plant with replacement of chilled water generating systems throughout the various building on campus; refurbishment of their Aquatic Center; installation of heating, ventilation, and air condition units in four residence halls; and the installation of security cameras and entry door card access locking systems throughout the campus.

Environmental Benefits:

Planned renovations included in the project likely will result in utility savings and increased energy efficiency. Several projects will be in compliance with Title 24 of the State of California’s Code of Regulations governing Energy Efficiency Standards for Residential and Nonresidential Buildings. Energy efficiency projects such as the LED upgrade and chiller replacement will also assist with the State of California’s executive order to reduce the State’s emissions 80 percent below the 1990 level by 2050.

Financing Costs **549,926**

Cost of Issuance	\$256,502
Underwriter’s Discount	<u>293,424</u>

TOTAL USES OF FUNDS **\$52,908,310**

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 such changes at the meeting.

After reviewing Redlands credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Redlands' financial advisor, the Authority's financial advisor (Fieldman, Rolapp & Associates, Inc. ("Fieldman Rolapp")), and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. Redlands' financial advisor and Fieldman Rolapp note that the current financial situation of Redlands 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. All Revenues^[1] and any other amounts held in a designated fund or account under the Indenture are pledged to secure the full payment of the bonds.*
- ✓ **Disposition of Property Limitations.** *Borrower agrees not to sell, lease or dispose of substantially all assets unless authorized by 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 Fieldman Rolapp have reviewed the entirety of this financing package and find it to be acceptable and appropriate given the credit quality of Redlands.

^[1]Capitalized terms are defined in the Indenture or Loan Agreement.

III. FINANCIAL ANALYSIS:

University of Redlands
Consolidated Statement of Activities
Unrestricted

	Fiscal Year Ended June 30,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues			
Student revenues, net	\$ 120,146,831	\$ 110,721,404	\$ 104,485,113
Sales and services for educational activities	403,498	396,245	383,243
Other revenues	2,857,315	2,753,909	2,861,828
Contributions	2,084,906	1,869,760	1,964,436
Government grants and contracts	67,431	646,231	2,056,808
Investment return utilized in operations	3,774,628	3,976,333	168,526
Net assets released from restrictions	2,375,753	3,094,961	3,646,259
Total Operating Revenues	<u>131,710,362</u>	<u>123,458,843</u>	<u>115,566,213</u>
Operating Expenses			
Instruction and research	48,026,196	46,249,881	44,458,261
Public support	1,286,436	1,227,468	1,390,380
Academic support	9,647,283	9,205,718	8,829,804
Student services	19,312,496	18,662,915	17,970,411
Institutional support	27,619,822	28,551,582	29,483,504
Auxiliary enterprises	17,189,426	16,486,208	16,917,189
Total Operating Expenses	<u>123,081,659</u>	<u>120,383,772</u>	<u>119,049,549</u>
Change In Net Assets from Operating Activities	8,628,703	3,075,071	(3,483,336)
Non-Operating Activities			
Contributions	541,571	401,373	2,437,206
Investment return, net of amounts designated for operations	(1,097,364)	2,594,977	4,345,152
Other income	55,162	53,898	29,091
Loss on extinguishment of debt	(697,518)	-	(495,125)
Net assets released from restrictions	211,443	462,650	2,393,592
Change in net assets from non-operating activities	<u>(986,807)</u>	<u>3,512,898</u>	<u>8,709,916</u>
Change in Unrestricted Net Assets	7,641,997	6,587,969	5,226,580
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>67,029,975</u>	<u>60,442,006</u>	<u>55,215,426</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 74,671,972</u>	<u>\$ 67,029,975</u>	<u>\$ 60,442,006</u>

