

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

Applicant: Loma Linda University ("Loma Linda") 11145 Anderson Street Loma Linda, CA 92350 San Bernardino County	Amount Requested: \$225,000,000 Date Requested: January 26, 2017 Resolution Number: 311
Facility Type: Private University	
Project Locations: Loma Linda and San Bernardino, CA	
Accreditation: WASC Senior College and University Commission	

Use of Proceeds: Bond proceeds will be used to fund upgrades and expansion to Loma Linda's Central Utilities Plant, refinance loans used to finance the acquisition and construction of educational facilities on the Loma Linda campus and the San Manuel Gateway College, an integrated teaching multi-specialty medical community clinic on the San Bernardino campus, and pay cost of issuance of the 2017 bonds. In addition, bond proceeds will be used to refund all or a portion of the California Municipal Finance Authority's Series 2007 bonds, (CFMA Series 2007 bonds). The refunding of the CFMA Series 2007 bonds is expected to provide Loma Linda with a net present value savings of approximately \$3.5 million or 11.5%, under current market conditions.

Type of Issue: Negotiated public offering, tax-exempt and taxable fixed rates
Credit Enhancement: None
Expected Credit Rating: A3 (Moody's)/A (S&P)
Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i>

Environmental Benefits: The Central Utilities Plant provides electricity, steam and chilled water from a cogeneration process that extracts as much energy as possible from the natural gas fuel. Planned renovations included in the project will exceed Title 24 standards (State of California's Code of Regulations governing Energy Efficiency Standards for Residential and Nonresidential Buildings) and is expected to result in utility savings and increased energy efficiency. In addition, projects on the San Bernardino Campus expect to obtain LEED Silver or Gold Status.

Financial Overview: Loma Linda's income statement appears to exhibit fluctuating operating results, but growth in net tuition and fees revenues remain strong over the review period. Loma Linda's debt service coverage ratio reflects 0.51x in FY 2016. However, its balance sheet overall remains solid, reporting an increase in total assets while posting \$1.4 billion in total net assets in FY 2016.

<u>Sources of Funds:</u>		<u>Uses of Funds</u>	
Par Amount of Bond	\$ 225,000,000	Project Fund/Loan Refinancing	\$ 219,604,635
Premium	25,311,137	Refunding	31,170,474
Prior Debt Service Fund	<u>2,361,012</u>	Financing Costs	<u>1,897,040</u>
Total Sources	<u>\$ 252,672,149</u>	Total Uses	<u>\$ 252,672,149</u>

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, CEQA documentation, and Iran Contracting Act Certificate. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution No. 311 in an amount not to exceed \$225,000,000 for Loma Linda 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

Loma Linda University (“Loma Linda”)

January 26, 2017

Resolution No. 311

I. PURPOSE OF FINANCING: Loma Linda anticipates issuing both tax-exempt and taxable bonds to finance the cost of the acquisition, construction, expansion, rehabilitation, remodeling, renovation and/or equipping of certain power plant upgrades and related projects; refinance outstanding loans used to finance facilities on the Loma Linda and San Bernardino campuses; and pay certain costs of issuance for the 2017 bonds. In addition, Loma Linda plans to refund all or a portion of the California Municipal Finance Authority’s Series 2007 bonds (CFMA Series 2007 bonds). The refunding of the CFMA Series 2007 bonds is expected to provide Loma Linda with a net present value savings of approximately \$3.5 million or 11.5%, under current market conditions.

Project Fund and Loan Refinancing \$219,604,635

Loma Linda intends to finance the cost of capital improvements to their Central Utilities Plant, including upgrade and expansion of their existing cogeneration plant in order to meet service requirements of expanding campus facilities in the City of Loma Linda. Project includes upgrades to domestic water systems, natural gas powered turbine electrical generators, absorbers, chillers and infrastructure. In addition, Loma Linda will use a portion of the proceeds of the 2017 bonds to refinance loans from Wells Fargo and Bank of America incurred to finance the construction and development of new facilities on the San Bernardino Campus called “San Manuel Gateway College”, an integrated teaching multi-specialty medical community clinic, the Centennial Complex on Loma Linda’s main campus, and certain improvements to the Central Utilities Plant. The San Bernardino Campus offers a unique educational approach to prepare students for health care careers. The clinic will also expand health care options to patients in the surrounding area.

