

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Sage Hill School (Borrower or School)	<b>Amount Requested:</b>	Not to exceed \$24,000,000
<b>Applicant Description:</b>	Borrower is a California nonprofit public benefit corporation that operates a non-denominational, private coeducational college preparatory high school serving grades 9-12 in the Newport Beach area.	<b>Date of Board Meeting:</b>	December 14, 2010
		<b>Resolution Number:</b>	10-37
		<b>Type of Bonds:</b>	Refunding and New Issue
<b>Project Site:</b>	20402 Newport Coast Drive, Newport Coast, CA 92657	<b>Prepared by:</b> Elizabeth Hess	
<b>Project Description:</b>	The project (Project) involves (i) refinancing the outstanding California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2008 (Sage Hill School Project) (2008 Bonds) the proceeds of which were used to finance the construction, furnishing and equipping of a new center for creative studies facility, and to refinance approximately \$5 million of a commercial bank loan used to construct the original school facility, (ii) reimbursing certain additional costs of the construction, furnishing and equipping of the creative studies facility, and (iii) providing working capital for the School. (Project)		
<b>Uses of Bond Proceeds:</b>	Bond proceeds will be used to pay the costs of the Project and pay for costs of issuance.		
<b>Public Benefits:</b>	Estimated cash flow savings of over \$451,000 during the thirty year term of the 2010 Bonds will result in reduced School operating costs. The 2010 Bonds will also mitigate interest rate risk associated with the recent credit rating downgrade of the current security provider for the 2008 Bonds, Allied Irish Banks, p.l.c.. Reducing the School's financing costs will in turn permit the Borrower to continue to provide educational and artistic enrichment within the community. Reimbursement of additional costs of the construction, furnishing and equipping of the creative studies facility will permit the School to continue to operate the creative studies facility to provide educational and artistic enrichment to students within the community.		
<b>Financing Structure:</b>			
<b>Type of Issue:</b>	Privately placed bank qualified fixed-rate securities in authorized denominations of at least \$500,000.		
<b>Tax Status:</b>	Tax-exempt 501(c)(3) bonds.		
<b>Term:</b>	Not to exceed 30 years.		
<b>Credit Enhancement:</b>	None		
<b>Credit Rating:</b>	None; private placement with a qualified institutional buyer exception is applicable		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Par amount of the bonds	\$24,000,000	Refinance 2008 Bonds	\$19,500,000
		Reimburse Costs of the Project	1,500,000
		Working Capital	700,000
		Working Capital Contingency*	1,700,000
		Costs of Issuance	600,000
<b>TOTAL SOURCES</b>	<b>\$24,000,000</b>	<b>TOTAL USES</b>	<b>\$24,000,000</b>

\*This contingency amount is to address potential fluctuations in the cost of terminating swap agreements entered into by the Borrower in relation to the 2008 Bonds. In the event the costs of terminating those agreements is equal to or less than the current expectation of \$700,000, the amount of 2010 Bonds will not include this contingency amount.

<b>Financing Team:</b> <b>Issuer's Special Counsel:</b> <b>Bond Counsel:</b> <b>Direct Purchase Bank:</b> <b>Direct Purchase Bank Counsel:</b> <b>Placement Agent:</b> <b>Trustee:</b>	Stradling, Yocca, Carlson & Rauth Squire, Sanders & Dempsey L.L.P. First Republic Bank Sidley Austin LLP George K. Baum & Company Bank of New York Mellon, N.A.
<b>Staff Recommendation:</b> Staff recommends approval of Resolution 10-37 for an amount not to exceed \$24,000,000 for Sage Hill School.	

**BACKGROUND AND HISTORY**

Founded in 1996, Sage Hill School (Borrower or School) is a 501(c)(3) public benefit corporation and one of Orange County's first independent, non-denominational, coeducational college preparatory high schools serving grades 9 through 12. Construction of the School's campus, located on 28 acres originally obtained through a 99-year ground lease, was completed in 2000 and the School began operations in September of that year with 120 students. In 2006, the School terminated the ground lease and acquired the land. In 2009, a performing arts center referred to as the "Studio at Sage Hill" was added increasing the size of the facilities on the campus to 111,000 square feet.

