

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)

BOND AMENDMENT STAFF REPORT

REQUEST

The Westmark School (School) seeks to substitute the current support letter of credit with an alternate support letter of credit to be issued by U.S. Bank National Association (see Attachment 1).

BACKGROUND

On November 17, 2006, the I-Bank approved Resolution 06-35 authorizing the issuance of tax-exempt California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2006 (The Westmark School Project) in an amount not to exceed \$7,000,000 on behalf of Learning with a Difference, Inc. d/b/a The Westmark School (Bonds). The Westmark School is an independent, nonprofit school located in the Encino Area of Los Angeles that serves high-potential students that face learning differences and difficulties.

The proceeds of the Bonds were used to finance and refinance the costs of the construction of a 7,000 square foot multipurpose building, including construction of classrooms and a science lab and other school related facilities and the rehabilitation, improvement, equipping and furnishing of existing building and facilities. At the time of issuance, the Bonds were secured by a direct pay letter of credit from First Republic Bank and a support (standby) letter of credit issued by the Bank of New York.

NEED FOR AMENDMENT

The School is required throughout the term of the loan agreement (Loan Agreement) to maintain both a letter of credit and support letter of credit with respect to the Bonds. The current support letter of credit, provided by The Bank of New York, expires on November 16, 2011 and the School plans to substitute it with an alternate support letter of credit provided by U.S. Bank National Association, conditioned on I-Bank's (Issuer) approval.

As a prerequisite to substituting either letter of credit, the Loan Agreement requires that three conditions be met: (1) An opinion of Bond Counsel stating the delivery of the alternate letter of credit is authorized by the Loan Agreement; (2) An opinion of Bond Counsel or Counsel for Letter of Credit provider as to the validity of the alternate letter of credit; and (3) Written evidence from Fitch, Moody's or S&P (if the Bonds are rated by such agencies) that the substitution of the alternate letter of credit will not result in a reduction of its long-term rating of the Bonds below "A" if the Bonds are rated by S&P, below "A-" if the Bonds are rated by Fitch or below "A2" if the Bonds are rated by Moody's. (See Attachments 2-4.)

BOARD DELEGATION AUTHORIZATION

I-Bank Board Resolution 11-24 delegates to the Executive Director, in connection with the substitution of a credit facility or liquidity facility associated with an I-Bank financing (a Facility Substitution), authority to execute and deliver all agreements, contracts, orders, appointments, notices, waivers, approvals, acknowledgements, consents, written directions, instruments and other documents (I-Bank Documents) necessary or convenient to effect such Facility Substitution provided that the I-Bank receives (1) an opinion of counsel to the effect that the Facility Substitution (i) is in accordance with the associated transaction documents; and (ii) where bonds were issued as tax-exempt bonds, the Facility Substitution will not adversely affect the tax-exempt status of interest on such bonds; and (2) written evidence from the rating agencies specified in the transaction documents that the Facility Substitution will not result in a rating lower than the rating required by the transaction documents.

STAFF RECOMMENDATION

Staff has determined that the support letter substitution request is reasonable and meets the Loan Agreement requirements and should be approved by the Executive Director.

ATTACHMENTS

Attachment 1	Amendment Request
Attachments 2-4	Opinions of Bond Counsels and Rating Agency Approval

Prepared
by:

C. D Moore

11/22/11

Derrick Moore, Public Finance Specialist

Date

Reviewed
by:

N/A

Vacant, Bond Unit Manager

Date

Comments:

Reviewed
by:

Marilyn Munoz

11/22/2011

Marilyn Munoz, General Counsel

Date

Comments:

- The amendment request falls within the authority delegated to the Executive Director. I-Bank Board consideration and approval is not required.
- The amendment request does not fall within the delegated authority of the I-Bank Executive Director, and Board consideration and approval of the request is required.

Reviewed
by:

R. Cristia-Plant

11/28/11

Roma Cristia-Plant, Assistant Executive Director

Date

Comments:

Approved
by:

Stanton Hazelroth

12-8-11

Stanton Hazelroth, I-Bank Executive Director

Date

Comments:

ATTACHMENT 1 – Amendment Request



REQUEST FOR AMENDMENT OR OTHER POST-BOND ISSUANCE ACTIONS

In order to consider post-issuance modifications, substitutions, redemptions or other actions related to I-Bank bond financings (a “Request”), I-Bank staff must have complete information regarding the nature of the request. Upon receipt of the information listed below, I-Bank Bond Unit staff will provide a single point of contact and prepare a list of issues, further questions or additional information needed so that the applicant can address them in an organized fashion.

