

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

For the meeting held on  
Tuesday, November 20, 2007 – 1:30 p.m.  
1001 I Street, Second Floor  
Sierra Hearing Room  
Sacramento, California 95814

Chairwoman Evelyn Matteucci 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.**

Evelyn Matteucci represented the Secretary of the Business, Transportation and Housing Agency.

Paul Rosensteil represented the State Treasurer.

Leslie Lopez represented the Secretary of the State and Consumer Services Agency.

Anne Sheehan represented the Director of the Department of Finance.

D. Everett Rice, Governor's appointee was present.

The following staff members were in attendance: Stan Hazelroth, Barbara Lewis, Diane Cummings, Merrill Stevenson, and Shelly Renner.

**2. Executive Director's Report.**

Executive Director Stan Hazelroth presented the Board members a copy of the I-Bank's audited financial statements for the period ending June 30, 2007. Ms. Sheehan asked if there were any issues or exceptions raised and Mr. Merrill Stevenson, Credit Support Manager for the I-Bank, replied that there were none.

Mr. Hazelroth also gave a report to the Board on the following items:

- COPIA: The American Center for Wine, Food and the Arts a current 501(c)(3) bond borrower, had recently completed a land sale to the Army Corps of Engineers for \$850,000 and had also hosted their one millionth visitor last month. ACA Capital, the insurer for the financing has been placed on negative credit watch. I-Bank staff is monitoring this situation closely and will report back if anything changes with regard to the credit watch status.
- Mr. Bob Feyer of Orrick, Herrington & Sutcliffe LLP (Orrick) will be making a presentation to the Board in January regarding conduit issuer disclosure requirements, particularly as they relate to 501(c)(3) revenue bonds.
- I-Bank staff will be presenting a report at this meeting relative to the appointment of Bond Logistix (BLX) as arbitrage compliance consultant, following a Request for Qualifications (RFQ) process that began last September. BLX was founded in 1989 as Orrick's Financial Services Group and subsequently became a wholly-owned subsidiary of Orrick in 2000. BLX currently serves as the I-Bank's investment advisor, and Orrick serves as bond counsel on some of the I-Bank's projects and is one of the I-Bank's contracted special counsel firms. In

response to questions about a potential conflict of interest raised by Board members, Mr. Hazelroth indicated that Jenna Magan of Orrick and the I-Bank's General Counsel, Brooke Bassett, will both submit memos to the file, opining that there are no conflicts of interest based upon the relationship between the two firms that would affect the I-Bank's appointment of BLX as arbitrage compliance consultant, if the Board so chooses later in this meeting.

After Mr. Hazelroth's presentation, Mr. Rosensteil advised staff to consider future bond transactions in which ACA Capital is the proposed insurer until more is known about the status of the company.

**Consent Items:**

**3. Approve minutes from the meeting held on October 2, 2007.**

Chairwoman Matteucci asked if there were any corrections or additions to the minutes. There being none, she entertained a motion to approve the consent item. Ms. Sheehan moved to approve the minutes and Mr. Rice seconded the motion. The Board unanimously approved the consent item.

**Action Items:**

**4. Adopt resolution approving the sale, issuance and delivery of industrial development revenue bonds for Applied Aerospace Structures Corporation, or a related party (Stockton), for an amount not to exceed \$6,500,000.**

Ms. Lewis presented a staff report that described the project, which involves the construction of up to 30,000 square feet of additional manufacturing space on vacant land adjacent to the company's current location, and the acquisition of related manufacturing equipment. Ms. Lewis explained that Applied Aerospace is located in a State Enterprise Zone in the City of Stockton, an area with an unemployment rate of 186% of the state average, a poverty rate of 256% of the state average and median family income of less than 80% of the statewide average. She indicated that the company estimates 112 new jobs will be added within two years of completion of the project, which is expected to occur in January 2008. Ms. Lewis introduced Ms. Rhonda Ward, Chief Financial Officer of Applied Aerospace and Mr. Dan Bronfman, Financial Advisor, with Growth Capital Associates, Inc.

Chairwoman. Matteucci asked for any questions or comments from the Board or those present, there were none. Chairwoman Matteucci entertained a motion to approve Resolution No. 07-30. Ms. Sheehan moved to approve the resolution and Mr. Rosensteil seconded the motion. The Board unanimously approved the resolution.

**5. Adopt resolution approving the sale, issuance and delivery of 501(c)(3) revenue bonds for the California Academy of Sciences, or a related party (San Francisco) for an amount not to exceed \$275,000,000.**

Ms. Lewis presented a staff report in which she described the California Academy of Sciences and the proposed financing. The Academy is a nonprofit public benefit corporation and international center for environmental and scientific research, providing high quality exhibitions, programs, education and outreach. The Academy operates the Kimball Natural History Museum, the Steinhart Aquarium and the Morrison Planetarium.

The proposed financing involves refunding outstanding I-Bank Revenue Bonds issued in 2003 and 2005, which financed a portion of the demolition, renovation and construction of the Academy's museum, educational and exhibition facilities; provides funding for a portion of the costs of completion of the new facilities and working capital. The new facilities are expected to be opened to the public in late 2008.