Refunding 31,170,474

Loma Linda intends to refund all or a portion of the CFMA Series 2007 bonds, of which \$30,440,000 is currently outstanding.

The CFMA, Series 2007 bonds were originally issued in the amount of \$36,095,000. Bond proceeds were used to pay a portion of the cost of the acquisition, construction, expansion, rehabilitation, remodeling, renovation, and/or equipping of a student housing project, power plant upgrades and related projects, fund a reserve account for the Series 2007 bonds, pay capitalized interest, and pay certain costs of issuance of the 2007 bonds.

Environmental Benefits:

The Central Utilities Plant provides electricity, steam and chilled water from a cogeneration process that extracts as much energy as possible from the natural gas fuel. Planned renovations included in the project will exceed Title 24 standards (State of California’s Code of Regulations governing Energy Efficiency Standards for Residential and Nonresidential Buildings) and is expected to result in utility savings and increased energy efficiency. In addition, projects on the San Bernardino Campus expect to obtain LEED Silver or Gold Status.

Financing Costs 1,897,040

Underwriter’s Discount.....	\$1,047,040
Cost of Issuance	<u>850,000</u>

TOTAL USES OF FUNDS..... \$252,672,149

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 Loma Linda's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Loma Linda's financial advisor, the Authority's financial advisor (Fieldman, Rolapp & Associates, Inc. ("Fieldman Rolapp")), and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. Loma Linda's financial advisor and Fieldman Rolapp note that the current financial situation of Loma Linda 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 Revenues¹ and any other amounts held in a designated fund or account under the Indenture (other than the Rebate Fund) are pledged to secure the full payment of the Bonds.*
- ✓ **No Lien or Security Interest on Protected Revenues that is Senior to Bonds.** *Borrower agrees that in the event that it creates a security interest or lien on Protected Revenues (other than certain Permitted Encumbrances) each as identified in the Indenture, the Bonds will be secured prior to or on parity with any indebtedness or obligation secured by such security interest or lien.*
- ✓ **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 Loma Linda.

¹Capitalized terms are defined in the Indenture.

III. FINANCIAL ANALYSIS:

Loma Linda University and Subsidiary
Consolidated Statement of Activities
Unrestricted

	Fiscal Year Ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:			
Net tuition and fees	\$ 149,817	\$ 146,177	\$ 143,616
Gifts and subsidies	8,960	42,561	20,716
Sponsored support	25,475	30,514	29,912
Investment income	21,861	11,910	11,404
Sales and service income	15,237	14,412	25,256
Clinic and auxiliary income	52,432	54,309	40,784
Student loan interest and other	110	98	103
Net assets released from restriction - Operating	7,681	6,656	11,110
Total revenue	<u>281,573</u>	<u>306,637</u>	<u>282,901</u>
Expenses:			
Instructional	125,344	124,783	117,012
Research	27,874	32,337	29,248
Public service	8,996	5,934	4,493
Academic support	32,034	35,530	36,350
Student services	5,471	5,693	5,457
Institutional administration	27,817	24,671	24,302
Physical plant	25,381	23,914	4,315
Student financial support	2,990	1,235	1,187
Independent operations	46,172	29,225	28,177
Depreciation and amortization	-	-	19,169
Total expenses	<u>302,079</u>	<u>283,322</u>	<u>269,710</u>
Change in net assets from operating activities	(20,506)	23,315	13,191
Unrealized (losses) gains on investment	(19,613)	(5,425)	5,560
Change in unrestricted net assets	(40,119)	17,890	18,751
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>260,174</u>	<u>242,284</u>	<u>223,533</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 220,055</u>	<u>\$ 260,174</u>	<u>\$ 242,284</u>