The I-Bank Bond Unit staffer assigned to the Request will also contact the I-Bank Legal Unit for a determination as to whether the Request falls within the scope of authority delegated from the I-Bank Board to the Executive Director and his assignees (the “Delegation”). Please note that I-Bank staff reserves the right to elect to present any Request to the I-Bank Board for its approval regardless of the Delegation authority. Upon receipt of a Delegation determination from the I-Bank Legal Unit, the Bond Unit staffer will advise the applicant of the determination and the next steps in the process.

The Request for Amendment may be submitted via email.

1. Name/Title, Date, of Bond Issue

California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2006 (The Westmark School Project). Issued on November 17, 2006

2. Description of why amendment(s), substitution(s) or other action(s) is/are needed/requested: (e.g., Issues relating to addition of credit support; substituting LOC provider, lender requirement to update financial covenants)

The current confirming letter of credit issued by The Bank of New York will expire on November 16, 2011. The Borrower wishes to substitute a confirming letter of credit to be issued by U.S. Bank.

3. Proposed Timeline

The new confirming letter of credit would be delivered by November 9, 2011.

4. Identify the section numbers and the names of the original transaction documents that govern or relate to the Request. Please provide copies (preferably in an electronic format) of such documents.

Section 5.08 of the Loan Agreement, attached.

5. Identify any bond documents to be amended (please provide draft documents to implement the Request as soon as possible)

_____ Indenture

_____ Loan Agreement

____ Remarketing
____ Agreement
 Other: Waiver and Consent of the Issuer.

6. Will this result in a reissuance for federal tax law purposes? If so, please provide a draft TEFRA notice, and, if required, a draft amendment to the Tax Agreement or No-Arbitrage Certificate (or similar tax document).

No.

7. Is Bond Counsel willing to provide an opinion to the effect that the Request is in accordance with the related transaction documents? If no, please explain.

Yes.

8. If the bonds associated with the Request were issued as tax-exempt bonds, is Bond Counsel willing to provide an opinion to the effect that the Request will not adversely affect the tax-exempt status of the bonds? If no, please explain.

Yes.

9. If the Request involves the substitution of a credit facility or a liquidity facility, will the applicant be able to provide written evidence, from the rating agencies specified in the transaction documents, to the effect that the Request will not result in a rating lower than the rating required by the transaction documents? If no, please explain.

Yes.

10. Distribution list with contact information:

Bond Counsel: Sam Balisy, Esq.
Kutak Rock LLP
601 S. Figueroa Street, Suite 4200
Los Angeles, CA 90017
T (213) 312-4009
F (213) 312-4001

Borrower: Learning with a Difference, Inc. d/b/a The Westmark School
5461 Louise Avenue
Encino, CA 91316
Attention: Muir Meredith, Head of School
T (818) 986-5045
F (818) 986-2605

Borrower's Counsel: N/A
Financial Advisor: N/A

Other: Letter of Credit Bank:

First Republic Bank
1888 Century Park East
Los Angeles, CA 90067
Attention: Brent Wiblin
T (310) 407-7099
F (310) 407-1394

Confirming Bank

U.S. Bank National Association
International Banking Dept., PD-OR-T5CE
111 SW Fifth Avenue, Suite 500
Portland, OR 97204
Nancy Seton / Chris (Maria) Joachims
T (503) 275-7890
F (503) 275-5132

Questions? Please contact Tara Dunn by email (Tara.Dunn@ibank.ca.gov) or call (916) 322-2571.

ATTACHMENT 2-4 – Bond Counsel Opinions and Rating Agency Approval

KUTAK ROCK LLP
SUITE 4200
601 SOUTH FIGUEROA STREET
LOS ANGELES, CALIFORNIA 90017-6747
213-312-4000
FACSIMILE 213-312-4001
www.kutakrock.com

November 9, 2011

ATLANTA
CHICAGO
DENVER
DES MOINES
FAYETTEVILLE
IRVINE
KANSAS CITY
LITTLE ROCK
OKLAHOMA CITY
OMAHA
PHILADELPHIA
RICHMOND
SCOTTSDALE
WASHINGTON
WICHITA

California Infrastructure and Economic Development Bank
980 9th Street, 9th Floor
Sacramento, California 95814

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, California 90017

First Republic Bank
111 Pine Street
San Francisco, California 94111

\$7,000,000
California Infrastructure and Economic Development Bank
Variable Rate Demand Revenue Bonds, Series 2006
(The Westmark School Project)

Ladies and Gentlemen:

We have served as bond counsel in connection with the substitution (the "Substitution") of an alternate letter of credit (the "Letter of Credit") issued by U.S. Bank National Association (the "Support Letter of Credit Bank") for the letter of credit provided by The Bank of New York relating to California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2006 (The Westmark School Project) (the "Bonds"). The Bonds were originally issued pursuant to the provisions of an Indenture of Trust, dated as of November 1, 2006 (the "Indenture"), by and between the California Infrastructure and Economic Development Bank (the "Issuer") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The proceeds of the Bonds were loaned to Learning with a Difference, Inc., d/b/a The Westmark School (the "Borrower") pursuant to the provisions of a Loan Agreement, dated as of November 1, 2006 (the "Loan Agreement"), by and between the Issuer and the Borrower. Terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