Ms. Lewis also apprised the Board that the new Academy facilities are designed with the goal of achieving the highest Leadership in Energy and Environmental Design (LEED) rating given by the United States Green Building Council available to buildings of this kind. Some of the energy savings features incorporated into the facilities include: seven inches of soil substrate on the Academy's "Living Roof" that will provide significant gains in heating and cooling efficiency, acting as natural insulation, and will keep approximately two million gallons of rainwater from becoming storm water; additional insulation material, in the form of thick cotton batting made from recycled blue jeans, is also being used as it holds more heat and absorbs sound better than spun fiberglass insulation; and, surrounding the roof is a large glass canopy with a band of 60,000 photovoltaic cells/solar panels that will generate approximately 213,000 kilowatt-hours of energy per year and provide up to 10% of the expected electricity demand for the facilities. Ms. Lewis also stated that the use of solar power will prevent the release of 405,000 pounds of greenhouse gas emission into the air.

Ms. Lewis introduced Mr. Nikolai Sklaroff, Executive Director of J. P. Morgan Securities, Inc., as underwriter of the proposed financing.

Chairwoman Matteucci asked for any questions or comments from the Board or those present, there were none. Chairwoman Matteucci entertained a motion to approve Resolution No. 07-31. Mr. Rosensteil moved to approve the resolution and Ms. Sheehan seconded the motion. The Board unanimously approved the resolution.

**6. Adopt resolution approving Infrastructure State Revolving Fund (ISRF) financing for the Bakersfield Redevelopment Agency, in an amount not to exceed \$10,000,000.**

Ms. Cummings presented a staff report in which she described the Millcreek Linear Park & Canal Refurbishment Project (Project) to be located in a low-to-moderate income area of downtown Bakersfield and within two redevelopment project areas: the Old Town Kern–Pioneer Redevelopment Project Area and the Southeast Bakersfield Redevelopment Project Area. She explained that ISRF Program funding for improvements to the canal will stop water seepage, increase the supply of good quality water, provide a more efficient method of transporting high

flow floodwaters safely out of the area, and allow such waters to be put to beneficial use downstream by supplementing drinking water supplies in the City of Bakersfield. She also indicated the recreational improvements to the park area will provide a safe and secure environment for residents along with an esthetically pleasing environment in the central city area.

Ms Cummings introduced Ms. Rhonda Barnhard, Assistant Director, Economic and Community Development Department, Bakersfield Redevelopment Agency.

Chairwoman. Matteucci asked for any questions or comments from the Board or those present, there were none. Chairwoman Matteucci entertained a motion to approve Resolution No. 07-32. Mr. Rosenstiel moved to approve the resolution and Ms. Sheehan seconded the motion. The Board unanimously approved the resolution.

**7. Adopt resolution authorizing the release of proposed change to the Criteria, Priorities and Guidelines for the ISRF Program for public comment.**

Ms. Cummings presented a staff report in which she outlined the proposed change to the Criteria, Priorities and Guidelines for the ISRF Program to shorten the project construction readiness criterion from twelve months to six months from board approval. Ms. Cummings explained that staff is proposing the program criteria change to ensure future borrowers will both start and complete project construction and request disbursements in a timely manner to facilitate compliance with tax-exempt bond spend down rules for future series of bonds sold to leverage the ISRF Program.

Chairwoman Matteucci asked for any questions or comments from the Board or those present. Mr. Rosenstiel inquired if the size of the next ISRF bond issue would be based upon specific loan applications, and suggested that sizing the bond issue on such information could help solve this problem. Ms. Cummings and Ms. Renner indicated that the application pipeline has been considered in prior ISRF Program bond issuances, and will be considered in sizing the next series of bonds. Mr. Hazelroth added that Lamont Financial Services is currently working with staff on a model to gauge the appropriate bond size.

There being no further questions, Chairwoman Matteucci entertained a motion to approve Resolution No. 07-33. Ms. Sheehan moved to approve the resolution and Mr. Rosenstiel seconded the motion. The Board unanimously approved the resolution.

**8. Adopt resolution appointing an arbitrage compliance consultant for ISRF Program and State School Fund Bonds.**

Ms. Lewis presented a staff report in which she indicated that staff previously released a Request For Qualifications for arbitrage compliance services, and that six responses were received and all responses met the minimum requirements. She informed the Board that a review committee, comprised of two senior management and two Bond Unit staff, evaluated each of the responses,

and that the review committee unanimously selected Bond Logistix LLC (BLX) as the top finalist since it was determined that the firm evidenced the highest level of qualifications, experience and overall quality of services, as well as proposed the lowest fees.

Chairwoman Matteucci asked for any questions or comments from the Board or those present, there were none. Chairwoman Matteucci entertained a motion to approve Resolution No. 07-34. Ms. Sheehan moved to approve the resolution and Ms. Lopez seconded the motion. The Board unanimously approved the resolution.

**Other Business.**

Chairwoman Matteucci called for any other business; there was none.

**Public Comment.**

Chairwoman Matteucci called for any public comment; there was none.

**Adjournment.**

Chairwoman Matteucci entertained a motion to adjourn. Mr. Rosensteel moved to approve the motion and Ms. Sheehan seconded the motion. Chairwoman Matteucci adjourned the meeting at approximately 2:11 p.m.