Loma Linda University and Subsidiary
Consolidated Statement of Financial Position

	As of June 30		
	2016	2015	2014
ASSETS:			
Cash and cash equivalents	\$ 7,766	\$ 7,867	\$ 6,073
Restricted cash	13,219	10,345	2,363
Accounts receivable	33,991	26,822	32,171
Student loans receivable	48,160	47,664	46,296
Pledges receivable	13,382	15,466	1,530
Irrevocable trusts	48,393	52,702	53,635
Investments	892,615	812,395	788,019
Inventories, prepaid expenses and other assets	25,384	25,324	23,447
Plant and equipment, net	319,955	297,131	257,406
TOTAL ASSETS	\$ 1,402,865	\$ 1,295,716	\$ 1,210,940
LIABILITIES AND NET ASSETS:			
Accounts payable and accrued expenses	\$ 70,151	\$ 62,979	\$ 58,967
Deferred revenue	18,267	19,143	29,900
Investments held on behalf of others	391,967	330,476	324,010
Liabilities due under annuity and split-interest agreements	30,854	34,156	32,773
Notes and bonds payable	170,206	109,413	74,875
Other liabilities	31,815	32,631	32,250
TOTAL LIABILITIES	713,260	588,798	552,775
NET ASSETS:			
Unrestricted - undesignated	80,185	90,384	96,768
Unrestricted - administration designated	70,812	62,129	61,188
Unrestricted - board designated	69,058	107,661	84,328
TOTAL UNRESTRICTED	220,055	260,174	242,284
Temporarily restricted	240,702	228,395	207,564
Permanently restricted	228,848	218,349	208,317
TOTAL NET ASSETS	689,605	706,918	658,165
TOTAL LIABILITIES AND NET ASSETS	\$ 1,402,865	\$ 1,295,716	\$ 1,210,940

Financial Ratios

	Proforma			
	FYE 6/30/16 (a)			
Debt service coverage (x)	0.28	0.51	1.61	1.22
Debt to expendable net assets (x)	0.80	0.37	0.22	0.17
Expendable net assets to operations (x)		1.53	1.72	1.67
Margin		(7%)	8%	5%

(a) Recalculates FY 2016 results to include the impact of this proposed financing.

Financial Discussion:

Loma Linda's income statement appears to exhibit fluctuating operating results, but growth in net tuition and fees revenues remain strong over the review period.

Loma Linda's financials display fluctuating operating results over the three year review period reporting overall unrestricted net assets of \$220 million in FY 2016. Unrestricted operating revenues grew from \$283 million in FY 2014 to \$306.6 million in FY 2015, decreasing to \$281.6 million in FY 2016. However, during this same period, Loma Linda experienced steady growth in operating expenses, reflecting a change in unrestricted net assets from operating activities of approximately -\$20.5 million in FY 2016, dipping from a positive \$23.3 million and \$13.2 million in FY 2015 and FY 2014, respectively. The decrease in change in net assets from operating activities in FY 2016 is a result of a variety of factors relating to revenues, expenses, and unrealized investment losses.

According to Loma Linda, revenue fluctuations experienced in the three years submitted with the application are due to a variety of significant events related to investment income and to gifts and subsidies. Loma Linda expects revenues to stabilize beginning in FY 2017 to be closer to historical averages. Loma Linda reports gifts and subsidies were reported higher than normal in FY 2014 due to payouts related to professional liability coverage for the School of Medicine that were recorded as gifts, and a \$15 million non-cash donation of a building in FY 2015. In addition, gifts and subsidies in FY 2016 decreased due to the \$15 million building being reclassified from unrestricted to permanently restricted. Additionally, investment income increased in FY 2016 due to the sale of several properties at a price well above previously appraised values, resulting in realized gains that were offset by unrealized losses on investments during this same period. Expense in FY 2016 experienced some short-term challenges related to faculty salary growth, shared services costs and an unrealized loss on investments. According to Loma Linda, most of the unrealized investment losses are related to assets that are still held and expected to recover in value. Loma Linda is working with the different schools to address operational issues and expect expenses to stabilize going forward.

