

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

BOND AMENDMENT STAFF REPORT

ISSUE: In connection with a proposed substitution of a letter of credit with an alternate credit facility consisting of both a letter of credit and a standby letter of credit, St. Margaret of Scotland Episcopal School (St. Margaret's School or Borrower) requests amendments to certain documents relating to the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (St. Margaret's Episcopal School) Series 2008 (2008 Bonds). The amendments will clarify certain provisions of the existing indenture and loan agreement and add a new interest rate mode to the original indenture changing the interest rate period on the 2008 Bonds from a weekly rate period to a monthly rate period.

BACKGROUND INFORMATION: On December 11, 2007, the I-Bank approved Resolution 07-35 authorizing the issuance of tax-exempt bonds in an amount not to exceed \$25,000,000 on behalf of St. Margaret of Scotland Episcopal School. St. Margaret's School is a not-for-profit corporation that provides an academically rigorous educational curricula and seeks to aid students to become contributing members of the community.

The proceeds of the I-Bank's 2008 Bonds were used to finance and refinance the costs of acquisition, construction, improvement, renovation, furnishing and equipping of certain facilities operated by St. Margaret's School, including a performing arts education center, administrative office building, athletic fields, classroom buildings, gymnasium and other related facilities. The 2008 Bonds are secured by a direct pay letter of credit from Allied Irish Banks, p.l.c (AIB). The Staff Report dated December 6, 2007, and a copy of Resolution 07-35 are attached for a more complete description of the project and financing structure (see Attachment A).

NEED FOR AMENDMENTS: As a result of the recent downgrading of the credit rating of AIB, St. Margaret's School has elected to replace the AIB letter of credit with an alternate credit facility consisting of a letter of credit provided by First Republic Bank (New LOC) and a standby letter of credit from the Federal Home Loan Bank of San Francisco (Standby LOC). St. Margaret's School has also requested to add a monthly rate period to the 2008 Bonds. Amendments to the original indenture, loan agreement, remarketing agreement and the execution of related tax certifications are necessary to incorporate the Standby Letter of Credit, clarify certain provisions, and to convert the interest rate period to a monthly mode from the current weekly mode.

As a condition to issuing its standby letter of credit, the Federal Home Loan Bank of San Francisco is requiring a technical tax reissuance of the 2008 Bonds. It is the addition of the Monthly Rate Period that triggers the tax reissuance. A new Tax Equity Fiscal Responsibility Act (TEFRA) hearing was conducted on October 26, 2010. The amendments to the indenture and the bonds to add the Monthly Rate Period require bondholder consent. Because those portions of the proposed amendments require bondholder consent, they do not fit within the scope of the Executive Director's existing delegated authority established by Resolution 08-35.

Standard & Poor's is expected to assign the bonds a credit rating of "AAA/A-1+" based on the rating of the Federal Home Loan Bank of San Francisco.

RECOMMENDATION: Staff recommends approval of Resolution 10-33 authorizing an Amended and Restated Indenture, an Amended and Restated Loan Agreement, and a Tax Agreement, including amendments related to the addition of a monthly rate period triggering the reissuance of the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (St. Margaret's Episcopal School), Series 2008.

