

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

<p><b>Applicant:</b> Chapman University ("Chapman") Orange, California Orange County</p> <p><b>Facility Type:</b> Private University</p> <p><b>Project Site:</b> Anaheim and Orange, California</p> <p><b>Accreditation:</b> Western Association of Schools and Colleges</p>	<p><b>Amount Requested:</b> \$155,000,000</p> <p><b>Date Requested:</b> October 26, 2017</p> <p><b>Resolution Number:</b> 314</p>																
<p><b>Use of Proceeds:</b> Bond proceeds will be used to provide tax-exempt and taxable financing for the acquisition, construction, restoration, equipping, and infrastructure improvements of educational facilities located in Orange County and the purchase of a housing facility approximately 3.5 miles from campus in Anaheim.</p>																	
<p style="text-align: center;"><b>Type of Issue:</b> Negotiated public offering, tax-exempt and taxable fixed rates</p> <p style="text-align: center;"><b>Credit Enhancement:</b> None</p> <p style="text-align: center;"><b>Expected Credit Rating:</b> A2; 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> Chapman's projects will not be LEED certified, but all projects have been designed to meet or exceed the requirements of the California Green Building Standards Codes. Chapman commits to using high energy efficiency equipment, with particular attention to selecting renewable and recycled materials.</p>																	
<p><b>Financial Overview:</b> Chapman continues to post strong operating results supported by steady growth in net tuition and fees. Chapman has a strong balance sheet with moderate relative debt with a solid debt service ratio of 4.60x in FY 2017.</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: right;"><u>Uses of Funds</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Par Amount of Bond</td> <td style="width: 20%; text-align: right;">\$ 155,000,000</td> <td style="width: 30%;">Project Fund</td> <td style="width: 20%; text-align: right;">\$ 154,479,570</td> </tr> <tr> <td>Premium</td> <td style="text-align: right; border-bottom: 1px solid black;">841,510</td> <td>Financing Costs</td> <td style="text-align: right; border-bottom: 1px solid black;">1,361,940</td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 155,841,510</td> <td>Total Uses</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 155,841,510</td> </tr> </tbody> </table>		<u>Sources of Funds:</u>		<u>Uses of Funds</u>		Par Amount of Bond	\$ 155,000,000	Project Fund	\$ 154,479,570	Premium	841,510	Financing Costs	1,361,940	Total Sources	\$ 155,841,510	Total Uses	\$ 155,841,510
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Total Sources	\$ 155,841,510	Total Uses	\$ 155,841,510														
<p><b>Due Diligence:</b> Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, CEQA documentation, and Iran Contracting Act Certification. All documentation satisfies the Authority's requirements.</p>																	
<p><b>Staff Recommendation:</b> Staff recommends the Authority approve Resolution No. 314 in an amount not to exceed \$155,000,000 for Chapman 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 KNN Public Finance, LLC, the Authority's financial advisor, concur with the Authority's staff recommendations.</p>																	

STAFF SUMMARY AND RECOMMENDATION

Chapman University (“Chapman”)

October 26, 2017

Resolution Number: 314

- I. **PURPOSE OF FINANCING:** Chapman plans to use bond proceeds to fund the acquisition and construction of student residence facilities both on and off the main campus, and related restoration, relocation and improvement of educational facilities. The planned student residence facilities include the construction of a residence hall at the site of the historic Villa Park Orchards Association Packing House, and the acquisition of an apartment development located in Anaheim, each as further described below. Chapman needs student housing and have a long-term objective to house at least 50% of its students in university housing. In doing so, Chapman relieves pressure on the nearby housing market and preserves the good relationship with the city of Orange.

**Project Fund .....** **\$154,479,570**

Katella Grand Apartments

Chapman plans to use the Series 2017A taxable bond proceeds to finance the acquisition of the Katella Grand Apartments (“Katella Grand”), a 399-unit apartment complex located in Anaheim, California. The property is currently owned by a single-property real estate investment trust (the “REIT”), organized as a limited partnership. The acquisition of Katella Grand by Chapman will be structured as an acquisition of ownership interests in the REIT and certain related entities by means of which Chapman will obtain indirect ownership of the property. Katella Grand will be converted to a student residence facility projected to house up to 900 students, and is expected to be available to students starting in the fall semester of 2018. No substantial renovation or physical alteration of the Katella Grand is expected to be necessary in connection with its conversion to a student residence facility. For CEFA purposes, Katella Grand will be acquired when Chapman takes direct ownership of the property.