Loma Linda relies on net tuition and fees as its primary source of revenue. Over the review period, net tuition and fees showed steady increases, reporting \$149.8 million in FY 2016, from \$146.2 million and \$143.6 million in FY 2015 and FY 2014, respectively. For FY 2016, net tuition and fees represented approximately 53% of total revenues.

Loma Linda's debt service coverage ratio reflects a 0.51x in FY 2016. However its overall balance sheet remains solid reporting an increase in total assets while posting \$1.4 billion in total net assets in FY 2016.

Loma Linda's total assets remain solid, showing growth over the review period with the balance sheet displaying a 16% increase in total net assets, posting \$1.4 billion in FY 2016 from \$1.2 billion in FY 2014. This growth is reflected primarily by consistent returns in investments which increased from \$788 million in FY 2014 to \$892.6 million in FY 2016. Loma Linda attributes the majority of the increase primarily to growth in investment assets reflected in investments held on behalf of others, overall restricted and unrestricted gains in FY 2015 and offset by losses in FY 2016, and the construction of a new facility in San Bernardino.

Loma Linda's debt service coverage ratio currently reflects a 0.51x for FY 2016 and with the proposed financing, the proforma debt service coverage ratio will marginally decrease to a 0.28x. Loma Linda faced some short-term challenges in FY 2016 and anticipates revenues and expenses to decrease going forward. With net tuition and fees continuing to remain strong and expenses to stabilize going forward, it is anticipated that the debt service coverage will continue to improve.

IV. BACKGROUND:

General:

Loma Linda University (“Loma Linda”) is a California nonprofit religious, health sciences institution of higher education and research founded in 1905 by the Seventh-day Adventist Church known as the College of Medical Evangelists. Its present name was adopted in 1961 and continues to be part of the Seventh-day Adventist Church’s system of higher education, sharing the Church’s value of ministering to the whole person, physically, emotionally and spiritually. Located in the City of Loma Linda, approximately 60 miles east of Los Angeles, the main campus is comprised of approximately 97 contiguous acres of developed land with an additional 127 acres of undeveloped land adjacent to the main campus. In addition, in 2014, Loma Linda established a 9.33 acre campus in San Bernardino County.

Loma Linda is part of the larger umbrella organization, Loma Linda University Health (“LLUH Enterprise”), which also includes the Loma Linda University Medical Center and its affiliates and Loma Linda University clinical faculty corporations, each of which is a California nonprofit religious corporation. Loma Linda acts as a center for educating health professionals offering more than 100 degrees and certificate programs for undergraduate and graduate students.

Administration:

Loma Linda is governed by a 36-member Board of Trustees (Board). Each individual who is a Trustee of the LLUH Enterprise Board is automatically appointed as a Trustee of Loma Linda at each quinquennial organization meeting of LLUH Enterprise. The Chair and Vice Chair of the Board are the Chair and Vice Chair of the Enterprise Board. All Loma Linda’s Trustees serve five-year terms or until the next quinquennial organization meeting of LLUH Enterprise, whichever is a shorter period. Current terms expire in 2021.

The Board is required by Loma Linda’s Bylaws to meet at least four (4) times a year. Committees of the Enterprise Board and members of those committees comprise the committees of the Board, which include but are not limited to: Executive Committee, Finance Committee, Audit Committee, and Legal, Compliance and Governance Committee. The Board oversees Loma Linda’s management, including its academic policy, land use and development, faculty and staff appointments and benefits, gift development, adoption of Loma Linda’s budget and supervision of financial affairs. Certain powers of the Board may be delegated to the Executive Committee.