Attachment A – December 6, 2007 Staff Report and Resolution 07-35

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
 501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	St. Margaret of Scotland Episcopal School (School or Borrower)	Amount Requested:	Not to exceed \$25,000,000
Applicant Description:	The School, a California nonprofit public benefit corporation, is an independent, coeducational, college preparatory day school serving students in preschool through grade twelve.	Date of Board Meeting:	December 11, 2007
		Resolution Number:	07-35
Project Site:	31641 La Novia Avenue San Juan Capistrano, CA 92675	Prepared by: Andrea Kennedy	
Project Description:	The project (Project) involves the financing of new facilities or the refinancing of existing debt related to previous campus development including the: (1) acquisition of land and buildings and construction and renovation of new Middle School buildings, related administrative offices, and a childcare center; (2) construction of a new Performing Arts and Education Center; (3) construction of a gymnasium and athletic offices and Upper School math and science center building; (4) renovation of existing buildings at the Lower School; (5) acquisition of an Upper School building and construction of a new wing and acquisition of adjacent land for sports fields/facilities; and (6) parking lot improvements.		
Uses of Bond Proceeds:	Bond proceeds will be used to pay the costs of the Project, costs of issuance and other related costs of the School.		
Public Benefits:	The School provides academically demanding educational curricula and seeks to aid students to become contributing members of the community. The School is open to students any race, color, religion, national and ethnic origin. All students are required to participate in the community services programs, in-class service learning activities and a sophomore year community service retreat. Financial aid is provided to academically-talented students based upon need and the School offers tuition remission. In the 2006-2007 school year, nearly 13% of the students received some form of financial aid. Additionally, the School estimates the creation of four or five new jobs as a result of the Project.		
Financing Structure:			
Type of Issue:	Publicly-offered variable-rate securities in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.		
Tax Status:	Tax-exempt 501(c)(3) bonds.		
Term:	30 years.		
Credit Enhancement:	Direct-pay letter of credit from Allied Irish Bank, p.l.c.		
Credit Rating:	Expected "A+/A1" by Standard & Poor's based upon the letter of credit provider's credit rating		
Est. Sources of Funds:		Est. Uses of Funds:	
Par amount of the bonds	\$25,000,000	Project Fund	\$24,508,500
		Costs of Issuance	456,500
		Upfront Letter Of Credit Fees	35,000
TOTAL SOURCES	\$25,000,000	TOTAL USES	\$25,000,000
Financing Team:			
Bond and Disclosure Counsel:	Orrick Herrington & Sutcliffe LLP		
Underwriter:	Stone & Youngberg LLC		
Trustee:	Wells Fargo Bank, N.A.		
Staff Recommendation:			
Staff recommends approval of Resolution 07-35 for an amount not to exceed \$25,000,000 for St. Margaret of Scotland Episcopal School.			

BACKGROUND AND HISTORY

St. Margaret of Scotland Episcopal School (School or Borrower), a qualified 501(c)(3) organization located in San Juan Capistrano, California, is an independent, co-educational, college-preparatory day school serving students in preschool through grade twelve. The School's mission is, "To educate the hearts and minds of young people for lives of learning, leadership and service."

The School was founded by The Reverend Canon Ernest D. Sillers, an Episcopal priest, and was named for Scotland's patron saint of education, St. Margaret, Queen of Scotland. The School opened its doors in 1979 to seventy-nine students who attended kindergarten through sixth grade in temporary structures.

In 1981, the School added an Early Childhood Development Center, and the Upper School opened its doors in 1982 with two ninth grade sections. By the 1985-86 school year, students were enrolled at all grade levels, from preschool through grade 12.

The School has grown to serve over 1,200 students on a 20-acre campus that includes facilities for science, technology, library and athletics. Currently, the School is comprised of four schools: Preschool (ages 3 - 4), Lower School (Kindergarten – Grade 5), Middle School (Grades 6 - 8) and Upper School (Grades 9 - 12), with 105 faculty members, including three with a Ph.D., 48 with a master's degree and one with a J.D. The School provides age-appropriate academics through its own unique program and faculty leadership. A comprehensive curriculum endeavors to prepare students for a successful college experience and equip them with valuable life skills. Beyond academics, the School seeks to strengthen the moral character of each student by offering numerous opportunities for leadership and participation in extracurricular activities, including award-winning athletic and performing fine arts programs.

The School is accredited by the Western Association of Schools and Colleges, the California Association of Independent Schools, the National Association for the Education of Young Children and the National Association of Episcopal Schools.

The School admits students of any race, color, sex, religion, national and ethnic origin and does not discriminate on the basis of race, color, sex, religion or national and ethnic origin in the administration of its educational policies, admissions policies, financial aid programs, and athletic or other programs. For the 2006-2007 academic year, the student body was comprised of students with diverse faiths, with Episcopalians comprising less than 12% of the student body and more than 22% of the student body not reporting any religious affiliation.

GOVERNANCE AND MANAGEMENT

The School's Board of Trustees (Board) is comprised of 20 members who meet six times per year. The Board has a number of committees including Finance, Facilities, Development, Strategic Planning, Audit and Endowment. The current members of the Board are set forth in Appendix A of this report.