University of Redlands
Consolidated Statement of Financial Position

	As of June 30		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Cash and cash equivalents	\$ 35,935,781	\$ 21,425,610	\$ 17,490,321
Student accounts receivable, net	5,188,001	4,946,132	4,125,551
Other receivables	4,587,609	2,776,334	5,347,647
Prepaid expenses and other assets	2,768,676	2,000,005	2,178,078
Contributions receivable, net	10,028,669	8,413,228	3,069,737
Student loans receivable, net	10,357,981	11,438,242	12,417,429
Investments	143,784,694	148,626,695	130,105,916
Trust receivables	1,035,145	959,696	1,077,034
Cash designated for investment in property, plant and equipment	446,769	467,905	400,600
Property, Plant and equipment, net	125,031,433	130,162,632	136,015,954
Debt acquisition costs	934,780	1,214,400	1,315,952
TOTAL ASSETS	\$ 340,099,538	\$ 332,430,879	\$ 313,544,219
LIABILITIES			
Accounts payable and accrued expenses	\$ 10,221,327	\$ 9,950,512	\$ 13,881,456
Deferred revenue	6,231,491	6,313,700	6,219,996
Asset retirement obligations	3,086,307	3,005,510	2,928,065
Bonds and notes payable	75,585,391	77,196,375	79,589,582
Actuarial liability for split-interest agreements	13,542,425	14,359,322	13,527,243
Refundable U.S. government student loans	5,520,650	5,400,151	5,327,794
TOTAL LIABILITIES	114,187,591	116,225,570	121,474,136
NET ASSETS:			
Unrestricted	74,671,972	67,029,975	60,442,006
Temporarily Restricted	42,364,033	42,837,125	32,104,334
Permanently Restricted	108,875,942	106,338,209	99,523,743
TOTAL NET ASSETS	225,911,947	216,205,309	192,070,083
TOTAL LIABILITIES AND NET ASSETS	\$ 340,099,538	\$ 332,430,879	\$ 313,544,219

	Proforma			
	<u>FYE 6/30/2015 (a)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt service coverage (x)	3.00	3.59	3.38	3.31
Debt to expendable net assets (x)	0.73	0.65	0.70	0.86
Expendable net assets to operations (x)		0.95	0.91	0.78
Margin		7%	2%	-3%

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

Financial Discussion:

Continued growth in revenues, coupled with manageable operating expenses, has provided Redlands with solid operating results over the review period.

Unrestricted operating revenues have improved over the three year review period, reporting \$115.5 million in FY 2013 and increasing to \$131.7 million in FY 2015. During this same period, Redlands maintained moderate increases in operating expenses, reflecting positive operating results of approximately \$3.1 million and \$8.6 million in FY 2014 and FY 2015, respectively. Redlands reports it has been very deliberate and conscious about managing expenditure growth through its budget development process and expenditure increases were limited to only a minor amount of new mission approved programs combined with its continued work on eliminating any unnecessary expenditures.

Redlands relies on net student revenues as its primary source of revenue. For FY 2015, this revenue represented approximately 91% of total revenues. Over the three-year review period, student revenues increased from nearly \$104.5 million in FY 2013 to over \$120.1 million in FY 2015. Redlands attributes this growth primarily to increased student enrollment. Government grants and contracts decreased from nearly \$2.1 million in FY 2013, to over \$67,000 in FY 2015. Redlands reports this sizeable drop was a result of grant periods ending and slow new grant activity. In addition, in FY 2014, Redlands permanently disbanded its Redlands Institute department which was a source of generating most of its grant activity. Redlands reports grant activity is beginning to be rebuilt and expects to see increased activity in future years.

Non-operating activities declined significantly from \$8.7 million in FY 2013 to a negative \$986,000 in FY 2015. Redlands attributes the decline to investment returns being significantly lower than the prior year due to market conditions and the result of the reclassification with the FY 2015 financial statements of reporting endowment spending rate utilized in operations into investment return rather than net assets released and the reclassification with the endowment spending rate utilized in operations reclassified in the operating section rather than the non-operating section.

Redlands continues to maintain strong fiscal strength as the result of increased student enrollment and tight budgetary and expenditure controls, posting \$225.9 million in total net assets in FY 2015.

Redlands' balance sheet shows an 18% increase in total net assets over the review period posting \$225.9 million in FY 2015 from \$192 million in FY 2013. This growth is reflected by consistent returns in investments which increased from \$130.1 million in FY 2013 to \$143.8 million in FY 2015 and continued growth in cash and cash equivalents that rose from nearly \$17.5 million to over \$35.9 million over the same review period. Redlands accredits this growth as the direct result of its commitment to build liquidity and reserve funds with tighter expenditure control. In addition, contributions receivable grew significantly from \$3.1 million FY 2013 to \$10.0 million in FY 2015. Redlands reports this growth is a result of the early phases of its comprehensive campaign and increased levels of commitments to the campaign.

Redlands' financial strength appears solid with a debt service coverage ratio of 3.59x for FY 2015. Including the proposed bond financing, Redlands proforma debt service coverage remains strong at 3.00x.