Villa Park Orchards Housing

Chapman plans to use the Series 2017B Bond tax-exempt bond proceeds to finance the construction of a five-story, 402-bed student residence hall at site of the Villa Park Orchards Association Packing House located in Orange, California. This component of the project includes the demolition of existing non-historic structures and relocation of historic accessory buildings at the site, in addition to the construction of the residence hall. Construction of this residence hall will begin following the issuance of the bonds; and the completed facility is expected to be available for the fall semester of 2019.

**Environmental Benefits:**

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

<b>Financing Costs.....</b>	<b><u>1,361,940</u></b>
Underwriter’s Discount.....	\$761,940
Costs of Issuance .....	<u>600,000</u>
<b><i>TOTAL USES OF FUNDS.....</i></b>	<b><u>\$155,841,510</u></b>

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## II. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

Executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants cannot be diluted or removed without subsequent review. If there have been modifications to the covenant proposal following the preparation of this executive summary, staff will report it at the meeting.

After reviewing Chapman's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Chapman's financial advisor, the Authority's financial advisor (KNN Public Finance, LLC or "KNN"), and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. Chapman and their financial advisor, the underwriter, and KNN note that the current financial situation of Chapman 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 Revenue<sup>1</sup> and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the bonds.*
- ✓ **Brandman University Guarantee.** *Brandman University, a separate 501(c)(3) entity controlled by Chapman, guarantees any and all obligations of Chapman arising under the Loan Agreement.*
- ✓ **Limited Permitted Encumbrances.** *Borrower is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Loan Agreement.*
- ✓ **Disposition of Cash and 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 has completed its due diligence, and KNN Public Finance, LLC has reviewed the Loan Agreement, Bond Indenture, and prior Chapman offering documents associated with this financing package and found these documents and proposed covenants to be acceptable.

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

### III. FINANCIAL ANALYSIS:

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

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

	Year Ended May 31		
	2017	2016	2015
<b><i>Revenues, gains, and other support:</i></b>			
Net tuition and fees	\$ 345,375,000	\$ 330,054,000	\$ 315,874,000
Endowment returns designated for operations	3,462,000	2,829,000	2,369,000
Other investment income	1,622,000	133,000	36,000
Private gifts, grants, and bequests	8,575,000	8,709,000	8,227,000
Auxiliary enterprises	38,617,000	36,862,000	35,007,000
Other sources	16,014,000	14,177,000	12,603,000
Net assets released from donor restrictions	6,861,000	8,111,000	6,222,000
Total revenues, gains, and other support	420,526,000	400,875,000	380,338,000
<b><i>Expenses:</i></b>			
<b><i>Educational and general:</i></b>			
Instruction	170,016,000	164,377,000	157,401,000
Academic support	67,966,000	59,803,000	52,448,000
Student services	56,471,000	55,371,000	53,273,000
General institutional support	62,901,000	64,031,000	56,764,000
Total educational and general expenses	357,354,000	343,582,000	319,886,000
Auxiliary enterprises	27,093,000	25,613,000	24,254,000
Total expenses	384,447,000	369,195,000	344,140,000
Increase from operating activities	36,079,000	31,680,000	36,198,000
<b><i>Non-Operating Activities:</i></b>			
Endowment returns (loss), net of designation for operations	9,757,000	(8,809,000)	3,887,000
Unrealized gain on interest rate swap related to bonds	2,799,000	(783,000)	(1,435,000)
Building gifts released from restriction	30,924,000	27,149,000	30,163,000
Adjustment to pledges	2,328,000	-	-
Anaconda settlement		-	(2,409,000)
Other	(297,000)	(234,000)	(62,000)
Increase from nonoperating activities	45,511,000	17,323,000	30,144,000
Change in net assets	81,590,000	49,003,000	66,342,000
Unrestricted net assets, beginning of year	624,266,000	575,263,000	508,921,000
Unrestricted net assets, end of year	\$ 705,856,000	\$ 624,266,000	\$ 575,263,000