The School now has 430 students in grades 9 through 12 and 52 full and part-time faculty. The School attracts students from over 120 feeder schools representing 40 communities in greater Orange County. The School's average class size is 15 students. Tuition for 2010-2011 is \$27,750 and 17% of students received financial aid for the 2009-2010 school year.

The School's academic curriculum is intended to provide students with numerous opportunities to acquire the skills and knowledge they need to be successful at the college level and beyond. The School's academics are integrated with athletics, the arts, and community service learning opportunities. Community service projects involve students mentoring elementary school students, working with local non-profit organizations and creating service projects to meet identified community needs. The School's Arts Department includes programs in visual, dance, choral, theater and instrumental arts and offers free performances to the public.

Sage Hill School is accredited by the Western Association of Schools and Colleges.

**GOVERNANCE AND MANAGEMENT**

<b>Corporate Officers</b>	
Gordon McNeill	Head of School
Diane Shank	Chief Operating Officer

The School is governed by a 22-member Board of Trustees. See **Appendix A**.

## PROJECT DESCRIPTION

The Project involves refinancing the outstanding principal amount (currently \$19,500,000) of the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2008 (Sage Hill School Project) (2008 Bonds). The proceeds of the 2008 Bonds were used to finance the cost of constructing, improving, equipping the thirty-one thousand square foot campus performing arts center. The 2008 Bonds provided \$14.2 million toward the \$16.5 million performing arts center with the remaining \$2.3 million contributed from the School's equity. In addition, 2008 Bond proceeds refinanced approximately \$5 million of a commercial bank loan used to construct the original school facility and paid for costs of issuance. The Project also provides working capital to finance interest rate swap termination payments more fully described below, funds to reimburse certain costs of the construction and equipping of the performing arts center not funded by proceeds of the 2008 Bonds, and funds to pay the cost of issuance of 2010 Bonds. The reimbursement of the costs of the construction and equipping of the performing arts center acts to reduce the Borrower's equity contribution anticipated in 2008 by \$1.5 million.

## FINANCING STRUCTURE

The Borrower is requesting approval for the issuance of bonds (2010 Bonds) in an amount not to exceed \$24,000,000. The 2010 Bonds will be issued pursuant to an indenture between the I-Bank and Bank of New York Mellon, N.A., as Trustee, (Indenture) and a loan of the proceeds of the 2010 Bonds will be made through a loan agreement between the I-Bank and the School (Loan Agreement).

The 2010 Bonds will not be credit enhanced but initially issued as fixed-rate bank qualified bonds privately placed with First Republic Bank (Purchaser), a Qualified Institutional Buyer as defined in Section 144(A) promulgated under the Securities Act of 1933, as amended (Qualified Institutional Buyer or QIB). The 2010 Bonds will have a 30 year maturity. The Purchaser's ability to sell or otherwise transfer the 2010 Bonds is limited to QIBs as described herein.

In June 2008, the School was party to the issuance of \$19,500,000 California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (Sage Hill School Project) Series 2008 (2008 Bonds). The staff report dated May 20, 2008 and a copy of Resolution 08-12 are attached for a more complete description of the project and financing structure (see **Appendix B**).

The School entered into interest rate swap agreements for the 2008 Bonds with Allied Irish Banks, p.l.c., which locked in the interest rates on \$15,000,000 and \$4,500,000 of the 2008 Bonds at 3.493% and 2.075%, respectively, until maturity in 2038. As part of the 2010 Bonds, the School will terminate both swap agreements. The expected combined termination value is approximately \$2.2 to 2.4 million in the current market environment. The final termination value will be negotiated with Allied Irish Banks, p.l.c.. A portion of the termination value of the swaps will be paid from the working capital provision funded from proceeds of the Series 2010 Bonds.

