

**MINUTES OF THE
CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK**

For the meeting held on

Tuesday, April 24, 2007 – 1:30 p.m.
1001 I Street Second Floor
Sierra Hearing Room
Sacramento, California 95814

Chairman Edward Heidig called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:35 p.m.

1. Call To Order and Roll Call.

Edward Heidig represented the Secretary of the Business, Transportation and Housing Agency.

Paul Rosensteel represented the State Treasurer.

Rosario Marin, Secretary of the State and Consumer Services Agency was present.

Anne Sheehan represented the Director of the Department of Finance.

D. Everett Rice, Governor's appointee was present and arrived during Action Item 4.

The following staff members were in attendance: Stan Hazelroth, Roma Cristia-Plant, Barbara Lewis, and Brooke Bassett.

2. Executive Director's Report.

Executive Director Stan Hazelroth informed the Board that he and the Assistant Executive Director Roma Cristia-Plant met with Cooperative Personnel Services (CPS), a joint powers authority, to discuss the possibility of engaging CPS to obtain assistance with strategic planning issues. Mr. Hazelroth intends to deliver planning progress status reports to the Board in the future.

Consent Items:

3. Approve minutes from the meeting held on March 21, 2007.

Chairman Heidig asked if there were any corrections or additions to the minutes. There being none, he entertained a motion to approve the consent item. Ms. Marin moved to approve the minutes and Ms. Sheehan seconded the motion. The Board unanimously approved the minutes.

Action Items:

4. Adopt resolution approving the sale, issuance and delivery of 501(c)(3) revenue bonds for COPIA: The American Center For Wine, Food And The Arts, or a related party (Napa) for an amount not to exceed \$85,000,000

Ms. Lewis presented the staff report for the transaction, and also apprised the Board of a recent Internal Revenue Service (IRS) audit of COPIA. She also confirmed that a settlement has been agreed to, but not yet signed, between the I-Bank, COPIA and the IRS. She introduced Kurt Nystrom, COPIA's chief Operating Officer, and Sandra Kim and Steve Juarez of J. P. Morgan Securities, the bond underwriters.

Mr. Nystrom gave an overview of COPIA, discussed financial issues and new business plan directions. He confirmed that although COPIA was ahead of projections this year, they did not have sufficient resources to pay the upcoming June interest payment on the 1999 I-Bank bonds, and that the advanced refunding of the 1999 I-Bank bonds will allow COPIA to restructure payments, which will afford sufficient time to sell land to pay the final installment on the IRS settlement, and time for nearby hotels to be built and generate additional customers and cash flow for COPIA. Mr. Nystrom clarified for Mr. Rostensteil that the proposed financing is structured in a way such that principal payments on the Series B bonds won't begin until 2012, and that projections reflect that by the end of 2007, COPIA will begin to cover operating expenses and debt service under the refunded bonds. Mr. Nystrom also confirmed for Ms. Marin that nothing can be done between now and the beginning of June to ensure that the June 1st payment under the 1999 bonds payment can be made.

Mr. Nystrom then answered specific debt restructuring questions asked by Mr. Rosentsteil and explained that the proposed financing will provide \$4 million in working capital, not capitalized interest, and that debt service is anticipated to go from \$5.3 million to \$1.6 million for the first 4 to 5 years under the new bond structure. Mr. Nystrom confirmed for Ms. Sheehan that the land sale is part of the IRS settlement agreement and involves gardens and parking space across the street from the main museum building. He also indicated that the land has been appraised, that COPIA does not currently have a buyer, but that they have had several serious inquiries, and that they expect to sell the property for an amount significantly above the amount owed to the IRS once flood control measures by the U.S. Army Corps of Engineers are underway or completed in three years. Ms. Bassett confirmed for Ms. Sheehan that the insurer, ACA Capital, has required significant reports and approvals from COPIA, and that additional reports can be provided to the I-Bank upon request. Mr. Rosensteil stated that he believes the Board has a responsibility to make sure the I-Bank's tax-exempt authority is being used in the furtherance of COPIA's 501(c)(3) objective, and that the questions asked today were to ensure the Board that COPIA has a financial plan that is reasonably thought out given the circumstances.