The School's management includes the following administrative team members:

ADMINISTRATIVE TEAM	
Marcus Hurlbut	Headmaster
David Boyle	Associate Headmaster & Upper School Principal
David Bush	Director of Finance & Operations
Regina McDuffie, Ph.D.	Academic Dean
Jeannine Clark	Middle School Principal
Tracy Linyard	Lower School Principal
Ingrid Andrews	Early Childhood Education Center Director

PROJECT DESCRIPTION

The Project is identified in a Campus Master Plan, a plan for campus development that will significantly upgrade the facilities over a number of years and is designed to improve the quality of education for the current student base, rather than to expand enrollment. The first phase of the plan has been completed.

The School intends to use the proceeds of the proposed bonds (Bonds) to:

- refinance approximately \$4.0 million of pre-existing debt remaining on the purchase of the Upper School building as well as purchase of adjacent land now used as the sports field for football and soccer;
- reimburse and refinance the recent purchase of 1.83 acres of land and buildings, known as Buildings G, H and I. This land will be used to construct a new two-story, 18,240 sq. ft. Middle School building to include all classroom and administrative facilities for grades six to eight on the site of Buildings H and I. Building G will be renovated to house administrative offices as well as the Wee Tartan Childcare center;
- pay for development costs related to the improvement of a land parcel for parking
- construct a 37,300 sq. ft. Performing Arts and Education Center, to be located on the site of the current seventh and eighth grade classrooms;
- pay for construction costs of the recently completed gymnasium and athletic offices known as the Pasternack Field House and the Upper School classroom wing known as the DeYoung Family Math and Science Center;
- construct the new Middle School and renovate the Lower School; and,
- pay financing costs.

FINANCING STRUCTURE

The Borrower is requesting approval for the issuance of the Bonds in an amount not to exceed \$25,000,000. Payment of principal and interest on the Bonds will be enhanced by a letter of credit provided by Allied Irish Bank, p.l.c. to be executed simultaneously with the issuance of the Bonds. It is expected that the Bonds will carry a rating of "A+/A1" from Standard & Poor's, based upon the letter of credit provider's credit rating.

In no event shall the Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Bonds. The Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for in a loan agreement between the I-Bank and the Borrower (Loan Agreement).

ELIGIBILITY FOR TAX-EXEMPT CONDUIT BOND FINANCING

The School is affiliated with the Protestant Episcopal Church in the diocese of Los Angeles. As such, staff requested bond counsel to provide a memo addressing whether the School is considered pervasively sectarian and must demonstrate compliance with the two-part test set forth in the recent California Statewide Communities Development Authority v. All Persons Interested, 40 Cal.4th 788 (2007) (CSCDA) case to be in compliance with the California Constitutional provisions involving the establishment clause.

Orrick Herrington & Sutcliffe LLP (Orrick) submitted a memo to the I-Bank dated November 25, 2007. The Orrick memo states that the structure for the Bonds is identical in all material respects to the conduit financing structure for religiously-affiliated schools approved by the California Supreme Court in California Educational Facilities Authority v. Priest, 12 Cal.3d 593 (1974) (CEFA), and in the CSCDA case. Orrick's memo goes on to state that in those cases, compliance with the provisions of the California Constitution relating to government aid to religious organizations was established based on the characteristics of the conduit financing, not on the religious characteristics of the school seeking to undertake conduit financing.

The Orrick memo states that in CEFA, the school considered by the court, while religiously-affiliated, was not considered "pervasively sectarian." In CSCDA, the schools being considered by the court were assumed to be pervasively sectarian for the purposes of the litigation and the court announced a two-part test for a conduit financing for such schools to be in compliance with the California Constitutional provisions. The Orrick memo concludes that, "[T]he School need not demonstrate compliance with the two-part test in CSCDA in connection with the Infrastructure Bank's issuance of the Bonds because the School is not pervasively sectarian," and based this conclusion on the fact that the School's organizational documents, mission statement, student demographics, admission practices, faculty hiring practices, curriculum, course descriptions and its minimal requirements with respect to religion evidence that religion does not play a substantial role in the School's educational practices.