## **Private Placement**

In accordance with the I-Bank's adopted Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities (Policies), the I-Bank's general policy is to issue bonds bearing certain minimum ratings. The Policies provide that the Board may waive the requirement for a credit rating where the bonds are sold using a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor.** The investor(s) will be required to sign a "sophisticated investor" letter acceptable to the Infrastructure Bank. Each investor must be a qualified institutional buyer within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the Infrastructure Bank.
2. **Resale Limitations.** Depending on the circumstances of the proposed sale, the Infrastructure Bank may require conditions for the resale of the 2010 Bonds after initial issuance.
3. **Minimum Denomination.** The Infrastructure Bank will require a minimum bond denomination of at least \$100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

The proposed bonds will not be rated, which requires the Board to waive the Policies' credit rating requirement and impose certain conditions on the financing. For this reason, the proposed financing structure of the 2010 Bonds is a private placement. Specifically, pursuant to the terms of the financing documents for the 2010 Bonds, the Purchaser will certify in a private placement agreement, among other things, that: (i) it is a Qualified Institutional Buyer; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the 2010 Bonds and that it is able to bear the economic risks of such investment; and, (iii) the Purchaser will prohibit the transfer of the 2010 Bonds, except to another QIB signing a sophisticated investor letter, and only in denominations of \$500,000 or greater. The Purchaser will also certify that it understands there is no liability on the part of the I-Bank or the State to make any payment on the 2010 Bonds other than the I-Bank's limited obligation to make payments from revenues received from the Borrower.

In no event shall the 2010 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 2010 Bonds. The 2010 Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting primarily of repayments of the loan provided for in a Loan Agreement.

## **PUBLIC BENEFITS**

The Borrower estimates that refinancing the 2008 Bonds will result in cash flow savings of approximately \$451,000. As a result, the refinancing will result in reduced operating costs, thereby increasing revenue to support the school's programs.

The Project will enable the School to continue its college preparatory program while reducing its financing risk and its total interest payments over the life of the 2010 Bonds.

The reimbursement of costs of the construction, furnishing and equipping of the creative studies facility not funded by proceeds of the 2008 Bonds will permit the School to continue to operate the creative studies facility to provide educational and artistic enrichment to students within the community.

This financing will allow the Borrower to take advantage of a provision (due to expire December 31, 2010) of the federal American Recovery and Reinvestment Act (ARRA) permitting banks to purchase certain tax-exempt bonds.

## OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Describe:</b>
TEFRA	
Date of TEFRA	December 8, 2010
Publications	<i>The Sacramento Bee</i> <i>Los Angeles Times, Orange County Edition</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b>
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/> <b>YES</b>
Issues?	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b>
ELIGIBILITY REVIEW	
Borrower meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>	<ol style="list-style-type: none"> <li>1. The Project is in the State of California.</li> <li>2. The School is capable of meeting its obligations incurred under the proposed loan agreement and, in particular as to its loan repayment obligations which secure the 2010 Bonds, as a result of having met the requirements of the Purchaser for a direct purchase of the 2010 Bonds.</li> <li>3. Payments to be made by the School to the I-Bank under the proposed loan agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the 2010 Bonds.</li> <li>4. The proposed financing is appropriate for the Project.</li> <li>5. The School has represented that the facilities financed and refinanced with proceeds of the 2008 Bonds and to be reimbursed with proceeds of the Bonds are consistent with any existing local or regional comprehensive plans.</li> </ol>
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> <b>YES</b> <sup>1</sup> <input type="checkbox"/> <b>NO</b>	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

## RECOMMENDATION

Staff recommends approval of Resolution 10-37, for an amount not to exceed \$24,000,000 for Sage Hill School.

<sup>1</sup> As noted elsewhere in this report, the Bonds are not rated as required by the Policies, but do meet the requirements for a waiver of that requirement as a result of private placement with a Qualified Institutional Buyer.