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

	As of May 31		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 82,810,000	\$ 74,117,000	\$ 46,848,000
Investments	8,982,000	8,815,000	30,758,000
Accounts receivable	7,255,000	9,927,000	8,182,000
Current portion of contributions receivable, net	9,762,000	14,024,000	14,669,000
Current portion of notes receivable	687,000	1,205,000	733,000
Other current assets	7,189,000	8,942,000	7,717,000
Total current assets	116,685,000	117,030,000	108,907,000
<b>LONG-TERM ASSETS:</b>			
Notes receivable	3,486,000	3,996,000	5,505,000
Contributions receivable, less current portion, net	44,078,000	52,604,000	66,056,000
Long-term investments	416,107,000	399,147,000	311,080,000
Plant assets, net	724,504,000	637,164,000	591,819,000
Other real property	4,677,000	9,277,000	361,000
Other long-term assets	3,975,000	4,042,000	2,646,000
Total long-term assets	1,196,827,000	1,106,230,000	977,467,000
Total assets	\$ 1,313,512,000	\$ 1,223,260,000	\$ 1,086,374,000
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 45,807,000	\$ 45,256,000	\$ 36,355,000
Deferred revenues and student deposits	26,394,000	21,450,000	20,885,000
Current portion of bonds and notes payable	31,507,000	7,422,000	5,978,000
Other current liabilities	1,685,000	3,683,000	3,738,000
Total current liabilities	105,393,000	77,811,000	66,956,000
<b>LONG-TERM LIABILITIES:</b>			
Annuities payable, less current portion	2,135,000	2,102,000	2,297,000
Refundable loan programs	2,240,000	2,238,000	2,231,000
Bonds and notes payable, less current portion	214,911,000	229,118,000	134,011,000
Liability related to interest rate swaps	9,055,000	11,855,000	11,072,000
Other long-term liabilities	11,665,000	8,853,000	9,784,000
Total long-term liabilities	240,006,000	254,166,000	159,395,000
Total liabilities	345,399,000	331,977,000	226,351,000
<b>NET ASSETS:</b>			
Unrestricted	705,856,000	624,266,000	575,263,000
Temporarily restricted	122,152,000	121,196,000	149,565,000
Permanently restricted	140,105,000	145,821,000	135,195,000
<b>TOTAL NET ASSETS</b>	968,113,000	891,283,000	860,023,000
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,313,512,000	\$ 1,223,260,000	\$ 1,086,374,000

Financial Ratios

	<b>Proforma</b>			
	<b><u>FYE 5/31/17 (a)</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Debt service coverage (x)	2.97	4.60	4.62	5.78
Debt to expendable net assets (x)	0.44	0.30	0.32	0.19
Expendable net assets to operations (x)		2.15	2.02	2.11
Margin		8.6%	7.9%	9.5%

(a) Recalculates FY 2017 audited results to include the impact of this proposed financing

## **Financial Discussion:**

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

Chapman continues to post positive operating results over the three-year review period. Total unrestricted revenues have grown from nearly \$380.3 million in FY 2015 to approximately \$420.5 million in FY 2017, a 10.57% increase. According to Chapman, revenue growth is attributed to increases in both tuition and fall undergraduate full-time equivalency. Tuition and fees represent at least 82.13% of Chapman's total unrestricted revenues and continue to provide Chapman with a sound revenue base.

Operating expenses for Chapman totaled approximately \$344.1 million in FY 2015, increasing approximately 11.71% to nearly \$384.5 million in FY 2017. Although operating expenses slightly outpaced unrestricted revenues, according to Chapman the majority of expenses is new faculty to support new programs and growth.

Although Chapman experienced an increase in expenses, it continues to post positive non-operating results from approximately \$30.1 million in FY 2015, increasing to approximately \$45.5 million in FY 2017. Contributing to the positive returns in non-operating activities is "building gifts released from restrictions", which consistently generates at least \$27.1 million year over year. Chapman releases funds as various projects are either ongoing or completed throughout the campus.

### **Chapman has a strong balance sheet with moderate relative debt with a solid debt service ratio of 4.60x in FY 2017.**

During the review period, Chapman's total assets increased from approximately \$1.1 billion in FY 2015 to just about \$1.3 billion in FY 2017, an increase of 21%. Chapman continues to post positive financial operating results and it reinvested proceeds into an undesignated Plant Fund and quasi-endowment. These funds are used to buy real estate and fund construction increasing assets.

