



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Tuesday, July 28, 2009
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairwoman Marjorie Berte called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:30 p.m.

Chairwoman Berte noted for the public that Agenda Items 8 and 9 would not be considered by the I-Bank Board at this meeting.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Marjorie Berte represented the Secretary of the Business, Transportation and Housing Agency.

Francisco Lujano represented the State Treasurer.

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

D. Everett Rice, Governor's appointee.

Michael Genest, Director of the Department of Finance, was absent.

The following I-Bank staff members were in attendance:

Stanton C. Hazelroth, Roma Cristia-Plant, Molly Arnold, and Paula Connors.

2. Executive Director's Report.

Executive Director, Stan Hazelroth presented the Executive Director's Report and stated the following:

- On July 14, 2009, he approved Amendment A-09-0001 for Surtec, Inc. (\$2,200,000 CIEDB Tax-Exempt Variable Rate Demand Bonds Series 2003A – Surtec, Inc. Project). The amendment included a Letter of Credit Substitution, Change of Trustee and an Amended Remarketing Agreement.
- In response to a request from the Board at the June I-Bank Board meeting to obtain further clarification regarding CalISO's intent to finance assets having a shorter term assets with longer term bonds, staff requested and received a memo from CalISO's bond counsel, Stradling Yocca Carlson & Rauth, confirming that the CalISO tax-exempt bond financing complies with relevant tax law in that the weighted average life of the assets to be financed is below the weighted average life of the bonds.

Consent Items:

3. Approve minutes from the meeting held on June 23, 2009.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve this consent item. Mr. Lujano moved to approve the minutes and Mr. Rice seconded the motion. The minutes were unanimously approved.

Action Items:

- ### **4. A resolution approving the sale, issuance and delivery of tax-exempt facility refunding bonds in an amount not to exceed \$308,550,000 to refund California Infrastructure and Economic Development Refunding Revenue Bonds, (Pacific Gas and Electric Company), Series 2008A (AMT), Series 2008B (AMT), Series 2008C (AMT) and Series 2008D (AMT).**

Ms. Connors presented a staff report describing the request to refinance up to \$308,550,000 of previously issued exempt facility bonds approved by the Board on August 21, 2008, for Pacific Gas and Electric Company (Series A through D). Ms. Connors apprised the Board that all the original projects have been completed and that this refunding proposes to take advantage of the Federal American Recovery and Reinvestment Act (ARRA) provision which permits, for a short period of time, the refunding of alternative minimum tax (AMT) bonds as non-AMT

bonds. She reported that the bonds will be publicly offered variable rate bonds, secured by a letter of credit from Wells Fargo and that the credit rating was expected to be AAA. Ms. Connors introduced Vivek Kapil, representing PG&E, and Cliff Gerber, Sidley Austin, LLP, bond counsel.

Chairwoman Berte called for questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-26. Mr. Lujano moved to approve the resolution and Ms. Lopez seconded the motion. The Board unanimously approved the resolution.

5. A resolution approving the substitution of security for and remarketing and tax-reissuance of California Infrastructure and Economic Development Bank Variable Rate Demand Refunding Bonds (Academy of Motion Picture Arts and Sciences Obligated Group), Series 2008.

Ms. Connors presented a staff report describing the request for Vine Street Archive Foundation (Vine Street), a not-for-profit corporation affiliated with the Academy of Motion Picture Arts and Sciences, for an amendment to existing documents related to bonds issued by the I-Bank in 2008. She reported that as a result of the recent downgrade of City National Bank's credit rating, Vine Street has proposed to convert the bonds interest rate reset period and to substitute security for the bonds by reconfirming an existing letter of credit and adding a confirming letter of credit to further secure the bonds. She indicated that the conversion requires an amendment to the indenture loan agreement, and the remarketing agreement. It also involves a mandatory tender and remarketing of the bonds, and a reissuance for tax purposes. Ms. Connors finished her report by introducing Ron Wolf, from Hawkins Delafield & Wood LLP, bond counsel and Andy Horn, Controller, from the Academy of Motion Picture Arts and Sciences.

Chairwoman Berte called for questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-27. Mr. Rice moved to approve the resolution and Mr. Lujano seconded the motion. The Board unanimously approved the resolution.

6. A resolution approving the amendment of the Master Loan Agreement, dated June 1, 2008, entered into among City National Bank, as Lender, the California Infrastructure and Economic Development Bank, as Issuer, and Marlborough School as Borrower.

Ms. Connors presented a staff report describing a request to amend certain financial covenants contained in a Master Loan Agreement dated June 1, 2008, among City National Bank, the Marlborough School and the I-Bank related to bonds issued by the I-Bank in 2008. Marlborough School and City National Bank would like to make certain changes to the terms of the document that would limit Marlborough's ability to incur additional debt to finance certain other projects anticipated at the time the original Master Loan Agreement was entered into and, in addition, would amend a financial covenant test to ease Marlborough's ability to draw down proceeds of the its loan.

Chairwoman Berte called for any questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-28. Ms. Lopez moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

7. A resolution amending the California Infrastructure and Economic Development Bank Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities to extend deadlines for submittal of applications for Board consideration.

Ms. Connors presented a staff report requesting an amendment to one procedure of the California Infrastructure and Economic Development Bank's "Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities" to extend the deadline for submittal of an application for Board consideration from 20 calendar days to 30 calendars days. Ms. Connors reported to the Board that the effective date for the deadline extension would be August 13, 2009, and that changing the deadline would enable the I-Bank staff to remain responsive to market needs and provide staff the time necessary to conduct a thorough analysis in time for I-Bank Board consideration.

Chairwoman Berte called for any questions or comments from the Board or the public. Ms. Margo Kairoff from Wells Fargo commented that businesses often apply to non-State conduit bond issuers because of the need for timely bond issuances. She also commented that she believes the I-Bank has a time advantage because it conducts its own

TEFRA hearings. Ms. Kairoff then provided comments about the I-Bank's fee schedule, and Chairwoman Berte commented that Agenda item #8 is not being considered at this meeting, and that testimony cannot be received on that Agenda Item at this time. However, Chairwoman Berte suggested Ms. Kairoff could provide her comments later during the "Other Non-Action Business" portion of the agenda.

Chairwoman Berte called for any other questions or comments from the Board or the public. Hearing no other questions or comments, she entertained a motion to approve Resolution No. 09-29. Mr. Rice moved to approve the resolution and Ms. Lopez seconded the motion. The Board unanimously approved the resolution.

8. A resolution amending and restating the California Infrastructure and Economic Development Bank Fee Schedule for all Conduit Revenue Bonds.

This item was withdrawn.

9. A resolution amending and restating the I-Bank's Investment Policy which delegates investment authority to the Executive Director.

This item was withdrawn.

Other Non-Action Business.

Chairwoman Berte called for any other business, and Ms. Kairoff commented on the need for the I-Bank to remain responsive to the timing and cost considerations of individual projects. Ms. Connors remarked that Ms. Kairoff raised a valid question and mentioned that I-Bank should periodically surveys other conduit issuers including non-State issuers in terms of fees and practices. Mr. Rice indicated that he understood that I-Bank staff were working on more comprehensive changes to I-Bank policies. Chairwoman Berte requested that staff provide an update on all policy reviews at the next meeting. Chairwoman Berte then asked if there were any more questions or comments from the Board or public. Hearing no other questions or comments, she closed the Non-Action Business discussion.

Public Comment.

Chairwoman Berte called for any public comment, there was none.

Adjournment.

Chairwomen Berte declared the meeting adjourned at approximately 2:10 p.m.