**APPENDIX A – Board of Trustees**

<b>Board of Trustees 2010/2011</b>	
Tralance Addy, Ph.D	President & CEO, Waterhealth International, LLC
Vicki Booth	President, Ueberroth Family Foundation
Roshantha Chandraratha, Ph.D.	Retired Pharmaceutical Chief Scientific Officer
James Chiboucas	Vice Chairman & Chief Legal Officer, KBS Realty Advisors
David Dull	Retired Vice President of Business Affairs and General Counsel of Broadcom Corporation
Tracy Friedmann	Partner, TAVA Development Company
Richard Gadbois, III	President and Co-Founder, Mullin Asset Management
Donald Grant	Founder & Co-Managing Partner, IHP Capital Partners
John Gunnin	Art/Art History teacher at Corona del Mar High School
Janet Hadley	Community Leader
John Hagestad	Managing Director, SARES-REGIS Group
Karina Hamilton	Director, Center for Educational Partnerships, University of California, Irvine
Randy Heyler	President & CEO, Ondax, Inc.
Juan Francisco Lara, Ph.D.	Retired Assistant Vice Chancellor Emeritus, University of California, Irvine
Joel Lipman, M.D.	Community Leader
Christy Marlin	Retired Lawyer, Volunteer
Lucie Moore	Community Leader
Douglas Neff	Founder & Managing Principal, International Housing Partners
Rebecca Ortiz	Psychologist
Maureen Ramer, Ed.D.	Community Leader
Michael Ray	President, Sanderson-J.Ray Corporation
Larry Ward	Senior member, The Scotland Group, Inc.

**APPENDIX B – May 20, 2008 Staff Report and Board Resolution 08-12**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Sage Hill School (Sage Hill or School)	<b>Amount Requested:</b>	Not to exceed \$20,000,000
<b>Applicant Description:</b>	Sage Hill is a California nonprofit public benefit that operates a non-denominational, private co-educational college preparatory high school serving grades 9-12 in the Irvine/Newport Beach area.	<b>Date of Board Meeting:</b>	May 20, 2008
		<b>Resolution Number:</b>	08-12
		<b>Type of Bonds:</b>	Original Issue
		<b>Prepared by:</b>	Andrea Kennedy
<b>Project Site:</b>	20402 Newport Coast Drive, Newport Coast, CA 92657 (Orange County)		
<b>Project Description:</b>	The project (Project) involves the construction, furnishing and equipping of a 31,000 square foot, two story performing arts center and related facilities and infrastructure improvements. The Project includes a 300 seat performance space, classrooms, a ceramics studio, student gathering locations, an art display and gallery space, lighting and sound control and space for a new film program.		
<b>Uses of Bond Proceeds:</b>	Bond proceeds (2008 Bonds) will be used to pay the costs of the Project, refunding existing indebtedness that was used to construct the original campus, and cost of issuance.		
<b>Public Benefits:</b>	The School is committed to providing a rigorous and comprehensive non-denominational, private co-educational, college-preparatory high school program. The School requires students to participate in monthly off-campus community service projects that are incorporated into the curriculum. Approximately 15% of students receive financial aid. Sage Hill anticipates this Project will result in two additional positions.		
<b>Financing Structure:</b>			
	<b>Type of Issue:</b>	Publicly-offered variable-rate demand bonds issued in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.	
	<b>Tax Status:</b>	Tax-exempt 501(c)(3) bonds.	
	<b>Term:</b>	30 years.	
	<b>Credit Enhancement:</b>	Direct-pay letter of credit from Allied Irish Bank, p.l.c.	
	<b>Credit Rating:</b>	Expected "A+/A-1" by Standard & Poor's based upon Allied Irish Bank's credit rating.	
<b>Total Est. Sources of Funds:</b>		<b>Total Est. Uses of Funds:</b>	
2008 Bond Proceeds	\$19,000,000	Project Costs	\$18,000,000
Equity Contribution	4,407,618	Existing Mortgage Refinancing	4,902,618
		Cost of Issuance	505,000
<b>TOTAL SOURCES</b>	<b>\$23,407,618</b>	<b>TOTAL USES</b>	<b>\$23,407,618</b>
<b>Financing Team:</b>			
	<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP	
	<b>Underwriter's Counsel:</b>	Hinckley, Allen & Snyder	
	<b>Underwriter &amp; Remarketing Agent:</b>	George K. Baum & Company	
	<b>Trustee:</b>	The Bank of New York Trust Company	
<b>Staff Recommendation:</b>			
Staff recommends approval of Resolution 08-12 for an amount not to exceed \$20,000,000 for Sage Hill School.			