Mr. Rosensteil then inquired of both Mr. Nystrom and Ms. Kim the accuracy of the determination for the \$4 million in working capital and the necessity of setting the financing amount at not-to-exceed \$85 million. Both Mr. Nystrom and Ms. Kim indicated that the

calculations of the exact amount needed and allowed under tax law for working capital have not yet been finalized, but that there is sufficient room in the financing for the not-to-exceed financing amount to be reduced. Chairman Heidig and Mr. Rostensteil discussed and proposed that the resolution contain a reduced financing amount of not to exceed \$80 million, which was concurred by Ms. Marin. Both Mr. Nystrom and Ms. Kim indicated this amount would be acceptable to COPIA. Ms. Sheehan requested that the resolution also be modified to require certain reporting requirements. Ms. Bassett clarified for Ms. Sheehan, and in response to additional questions from Mr. Rosensteil, Ms. Marin and Chairman Heidig, that the Loan Agreement could be amended in several places to require reports that are to be provided to the insurer also be provided to the I-Bank upon request, including material events reporting.

After further discussion between Board members about amendments to the resolution, Ms. Bassett confirmed that the Board-added amendments to the resolution included: (1) the not-to-exceed financing amount is to be changed from \$85 million to \$80 million in the resolution; 2) the Loan Agreement will be amended to add the I Bank, as requested, to any reports that the bond insurer has a right to receive, including reports noticing material events; 3) the Loan Agreement will be amended to add a provision that the I-Bank independently has the right to request any reasonable materials from COPIA and shall receive any material events notifications; and, 4) if the I-Bank receives any material event notification, the notice will be immediately transmitted to each of the Board members. There was further discussion among the Board members, with a request to staff to regularly apprise the Board of any material issues that call into question the investment that has been made, including the filing of any material event notices.

Chairman Heidig called for any questions or comments from the public. Hearing none, he called for a Board motion. Ms. Sheehan moved to approve Resolution No. 07-10, as amended. Chairman Heidig called for a second. Mr. Rosensteil seconded the motion. Chairman Heidig requested the record state that the Board expressed concern regarding this financing request, that the Board was as prudent as possible given the lack of choices in this situation and that he wished COPIA much success. The Board unanimously approved the resolution.

5. Adopt resolution approving the sale, issuance and delivery of 501(c)(3) revenue bonds for the Performing Arts Center of Los Angeles County, or a related party (Los Angeles) for an amount not to exceed \$30,000,000.

Ms. Lewis presented a staff report, and introduced Doug Brown, Banc of America Securities LLC, the underwriter for the project. Chairman Heidig asked for any questions or comments from the Board. Hearing none, he asked for any questions or comments from those present, there were none. Chairman Heidig entertained a motion to approve Resolution No. 07-11. Ms. Sheehan moved to approve the resolution and Ms. Marin seconded the motion. The Board unanimously approved the resolution.

6. Adopt resolution establishing an audit procurement policy for the I-Bank, including the timeframe for periodic review and competitive bidding of the contract for audit services.

Mr. Hazelroth presented a staff report. Chairman Heidig asked for any questions or comments from the Board. Ms. Marin advised staff to ensure that small business firms be included in future requests for qualifications. Ms. Cristia-Plant confirmed for Mr. Rice that staff will endeavor to solicit future requests for qualifications from the largest potential pool of firms by obtaining vendor lists from other State entities that produce audits. Chairman Heidig then asked for any questions or comments from the public, there were none. Chairman Heidig entertained a motion to approve Resolution No. 07-12. Ms. Sheehan moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

Other Business.

Chairman Heidig called for any other business, there was none.

Public Comment.

Chairman Heidig called for any public comment. There was no public comment.

Adjournment.

Chairman Heidig adjourned the meeting at approximately 2:30 p.m.