Accreditation and Affiliations:

Loma Linda is accredited by the Accrediting Commission for WASC Senior College and University Commission (WSCUC). It also has programmatic accreditations from the following: the Liaison Committee on Medical Education, the Commission on Dental Accreditation, the Commission on Collegiate Nursing Education of the American Association of Colleges of Nursing and the California Board of Registered Nursing, the Accreditation Council for Pharmacy Education, and the California Department of Public Health.

Academic Programs:

Loma Linda offers both graduate and undergraduate degrees in over 100 different programs within eight different schools: the School of Medicine, the School of Dentistry, the School of Allied Health Professions, the School of Behavioral Health, the School of Nursing, the School of Pharmacy, the School of Public Health, and the School of Religion. These eight schools, together with the Faculty of Graduate Studies, comprise Loma Linda. Total 2016 fall enrollment at Loma Linda’s main campus recorded 4,444 students, consisting of 1,157 undergraduates and 3,287 graduate students. Students under the age of 21 who are in undergraduate programs, such as nursing, dental hygiene, or allied health professional curricula, are required to live on campus, unless they are married or living with their parents.

In addition to the courses provided for the other degree programs, the School of Religion also offers three program tracks, inclusive of an M.S. in Chaplaincy, M.S. in Bioethics and a Doctorate of Religion and Health (D.S.H.). In the 2016/2017 academic year, 42 students were registered in School of Religion programs (including one international student).

IV. OUTSTANDING DEBT:

<u>Issue:</u>	Amount Outstanding as of 6/30/2016	Estimated Amount Outstanding After Proposed Financing
Existing Tax-Exempt Debt and Notes:		
CMFA Revenue Bonds, Series 2007	\$ 30,440,000	\$ -
Secured Bank Loan	18,710,000	18,710,000
Secured Note	1,177,000	1,177,000
Lines of Credit	90,919,000	-
Notes To Bank	<u>28,960,000</u>	<u>28,960,000</u>
Proposed Financing		
CEFA, Series 2017		<u>225,000,000</u>
Total University Notes and Bonds Payable	<u>\$ 170,206,000</u>	<u>\$ 273,847,000</u>

V. DUE DILIGENCE:

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

- Eligibility
- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act
- Iran Contracting Act Certificate

STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 311 in an amount not to exceed \$225,000,000 for Loma Linda 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

EXHIBIT 1

Financing Team Loma Linda University

Borrower:	Loma Linda 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:	PFM Financial Advisors LLC
Underwriter:	Citigroup Global Markets Inc.
Underwriter's Counsel:	Squire Patton Boggs (US) LLP
Borrower's Counsel:	Law Offices of Elisabeth Eisner DLA Piper LLP (US)
Trustee:	US Bank, N.A.
Trustee Counsel:	Dorsey & Whitney LLP
Rating Agencies:	Moody's Investors Service Standard & Poors (S&P)
Auditor:	Moss Adams LLP

RESOLUTION NO. 311

RESOLUTION OF THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO FINANCE AND REFINANCE PROJECTS
AT THE EDUCATIONAL AND RELATED HEALTH CARE FACILITIES
OF LOMA LINDA UNIVERSITY AND ITS AFFILIATE

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; and

WHEREAS, Loma Linda University (the “Borrower”) is a nonprofit religious corporation duly organized and existing under the laws of the State of California; and

WHEREAS, the California Municipal Finance Authority has previously issued its Revenue Bonds (Loma Linda University), Series 2007 (the “2007 Bonds”), in the aggregate principal amount of \$36,095,000, of which \$30,440,000 currently is outstanding, and made a loan (the “2007 Loan”) of the proceeds thereof to the Borrower for the purposes of financing certain projects, which constitute a project under the Act, as more particularly described under the caption “2007 Project” in Exhibit A hereto (the “2007 Project”), not originally funded pursuant to the Act (including repayment of related costs, as defined in the Act), as well as the funding of a debt service reserve fund with respect to the 2007 Bonds and capitalized interest on the 2007 Bonds; and