## BACKGROUND AND HISTORY

Founded in 1996, Sage Hill School (Sage Hill or School) is a 501(c)(3) public benefit corporation and one of Orange County's first independent non-denominational co-educational college preparatory high schools serving grades 9 through 12. Construction of the School's campus, located on 28 acres originally obtained through a 99 year ground lease, was completed in 2000 and the School began operations in September of that year with 120 students. In 2006, the School terminated the ground lease and acquired the land. The current campus size is approximately 80,000 square feet.

Sage Hill currently has an enrollment of 450 students and attracts students from over 120 feeder schools representing 40 communities in greater Orange County. The student to teacher ratio is 11:1 with an average class size of 15-20 students. The tuition for the 2007-2008 school year is \$23,750 and approximately 15% of the students received financial aid.

Sage Hill gives parent's and students an additional educational option in Orange County. Sage Hill School offers an academically rigorous and comprehensive college preparatory curriculum enriched through a commitment to service-learning (community service) and also provides students with developmentally progressive opportunities in athletics, the arts and community activities in order to learn the skills and knowledge necessary to be successful at the collegiate level. The School believes diversity of thought and expression are integral to the process of learning, and supports a student body that spans a range of talents and academic interests and is reflective of the broad cultural and economic mix of Southern California. Students strive for personal excellence in an atmosphere of collaboration, trust, mutual respect and integrity, so graduates become lifelong learners and inventive leaders. The curriculum is designed to combine learning academic subjects with how to be a successful and confident leader in group endeavors. The Project is expected to positively impact students and the School through new course offerings fostering cross-disciplinary studies, and provide a venue for new school events and new initiatives.

Current Sage Hill leadership is listed in Appendix A.

## PROJECT DESCRIPTION

Bond proceeds will be used for the construction, furnishing and equipping of a new building to be called the Studio at Sage Hill, and related facilities and infrastructure improvements (Project). The building will include a 31,000 square foot, two-story facility, consisting of a 300 seat performance space, classrooms, a ceramics studio, student gathering locations, an art display and gallery space, lighting and sound control and space for a new film program (see Appendix B for a Project Diagram). Proceeds will also be used to refinance a \$4.9 million outstanding taxable bank term loan obtained in March 2000 as a bridge loan to finance a portion of the original campus construction that was not financed by fundraising proceeds, and to pay cost of issuance.

Sage Hill's arts program currently consists of visual arts, instrumental music, choral music, theater and dance. In previous years, the School has used a portion of its library,

a nearby elementary school, and rented a big top tent situated on its outdoor basketball court, to provide the venues for the performances of its arts program. While the Project is under construction, faculty will improvise and plan for performances to be held in various smaller spaces on campus.

Construction will begin in June and is expected to be completed in time for the 2009-10 academic year.

## **FINANCING STRUCTURE**

Sage Hill is requesting approval for the issuance and sale of variable rate, tax-exempt bonds (Bonds) in an amount not to exceed \$20,000,000. The Bonds will be issued and bear interest in a daily, weekly, commercial paper, term or fixed rate mode based upon the interest rate determination method specified from time to time by the School. The Bonds will initially bear interest at weekly rates. The maximum interest rate on any of the Bonds (other than bonds owned by the credit provider) in the weekly rate mode is 12% per annum. The Bonds will be available in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

Payment of principal and interest on the Bonds will be enhanced by an irrevocable direct-pay letter of credit (LOC) provided by the credit provider, 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+/A-1" 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 Sage Hill.

## **PUBLIC BENEFITS**

The School is committed to providing a rigorous and comprehensive co-educational, non-denominational, private college-preparatory high school program. Every month for a full day, students participate in off-campus community service projects that are fully integrated into academic coursework.