Cash and cash equivalents increased approximately 77% from \$46.8 million in FY 2015 to \$82.8 million in FY 2017. According to Chapman, this increase is related to the draw on CEFA Series 2015 bond proceeds, sales of short term investments, settlement, and operating results. Current Investments went from just about \$30.8 million in FY 2015 to approximately \$9 million in FY 2017, Chapman informed it's due to liquidating short-term investments to increase cash and cash equivalents.

Chapman's debt service coverage appears strong with a solid debt service coverage ratio of 4.60x for FY 2017. Chapman's proforma debt service coverage remains strong at 2.97x with the new debt. Chapman's strong balance sheet indicates Chapman is capable of carrying the additional debt.

## IV. BACKGROUND

### **General:**

Chapman University (“Chapman”) is a non-profit co-educational institution of higher learning, originally founded in 1861 as a Hesperian College. It is organized into ten schools and colleges, including: the Fowler School of Law, the School of Pharmacy, the Crean College of Health and Behavioral Sciences, the Argyros School of Business and Economics, Dodge College of Film and Media Arts, the Donna Ford Attallah College of Educational Studies, the College of Performing Arts, Wilkinson College of Arts, Humanities and Social Sciences, Schmid College of Science and Technology, and the School of Communication. Chapman attracts students from around the country and world. Total 2016 fall semester enrollment recorded 8,542 at the Orange and Rinker campuses, consisting of 6,410 undergraduates and 2,132 graduate students.

### **Administration:**

Chapman is governed by a Board of Trustees, composed of 45 elected members, one-third of whom are elected annually for three-year terms, emeritus trustees, emeritus trustee chairs, and ex-officio members. The ex-officio members are the President of the University, the President and either the President Elect or the Immediate past president of the Alumni Association Board of Directors, the president of Town and Gown, the President of Women of Chapman, the Chair of the Board of Governors, the Senior Minister of the Orange First Christian Church, the Regional Ministers of each of three western Regions of the Christian Church, and the Conference Minister for the United Church of Christ Southern California Conference. The Board normally meets five times each year.

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

### **Accreditations and Affiliations:**

Chapman is accredited by the Western Association of Schools and Colleges, Accrediting Commission for Senior Colleges and Universities. Other accreditations include: The Association to Advance Collegiate Schools of Business; California Commission on Teacher Credentialing, Teacher Education Accreditation Council, National Association of School Psychologists, International School Psychology Association, Council on Academic Accreditation in Audiology Speech-Language Pathology of the American Speech-Language-Hearing Association, California Commission on Teacher Credentialing, Commission on Accreditation of Athletic Training Education, American Bar Association, Commission on Accreditation in Physical Therapy Education, Commission on Accreditation for Marriage and Family Therapy, National Association of Schools of Music, National Association of Schools of Dance, and the National Association of Schools of Theatre (NAST). The programs of the School of Pharmacy are accredited (candidate status) by the Accreditation Council for Pharmacy Education. The Physician Assistant program is accredited by Accreditation Review Commission on Education of the Physician Assistant (provisional).

### **Academic Programs:**

Chapman offers a broad spectrum of undergraduate, graduate, credential, and certificate programs, as well as continuing education programs. In the 2016-17 academic year, Chapman (excluding Brandman) awarded degrees to a total of 2,331 students, of whom 1,636 received undergraduate degrees and 695 received graduate degrees (including law degrees).

**V. OUTSTANDING DEBT:**

<b>Issue:</b>	<b>Original Issue Amount</b>	<b>Amount Outstanding as of 5/31/17</b>	<b>Estimated Amount Outstanding After Proposed Financing*</b>
<b>Existing Debt:</b>			
CEFA Series 2015	\$ 114,485,000	\$ 112,580,000	\$ 112,580,000
CEFA Series 2011	100,000,000	82,490,000	82,490,000
Wells Fargo Term Loan Payable, 2014	11,033,346	10,097,000	10,097,000
Commercial Bank of California, 2012	7,510,376	6,727,000	6,727,000
Bank of America Term Loan, 2016	10,500,000	10,500,000	10,500,000
Bank of America Term Loan, 2017	6,500,000	6,500,000	6,500,000
 <b>Proposed:</b>			
<b>Chapman University, Series 2017</b>			<b>155,000,000</b>
Total		\$ 228,894,000	\$ 383,894,000

\*As of proposed issuance date of Series 2017 Bonds, principal balance remaining outstanding.