IV. BACKGROUND:

General:

The University of Redlands (“Redlands”) is a California non-profit, public benefit corporation located in Redlands, California and governed by a self-perpetuating Board of Trustees. Redlands’ 160-acre campus is located in the San Bernardino Valley, halfway between Los Angeles and Palm Springs. Founded in 1907 by American Baptists, Redlands has since maintained a historic relationship with that denomination, affirming their importance in the establishment of the University. Redlands’ relationship with the American Baptists does not, however, impose any limits or restrictions on the student body, faculty, administration or Board of Trustees of the University.

Administration:

The Board of Trustees consists of up to thirty-nine members, one-third of whom are generally elected annually for three-year terms. There are currently 36 members and 3 vacancies on the Board. Members of the Board of Trustees represent a diverse spectrum of the community and include business, financial, legal, cultural and educational interests. Trustees can serve a maximum of three consecutive terms; thereafter, at least one year must lapse before re-election.

The Board of Trustees has a fiduciary responsibility to Redlands as a whole. The Trustees are responsible for electing the President and the overall management of Redlands, including its physical assets, development programs, academic policies, long-range planning, and financial and budgetary affairs. The Board holds regular meetings four times a year. The Board of Trustees has ten standing committees: Executive, Finance, Audit, Investment, Academic Affairs, Campus Planning, Student Life, Trusteeship, Executive Evaluation & Compensation, and University Relations.

Accreditation and Affiliations:

Redlands is accredited by the Accrediting Commission for WASC Senior College and University Commission (WSCUC). It also has programmatic accreditations from following organizations: American Chemical Society, the National Association of School of Music, the American Speech-Language Hearing Association, and is approved by the California Commission on Teacher Credentialing.

Academic Programs:

Redlands offers degrees in four major colleges and schools: The College of Arts and Sciences, the School of Education, the School of Business, and the School of Continuing Studies. Redlands Fall 2015 semester enrolled approximately 2,613 undergraduate and 96 graduate students in its College of Arts and Sciences, approximately 710 undergraduate and 1,710 graduate students enrolled in its Schools of Business and Education, and 86 students enrolled in its School of Continuing Studies. Fifty-eight percent of the students enrolled in the College of Arts and Sciences live on campus.

V. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/2015</u>	<u>Estimated Amount Outstanding After Proposed Financing*</u>
Existing Tax-Exempt Debt:			
CEFA 2005 Series A	\$ 27,180,000	\$ 10,970,000	\$ -
CEFA 2008 Series A	21,125,000	21,125,000	-
CEFA 2014 Series A	31,595,000	31,595,000	30,455,000
Bank note payable		<u>7,766,825</u>	<u>7,766,825</u>
Proposed Financing			
CEFA, Series 2016			<u>45,000,000</u>
Total University Notes and Bonds Payable		<u>\$ 71,456,825</u>	<u>\$ 83,221,825</u>

* Utilizes unaudited amounts outstanding as of 1/31/2016.

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. 309 in an amount not to exceed \$45,000,000 for the University of Redlands 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

EXHIBIT 1

Financing Team University of Redlands

Borrower:	University of Redlands
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:	Squire Patton Boggs (US) LLP
Borrower's Financial Advisor:	Public Financial Management, Inc.
Underwriter:	Wells Fargo Securities*
Underwriter's Counsel:	Hawkins Delafield & Wood LLP
Borrower's Counsel:	Allen Matkins Leck Gamble Mallory & Natsis LLP
Trustee/Escrow Agent:	Wells Fargo Bank, N.A.
Rating Agency:	Moody's Investors Service
Auditor:	Moss Adams LLP
Verification Agent:	Causey Demgen & Moore P.C.

* Wells Fargo Securities represents the trade name for certain securities-related capital markets and investment bank services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

RESOLUTION

RESOLUTION NO. 309

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

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

WHEREAS, the Authority has previously issued its (i) Revenue Bonds (University of Redlands), 2005 Series A in the aggregate principal amount of \$17,280,000, of which \$10,345,000 is currently outstanding, and (ii) Revenue Bonds (University of Redlands) 2008 Series A in the aggregate principal amount of \$21,125,000 of which \$21,125,000 is currently outstanding (collectively, the “Prior Bonds”), and made loans (the “Prior Loans”) to the Borrower of the proceeds thereof to finance or refinance the acquisition, construction, improvement and equipping of educational facilities as more particularly described in Exhibit A hereto (the “Prior Project”);

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$45,000,000 and (i) to refund all or a portion of the outstanding Prior Bonds, (ii) to make one or more loans of the proceeds of the Bonds (as defined below) to the Borrower (a) to refinance the Prior Loans and (b) to acquire and construct projects (as defined in the Act), as more particularly described as the “New Project” in Exhibit A hereto (the “New Project” and, together with the Prior Project, the “Project”); and (iii) 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:

(1) Pursuant to the Act, revenue bonds of the Authority designated as the “California Educational Facilities Authority Refunding and Improvement Revenue Bonds (University of Redlands), 2016 Series A” (the “Bonds”), in a total aggregate principal amount not to exceed \$45,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth recital above.