PUBLIC BENEFITS

Community Service

The School is committed to helping students use their gifts to acquire a better understanding and keener sensitivity to the needs and realities of their immediate and extended community through community service. The School requires all students to participate in the community service program through grade-level service requirements, in-class service learning activities, and a sophomore year service retreat. In the Lower

School, each class adopts a community project. This may include assisting a needy family during the holidays or collecting food and clothing for people and organizations throughout the year. Each summer, the School's Special Camp for Special Kids creates a one-to-one relationship between children and young adults with disabilities and their non-disabled peers.

The School designates an entire month for each class to focus on community service with a conscious effort made to connect each service project to a need in the community. Students spend time interacting with seniors in the community, visiting hospitals, and volunteering at shelters. During the holidays, students of all grade levels spread holiday cheer by singing carols to seniors, collecting food for families and much more. Students are encouraged to move beyond the requirements and work on other service projects in areas of their choosing.

The School participates in the nationally-recognized Breakthrough Collaborative Program by providing intensive academic and life skills training for high-potential, low-income students from Marco Forster Middle School in San Juan Capistrano. The year-round, tuition-free program is designed to encourage and support these students with the skills they need to succeed in school and enter college. Most of these students will be the first in their families to attend college. The program is hosted by the School and is the only Breakthrough Collaborative program in Southern California. The program consists of a six-week summer session, followed by twice-weekly meetings throughout the school year. Marco Forster Middle School students complete core academic classes, engage in enrichment activities and participate in field trips ranging from visits to the Tiger Woods Learning Center, Oakley, Universities in Southern California, and local businesses for Occupational Day. The School is one of thirty-three sites nationwide that comprise the national non-profit network of Breakthrough Collaborative, based in San Francisco.

Financial Aid

One of the basic tenets of the strategic plan is to strive to create a school community that more closely resembles the demographics of the surrounding area. To this end, the School is determined to broaden their commitment to worthy and qualified students who demonstrate financial need. The primary effort to meet this need comes through the School's financial aid budget and growing endowment, and the Tartan Scholars program is a major component of this effort. The School's intention is to carry forward this program in perpetuity, meaning that twenty Tartan Scholars will always be present at the School and their tuition will be fully funded by an endowment specially earmarked for this purpose. In addition, the School offers tuition remission. Nearly thirteen percent of the 2006/2007 student body received some form of financial aid.

Job Creation

The School anticipates that four or five new jobs will be created at the School upon completion of the Project.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: The School has submitted an application to the City of San Juan Capistrano for approval of its master campus development plan, which includes applications for all applicable entitlements including zoning and land use. It will likely take a number of months before approval is obtained. Architectural control approval of the project will be submitted to track forward with the Campus Master Plan application for simultaneous approval.
TEFRA	
Date of TEFRA	November 28, 2007
Publications	<i>The Sacramento Bee</i> <i>Orange County Reporter</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Borrower meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to the I-Bank under the proposed financing agreements are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 07-35, for an amount not to exceed \$25,000,000 for St. Margaret of Scotland Episcopal School.

APPENDIX A – BOARD OF TRUSTEES

**ST. MARGARET’S SCHOOL
 BOARD OF TRUSTEES – MEMBERS
 2006-2007**

MEMBER	PROFESSION
N. Christian Anderson III	Publisher & CEO, Orange County Register
W.L. Lyons Brown III	CEO, Altamar Ventures, LLC
The Right Reverend J. Jon Bruno, Board Chairman	Bishop Diocesan, The Episcopal Diocese for Los Angeles
Kenneth W. Colbaugh, Board Treasurer	Individual Investor
Peter J. Desforges	President, Wohl Investment Company, Inc.
The Reverend Canon Robert D. Edwards	Rector, St. Margaret’s Episcopal Church
Mary J. George	Co-Chair, Bell Automotive Products
William A. Hoff, Jr.	Broker, Coldwell Banker Real Estate
Wyatt E. Malcolm	Commercial Insurance Broker, SullivanCurtisMonroe (Vice President)
Milburn A. Matthews	Coontz & Matthews LLP, Attorneys at Law
Stacey E. Nicholas	Parent and Volunteer
Susanna V. Openshaw	Parent and Volunteer
Gregory D. Palmer, Board Secretary	Fmr. President and CEO, Remedy Staffing
Kathryn H. Phillips, Bishop’s Representative	Parent and Volunteer
Andrew C. Robison	Managing Consultant, PA Consulting Group, Inc.
Margarita Solazzo, PTF President	President, Capella-Solazzo Design
Jeffry L. Stoddard, Board President	Real Estate Developer, President, Buie Stoddard Group LLC
Ryan M. Westendorf	Steel Trader, West Coast Metals
Samuel C. Wolgemuth	Limited Partner, Tri-Artisan Partners
Johnelle M. Zarutskie	Registered Nurse Specialist/Office Administrator