**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. 314 in an amount not to exceed \$155,000,000 for Chapman University subject to a bond rating of at least investment grade by a nationally recognized rating. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and KNN Public Finance, LLC, the Authority’s financial advisor, concur with the Authority’s staff recommendations.

## EXHIBIT 1

### Financing Team Chapman University

Borrower: Chapman University

Guarantor: Brandman University

Agent for Sale: California State Treasurer

Issuer's Counsel: Attorney General's Office

Issuer's Financial Advisor: KNN Public Finance, LLC

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

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

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

Underwriter: Wells Fargo Securities

Underwriter's Counsel: Hawkins Delafield & Wood LLP

Borrower's Counsel: Stradling Yocca Carlson & Rauth

Guarantor's Counsel: Rutan & Tucker, LLP

Trustee: Union Bank, N.A.

Trustee Counsel: Union Bank, N.A.

Rating Agency: Moody's Investors Service

**RESOLUTION NO. 314**

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

**October 26, 2017**

**WHEREAS**, the California Educational Facilities Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Educational Facilities Authority Act (the “Act”) to issue revenue bonds and to loan the proceeds thereof to a participating private college or a participating nonprofit entity (both as defined in the Act) for the acquisition or construction of projects (as defined in the Act), to refund existing bonds, mortgages, or advances or other obligations incurred, given, or made by a participating private college for the acquisition or construction of any projects, to loan the proceeds thereof to a participating private college for the purpose of refinancing projects not originally funded pursuant to the Act (including repayment of costs, as defined in the Act), and to refund existing bonds or notes of the Authority;

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

**WHEREAS**, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$155,000,000, to (i) make one or more loans of the proceeds of the Bonds (as defined below) to the Borrower to acquire and construct projects (as defined in the Act), as more particularly described in Exhibit A hereto (the “Project”), (ii) pay costs of issuance of the Bonds, and (iii) at the sole option of the Borrower, provide a bond reserve fund for 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 (Chapman University), Series 2017” (the “Bonds”), in a total aggregate principal amount not to exceed \$155,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the Indenture, hereinafter mentioned below,

pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth recital above.

**Section 2.** The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time within one year of the date of adoption of this Resolution, at public or private sale, in such aggregate principal amount (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices, at such interest rate or rates, with such maturity date or dates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds, at issuance, shall be rated at investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Borrower, be secured or supported by one or more of the following: deed of trust, bond reserve fund, bond insurance, other credit and/or liquidity facility and/or another security arrangement.

**Section 3.** The following documents:

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

(b) the Indenture relating to the Bonds (the “Indenture”), between the Authority and MUFG Union Bank, N.A., as trustee (the “Trustee”);

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

(d) the preliminary official statement relating to the Bonds (the “Preliminary Official Statement”).

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer(s) executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture, and the Bond Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

**Section 4.** The dated dates, maturity dates (not exceeding 50 years from the respective date of issue), interest rates, manner of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of purchase or tender, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for credit and/or liquidity facilities, if any, from time to time, shall be as provided in the Indenture, as finally executed.

**Section 5.** The Underwriter is hereby authorized to distribute the Preliminary Official Statement for each issue of the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver a final official statement for each issue of the Bonds (the “Official Statement”) to all actual purchasers of such Bonds.

**Section 6.** The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter 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 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 means financing the costs of the acquisition, construction, expansion, rehabilitation, renovation, remodeling, furnishing and equipping of residence halls, academic buildings, administrative buildings, athletic facilities, recreational facilities, telecommunications equipment and the infrastructure improvements relating thereto, located at (i) 350 North Cypress Street, Orange, California 92866 and (ii) 915 East Katella Avenue, Anaheim, California 92805, to the extent the construction, expansion, rehabilitation, renovation, remodeling, furnishing and equipping has complied with Division 13 (commencing with Section 21000) of the California Public Resources Code or is not a project under that division.