The School strives to be accessible to families from a variety of socio-economic backgrounds. In 2007-08, 15% of enrolled students received financial aid with grants averaging \$16,270.

Sage Hill estimates that the completion of the Project will result in two additional positions and that the refunding of the term loan will enable the School to achieve cash flow relief by amortizing the debt over 30 years instead of paying off the loan at maturity in 2009.

## OTHER PROJECT DATA

PERMITS AND APPROVAL	
Obtained?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES Describe if necessary:
TEFRA	
Date of TEFRA	April 21, 2008
Publications	<i>The Sacramento Bee</i> <i>Orange County Reporter</i>
Oral/Written Comments	<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	
Meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	6. Project is in the State of California. 7. Sage Hill is capable of meeting the obligations incurred under relevant agreements. 8. Payments to be made by the Sage Hill 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. 9. 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 08-12, for an amount not to exceed \$20,000,000 for Sage Hill School.

## APPENDIX A

### Corporate Officers

**Head of School:** Dr. Judith R. Glickman  
**Chief Operating Officer:** Diane Shank

### Sage Hill School Board of Trustees

Tralance Addy

Vicki Booth

Roshantha Chandraratha

James Chiboucas

David Dull

Richard Gadbois

Donald Grant

John Gunnin

Janet Hadley

John Hagestad

Karina Hamilton

Randy Heyler

Jeanne Jackson

Juan Francisco Lara

Douglas Le Bon

Joel Lipman

Lucie Moore

Douglas Neff

Maureen Ramer

Michael Ray

APPENDIX B – PROJECT PICTURES & DIAGRAM



Administrative Building and main entrance of Sage Hill School.