APPENDIX B – PROJECT PHOTOS







Building H



Building I

RESOLUTION NO. 07-35

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE ISSUANCE OF ITS VARIABLE RATE DEMAND REVENUE BONDS (ST. MARGARET'S EPISCOPAL SCHOOL) SERIES 2008 TO FINANCE AND REFINANCE THE COSTS OF THE CONSTRUCTION, EQUIPPING AND FURNISHING OF CERTAIN ECONOMIC DEVELOPMENT FACILITIES, PROVIDING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF THE BONDS AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS

WHEREAS, the California Infrastructure and Economic Development Bank (the "Issuer") was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the "Act"), for the purpose of, among other things, providing financial assistance for the design, construction, financing and development of economic development facilities (as such term is defined in the Act) located in the State of California;

WHEREAS, St. Margaret of Scotland Episcopal School, a California nonprofit public benefit corporation (the "Corporation"), has applied for the financial assistance of the Issuer to (i) finance the construction, furnishing and equipping of certain educational facilities, including a new performing arts education center and middle school campus, and the renovation of lower school classrooms and all-school dining, library and athletic buildings and related infrastructure improvements, (ii) refinance certain educational facilities previously acquired, constructed or renovated by the Corporation, including an upper school campus, an administrative office building, a field house and a math and science center (all located or to be located at 31641 La Novia, San Juan Capistrano, California 92675; 27461 and 27481 Calle Arroyo, San Juan Capistrano, California 92675; and 31732 Rancho Viejo Road, San Juan Capistrano, California 92675) (the "Project"), (iii) fund capitalized interest with respect to a portion of the Bonds (as hereafter defined) and (iv) pay the costs of issuance incurred in connection with the issuance and sale of the Bonds;

WHEREAS, the Corporation desires that the Bonds be secured by an irrevocable, direct-pay letter of credit (the "Letter of Credit") issued by Allied Irish Banks, p.l.c., acting through its New York Branch;

WHEREAS, the Corporation requests the Issuer to issue bonds in one or more series bearing interest at a variable rate of interest, to assist in financing and refinancing the Project and for the other purposes specified in the second recital hereto, and has requested the Issuer to authorize the issuance of its California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (St. Margaret's Episcopal School) Series 2008 (the "Bonds"), in an aggregate principal amount not to exceed \$25,000,000;

WHEREAS, there is now on file with the Secretary of the Issuer the following:

(a) a proposed form of the Loan Agreement (the "Loan Agreement") to be entered into by and between the Issuer and the Corporation;

(b) a proposed form of the Indenture (the "Indenture") to be entered into between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee");

(c) a proposed form of Purchase Contract (the "Purchase Contract") with respect to the Bonds, to be entered into by and among the Issuer, the Treasurer of the State of California, the Corporation, and Stone & Youngberg LLC, as underwriter (the "Underwriter"); and

(d) a proposed form of Official Statement with respect to the Bonds to be used in connection with the offering and sale of the Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank, as follows:

Section 1. The form of Loan Agreement on file with the Secretary of the Issuer is hereby approved, and the Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Loan Agreement to the Corporation with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Issuer further authorizes and approves the loan of the proceeds of the Bonds to the Corporation in order to finance and refinance the cost of the Project and for the other purposes stated in the second recital hereto pursuant to the terms and provisions of the Loan Agreement.