(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.

(3) The following documents:

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

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

(c) the Bond Purchase Contract, including the appendices thereto, relating to the Bonds (the “Bond Purchase Contract”), 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 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 officers 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 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.

(4) The dated dates, maturity dates (not exceeding 50 years from the respective date of issue), 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, shall be as provided in the Indenture, as finally executed.

(5) The Underwriter is hereby authorized to distribute the Preliminary Official Statement for 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 the Bonds (the "Official Statement") to all actual purchasers of such Bonds.

(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 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.

(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 Bond Indenture, Loan Agreement, Bond Purchase Contract 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; (b) escrow agreements, if any, relating to the refunding of the Prior Bonds, and (c) 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.

(8) The provisions of the Authority's Resolution No. 2014-03 apply to the documents and actions approved in this Resolution.

(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.

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

Date of Adoption: _____

EXHIBIT A

PROJECT

The Project includes (a) financing all or a portion of the Costs of the construction, installation, improvement, renovation, rehabilitation, furnishing and equipping of certain educational facilities on the Borrower's campus located at 1200 East Colton Avenue, Redlands, California 92373, described as follows: (i) procurement and installation of exterior security cameras throughout the campus, (ii) procurement and installation of an entry door card access lock system throughout the campus, (iii) replacement of chilled water generating systems located in various buildings on campus, (iv) renovation of Thompson Aquatic Center, including repairs to the structural rebar inside the pool, replastering of pool surface, replacement of pool tiles, deck resurfacing, creation of an enclosed chemical room, repainting interior and exterior of facility and replacement of interior finishes, (v) upgrading existing fluorescent light fixtures with LED replacements, and (vi) installation of heating, ventilation, and air conditioning units in four (4) residence halls (i.e., Bekins Hall, Grossmont Hall, Fairmont Hall and Anderson Hall) on the west side of the main campus (all such improvements, collectively, the "New Project"); (b) refinancing all or a portion of the Borrower's outstanding California Educational Facilities Authority Revenue Bonds issued to finance or refinance educational facilities on the Borrower's campus located at 1200 East Colton Avenue, Redlands, California 92373 as described below (the facilities of the Borrower so refinanced, collectively, the "Prior Project" and, together with the New Project, the "Project"); and (c) payment of costs of issuance and certain interest with respect to the Bonds.

The 2005 Project: Proceeds of the Prior 2005A Bonds, together with interest earnings thereon deposited to the credit of the trust estate, were used to provide for a plan of financing as listed below:

(a) refund a portion of the Authority's outstanding Revenue Bonds (University of Redlands Project) Series 1995 in the aggregate principal amount of \$5,285,000 the proceeds of which were applied to pay the costs of maintenance, renovation and structural rehabilitation, including (1) certain seismic upgrades, disabled access enhancements and other improvements, of the Administration Building, Health Center Building, Armacost Library, Arthur Willis Center, Bekins Hall, Student Residence Hall, Melrose Hall and Alumni Greek Theatre, (2) the construction, renovation of Colton Avenue and University Street, including entrance facilities and gateways to the University campus, (3) the construction of a main entrance to the Ted Runner Stadium, the construction of an outdoor swimming complex and parking facility of approximately 93,700 square feet, the construction of a new two story science laboratory facility of approximately 42,000 square feet and the construction of a student dormitory and parking facility of approximately 200,000 square feet, (4) the renovation and structural rehabilitation of existing science facilities (including Duke Hall, Hentschke Hall and Hornby Hall, California Founders Hall, Fairmont Hall, Cortner Hall, Anderson Hall and East Hall), the entrance to the University Campus at Colton Avenue (joint project with the City of Redlands) and University Hall, (5) the renovation of classroom and academic

spaces (including Larsen Hall, Hall of Letters, Armacost Library Building, Watchorn Hall and Williams Center) and the purchase and installation of equipment and furnishings therein, (6) the renovation, upgrade and conversion of spaces in the Currier Gymnasium (including the conversion of the existing pool area to a fitness and workout area) and the purchase and installation of equipment and furnishings therein, and (7) the upgrading of water and high voltage electrical systems, the purchase and installation of new data processing, telephone and computer networking systems and telecommunications equipment and the upgrading of existing equipment;