WHEREAS, the Borrower had previously incurred certain debt in the form of a loan from Wells Fargo Bank, National Association or an affiliate thereof (the “2008 Debt”), the proceeds of which were used to finance the acquisition and construction of certain projects, which constitute a project under the Act, as more particularly described under the caption “2008 Project” in Exhibit A hereto (the “2008 Project”), not originally funded pursuant to the Act (including repayment of related costs, as permitted by the Act);

WHEREAS, the Borrower has previously incurred certain debt (the “2015 Debt”), in the form of a loan from Bank of America, N.A., the proceeds of which were loaned to an affiliate of the Borrower, LLUH–SB, Inc. (“LLUH–SB”), to finance the construction of certain projects of LLUH–SB, which constitute a project under the Act, as more particularly described under the caption “2015 Project” in Exhibit A hereto (the “2015 Project”), not originally funded pursuant to the Act (including repayment of related costs, as permitted by the Act); and

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 \$225,000,000 and apply the

proceeds thereof (i) to make one or more loans of the proceeds of the Bonds (as defined below) to the Borrower to (a) refinance all or a portion of the 2007 Loan, the proceeds of which were applied to the costs of the 2007 Project, and refund all or a portion of the outstanding 2007 Bonds; (b) refinance all or a portion of the 2008 Debt, the proceeds of which were applied to the costs of the 2008 Project; (c) refinance all or a portion of the 2015 Debt, the proceeds of which were applied to the costs of the 2015 Project; and (d) acquire or 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 2007 Project, the 2008 Project and the 2015 Project, the “Project”), and (ii) to pay costs of issuance of the Bonds; and

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 (Loma Linda University), Series 2017 (the “Bonds”), in a total aggregate principal amount not to exceed \$225,000,000, are hereby authorized to be issued from time to time, in one or more series, as tax-exempt or taxable bonds, with such other name or names of the Bonds or series thereof as designated in any of the indentures 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 sixth 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, as tax-exempt or taxable bonds, 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:

- one or more Loan Agreements relating to the Bonds (collectively, the “Loan Agreement”), between the Authority and the Borrower;

- one or more Indentures relating to the Bonds (collectively, the “Indenture”), between the Authority and U.S. Bank National Association (the “Trustee”);
- one or more Bond Purchase Agreements, including the appendices thereto, relating to the Bonds (collectively, the “Bond Purchase Agreement”), among Citigroup Global Markets, Inc. (the “Underwriter”), the Treasurer and the Authority, and approved by the Borrower; and
- one or more preliminary official statements relating to the Bonds (collectively, 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 provide for the issuance and sale of Bonds as taxable bonds and the loan of proceeds of Bonds issued as taxable bonds, 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, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of purchase or tender, terms of redemption, whether the particular series of Bonds will be issued as tax-exempt bonds or taxable bonds, provisions governing transfer and other terms of the Bonds, 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 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 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. 2017-01 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 PROJECT

2007 Project

The acquisition or construction of (i) central utilities plant upgrades and improvements located at or on the campus located generally at 11100 Anderson Street, Loma Linda; and (ii) a student housing project located at or on the campus located generally at 25020 Mound Street, Loma Linda.

2008 Project

The acquisition or construction of certain educational facilities located at 24760 Stewart Street, Loma Linda.

2015 Project

The acquisition or construction of (i) central utilities plant upgrades and improvements located at or on the campus located generally at 11100 Anderson Street, Loma Linda; and (ii) educational and related health care facilities at or on the campus located generally at 250 South G Street, San Bernardino, California.

New Project

The acquisition or construction of (i) central utilities plant upgrades and improvements, as well as certain educational facilities, located at or on the campus located generally at 11100 Anderson Street, Loma Linda, (ii) heat/steam plant renovations and repair located at or on the campus located generally at 24951 North Circle Drive, Loma Linda; and (iii) chilled water system upgrades and an administrative building related to such upgrades (and the central utilities plant) located at or on the campus located generally at 10986 Parkland Street, Loma Linda.