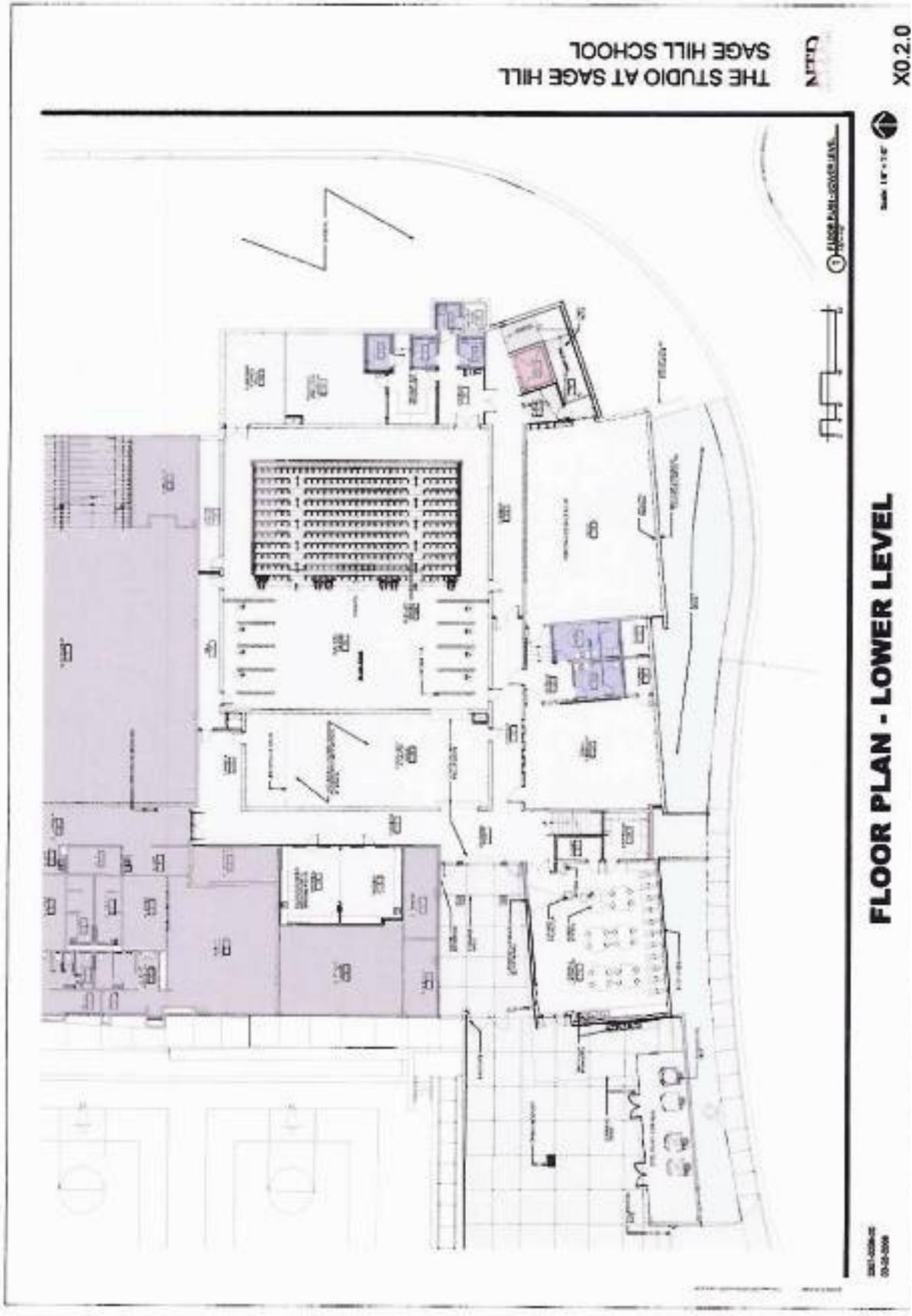


Diagram of the Studio at Sage Hill - Lower Level, including 300 seat performance space.



Central plaza



**RESOLUTION NO. 08-12**

**RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE ISSUANCE OF ITS REVENUE BONDS (SAGE HILL SCHOOL PROJECT), SERIES 2008, TO FINANCE THE COSTS OF THE ACQUISITION, CONSTRUCTION, INSTALLATION, 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, Sage Hill School, a California nonprofit public benefit corporation (the "Corporation"), has applied for the financial assistance of the Issuer to (i) finance the acquisition, construction, installation, furnishing and/or equipping of certain facilities, including a performing arts center and related infrastructure improvements (the "Project"), (ii) to fund capitalized interest with respect to the Bonds and (iii) to pay certain costs of issuance incurred in connection with the issuance and sale of the Bonds;

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 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 Revenue Bonds (Sage Hill School Project), Series 2008 (collectively, the "Bonds"), in an aggregate principal amount outstanding not to exceed \$20,000,000;

WHEREAS, the Corporation desires that the Bonds be secured by an irrevocable, direct pay letter of credit to be issued by Allied Irish Banks, plc, acting through its New York Branch (the "Credit Provider");

WHEREAS, approval of the terms of the Bonds and certain documents relating to the Bonds is now sought;

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 The Bank of New York Trust Company, N.A., as trustee (the "Trustee");

(c) a proposed form of Bond Purchase Agreement (the "Bond Purchase Agreement") with respect to the Bonds, to be entered into by and among the Issuer, the Treasurer of the State of California and George K. Baum & Company (the "Underwriter") and approved by the Corporation; 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 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 the Indenture 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 form of Bond Purchase 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 Bond Purchase Agreement, 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 prices 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 to persons who may be interested in the purchase 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 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 Underwriter the Official Statement. The Underwriter is hereby authorized and directed to distribute copies of the final Official Statement to all actual 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 \$20,000,000 outstanding at any time, to assist in financing 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 and be subject to redemption as provided in, and be in the form set forth in the Indenture.

**Section 6.** The Bonds, when so executed, 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 official 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 payment of the principal, purchase price of, and interest on the Bonds will be supported by the Credit Provider

and rated in one of the three highest rating categories of Moody's Investors Service, Fitch Ratings 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 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 May 20, 2008, by the following vote:

AYES: Matteucci, Sheehan, Lujano, Harvey, Rice

NOES: None

ABSENT: None

ABSTAIN: None

By   
Stanton C. Hazelroth, Executive Director

Attest:

By   
Roma Cristia-Plant, Secretary