(b) advance refund a portion of the Authority's outstanding Revenue Bonds (Pooled College and University Projects) 2000 Series A allocable to the University in the aggregate principal amount of \$10,390,000 the proceeds of which were applied to pay costs of construction, maintenance, renovation, expansion and structural rehabilitation, including (1) construction of new student apartments/dormitory and parking facility, including purchase and installation of equipment and furnishings therein, (2) structural rehabilitation, including certain seismic upgrades, disabled access enhancements and other improvements, of the Administration Building which houses offices for administrative and student services, including purchase and installation of equipment and furnishing therein, (3) structural rehabilitation, including seismic upgrades, disabled access enhancements and other improvements, of Armacost Library Building which houses a library as well as offices for administrative and student services and academic computing laboratories and classrooms, (4) structural rehabilitation, including certain seismic upgrades, disabled access enhancements and other improvements, of the Currier Gymnasium, including the conversion of the abandoned indoor swimming pool area to recreational and athletic court space, (5) renovation and expansion of existing Field House, including new health and fitness center and purchase and installation of equipment and furnishings therein, (6) structural rehabilitation, renovation or partial renovation of existing science facilities (Duke Hall, Hornby Hall and Hentschke Hall) and conversion to general academic/classroom buildings, and purchase and installation of equipment and furnishing therein, (7) renovation of Cortner Hall, a student residence hall/dormitory, and purchase and installation of equipment and furnishings therein, (8) structural rehabilitation, renovation or partial renovation of existing student residence halls/dormitories, including Bekins-Holt Hall, Bekins Hall, Grossmont Hall, Fairmont Hall, Anderson Hall, California/Founders Hall, Merriam Hall and East Hall, and purchase and installation of equipment and furnishings therein, (9) renovation of classrooms, laboratory, art studios, faculty office and academic spaces, including Larsen Hall, Hall of Letters, University Hall, Watchorn Hall, Truesdail Center, Gannett Center and Wallich's Theatre, and the purchase and installation of equipment and furnishings therein, (10) renovation or partial renovation and conversion of Williams Center to student residence hall, and purchase and installation of equipment and furnishings therein, (11) renovation or partial renovation of the lower level of the Armacost Library for classrooms, seminar rooms, study areas, offices for administrative and student services, and additional library space as well as academic computing and technology laboratories/classrooms, (12) construction of a new main entrance to the Ted Runner Stadium and to structurally/seismically upgrade the South Grand Stand (bleachers), (13) construction and installation of campus-wide high-speed (Ethernet) network, including equipment and user

systems, and (14) construction of new public restrooms and visitors' lounge along with patio area, to be located between Watchorn Hall and Memorial Chapel;

(c) construct, acquire and equip a cogeneration facility including the purchase and installation of all required equipment therein, approximate \$3,600,000 project cost;

(d) acquire equipment for replacement of campus telephone system, approximate \$1,600,000 project cost;

(e) renovation of Founders Hall, a student residence hall/dormitory, and purchase and installation of equipment and furnishings therein, approximate \$3,000,000 project cost;

(f) renovation of California Hall, a student residence hall/dormitory, and purchase and installation of equipment and furnishings therein, approximate \$2,900,000 project cost; and

(g) renovations of classrooms, art studios, faculty offices, technology laboratories, and other academic spaces, as well as recreational spaces, including Duke Hall, Hentschke Hall and Currier Gymnasium. Spaces to be used for teaching, research and other academic related uses. Amount to be any unspent portion of remaining bond proceeds.

The 2008 Project: Proceeds of the Prior 2008 Bonds, together with interest earnings thereon deposited to the credit of the trust estate, were used, but not limited, to provide for a plan of financing as listed below:

(a) construction, acquisition and equipping of an Art Center and Wallich's Theatre expansion including the purchase and installation of all required equipment therein;

(b) renovation of Armacost Library, and purchase and installation of equipment and furnishings therein; and

(c) infrastructure improvements to connect facilities to the University's Mechanical Center for the extension of the hot/chilled water distribution system, including the purchase and installation of all required equipment therein.