Section 2. The form of Indenture on file with the Secretary of the Issuer is hereby approved, and the Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver to the Trustee, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 3. The proposed form of Purchase Contract on file with the Secretary of the Issuer is hereby approved, and the Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Purchase Contract, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Treasurer of the State of California is hereby authorized and requested to sell the Bonds in one or more series, at any time within one hundred eighty (180) days of the adoption of this Resolution, at negotiated sale, at such price and at such initial interest rate as he may determine.

Section 4. The form of Official Statement on file with the Secretary of the Issuer is hereby approved. The Underwriter is hereby authorized to distribute copies of the Official Statement in connection with the offering of the Bonds with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by delivery thereof to the Underwriter. The Underwriter is hereby authorized and directed to distribute copies of the Official Statement to the purchasers of the Bonds.

Section 5. The Issuer approves the issuance of the Bonds in accordance with the terms of, and to be secured by, the Indenture, in an aggregate principal amount not to exceed \$25,000,000, to assist in financing and refinancing the Project and for the other purposes stated in the second recital hereto. Payment of the principal of and premium, if any, and interest on the Bonds shall be made solely from payments made by the Corporation and the other sources expressly provided in the Indenture and the Bonds shall not be deemed to constitute a debt or liability of the Issuer or the State. The Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed to execute, in the name and on behalf of the Issuer, by manual or facsimile signature, the Bonds in accordance with and in the form set forth in the Indenture. The Bonds shall bear interest at the rates determined in accordance with the provisions of, mature (not later than 50 years after the Issuance Date) and be subject to redemption as provided in, and be in the form set forth in the Indenture.

Section 6. The Bonds, when executed as provided in Section 5, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds so delivered by executing the certificate of authentication appearing thereon and to deliver the Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the Issuer by the Executive Director or the Chair of the Issuer, or the Chair's designee, which instructions said officer is hereby authorized and directed, for and in the name of and on behalf of the Issuer, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Underwriter upon payment of the purchase price therefor.

Section 7. Based upon representations made by the Corporation, the Board of Directors of the Issuer hereby finds and determines that:

- (a) the Project is located in the State;
- (b) the Corporation is capable of meeting its obligations under the Loan Agreement;
- (c) the payments to be made under the Loan Agreement are adequate to pay all current expenses of the Issuer in connection with the Bonds and to make all payments with respect to the Bonds when due;
- (d) the proposed financing is appropriate for the Project;
- (e) the Project demonstrates clear evidence of a defined public benefit; and
- (f) the Project is consistent with any existing local and regional comprehensive plans.

The finding in subsection (b), above, is based on the requirement that the Bonds will be secured by the Letter of Credit and rated in one of the three highest rating categories of Moody's Investors Service, Fitch, Inc. or Standard & Poor's Ratings Services, without regard to numerical or other qualifiers.

Section 8. The Board of Directors of the Issuer hereby finds and determines that the proposed financing complies with the criteria, priorities and guidelines adopted by the Issuer pertaining to the conduit issuance of revenue bonds.

Section 9. The Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized to execute all documents, certificates and instruments necessary or appropriate to this transaction and the issuance and sale of the Bonds.

Section 10. All actions heretofore taken by the officers and agents of the Issuer with respect to the approval, issuance and sale of the Bonds are hereby approved, confirmed and ratified, and the officials and officers of the Issuer and their authorized designees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents that they, their counsel or bond counsel 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.

Section 11. This Resolution shall take effect from and after its adoption.

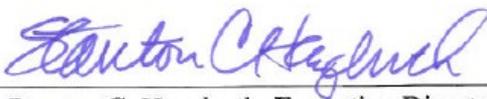
PASSED, APPROVED, AND ADOPTED at a meeting of the Board of Directors of the California Infrastructure and Economic Development Bank on December 20, 2007, by the following vote:

AYES: Matteucci, Sheehan, Rosenstiel, Saragosa, Rice

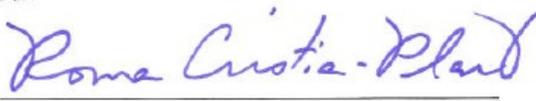
NOES: None

ABSENT: None

ABSTAIN: None

By 
Stanton C. Hazelroth, Executive Director

Attest:

By 
Roma Cristia-Plant, Secretary