In connection with the Substitution, we have reviewed the Indenture, the Loan Agreement, the Support Letter of Credit, opinion letter of counsel to the Support Letter of Credit Bank, a Supplemental Tax Certificate of the Borrower dated the date hereof and such other documents and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters

KUTAK ROCK LLP

November 9, 2011

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represented, warranted or certified in such documents, and of the legal conclusions contained in the opinion letter referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. We have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Tax Regulatory Agreement and other relevant documents executed by the Borrower and the Issuer in connection with the original issuance of the Bonds, including (without limitation) covenants and agreements compliance with which is necessary to assure that interest on the Bonds will not be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We have undertaken no responsibility for the accuracy, completeness or fairness of the Supplement to Official Statement, dated November 9, 2011, or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the delivery of the Support Letter of Credit to the Trustee is authorized pursuant to the Loan Agreement, complies with the terms of the Loan Agreement and will not, in and of itself, cause the interest on the Bonds not to be Tax-exempt.

We express no other opinion with respect to the Bonds, the Indenture, the Loan Agreement, the current exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of such interest from State of California personal income taxation. We have not been engaged by, nor have we undertaken to advise any party or to opine as to matters not specifically covered herein. This opinion letter is solely for the benefit of the addressees hereof and may not be circulated, quoted or relied upon by any party other than the addressees without our prior written consent.

Very truly yours,

Kutak Rock LLP



All of **us** serving you[®]

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800 Nicollet Mall – BC-MN-H21R
Minneapolis, Minnesota 55402

Mary C. Beckey
Vice President & Corporate Counsel
International Banking
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November 9, 2011

Wells Fargo Bank, National Association
Los Angeles, California

California Infrastructure and Economic
Development Bank
Sacramento, California

Jeffries & Company, Inc.
New York, New York

First Republic Bank
San Francisco, California

Fitch Ratings
New York, New York

Kutak Rock LLP
Los Angeles, California

**RE: California Infrastructure and Economic Development Bank
Variable Rate Demand Revenue Bonds, Series 2006
(The Westmark School Project) (the "Bonds")**

Ladies and Gentlemen:

I am counsel for U.S. Bank National Association (the "Bank") and make reference herein to Letter of Credit No. SLCPDX05561, dated November 9, 2011 (the "Letter of Credit"), issued by the Bank in favor of Wells Fargo Bank, National Association, as trustee for the benefit of holders of the above-referenced Bonds.

I am of the opinion that:

1. The Bank is a national banking association organized and existing under the laws of the United States of America.
2. The Bank has the power and authority to issue and to perform its obligations under the Letter of Credit.
3. At the time of delivery by the Bank, the Letter of Credit shall be duly issued and authorized by the Bank and shall be a legal, valid and binding obligation of the Bank, enforceable in accordance with its terms.
4. To my knowledge, at the present time, there is no claim, action, temporary restraining order, injunction, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any judicial or administrative court, governmental agency, public board or body,



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*Wells Fargo Bank, National Association
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November 9, 2011
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pending or threatened against or affecting the Bank, or a basis for such claim, action, temporary restraining order, injunction, suit, proceeding, inquiry or investigation, (a) contesting the existence or powers of the Bank or the titles of its respective officers to their respective offices, (b) seeking to prohibit, restrain or enjoin the issuance of the Letter of Credit, (c) challenging the validity or enforceability of the Letter of Credit or contesting the power and authority of the Bank to execute and deliver the Letter of Credit and perform its obligations thereunder, or (d) wherein an unfavorable decision, ruling or finding would in any way adversely affect the validity or enforceability of the Letter of Credit.

5. No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained or effected is required with respect to the Bank in connection with the issuance, execution and delivery by the Bank of, or the performance by the Bank of its obligations under, the Letter of Credit.

This opinion is qualified in its entirety to the extent that the enforceability of the Letter of Credit may be limited (a) by receivership, insolvency, reorganization, moratorium or other laws in effect from time to time relating to or affecting the enforcement of rights of creditors of the Bank, as such laws may be applied in the event of a receivership, insolvency, reorganization or similar proceeding of or moratorium applicable to the Bank, (b) by general principles of equity and public policy, and (c) where there is fraud in the transaction.

This opinion is based solely upon Minnesota law and federal law as in effect on the date hereof and upon representations as stated herein which I have no reason to believe not to be true and correct on the date hereof. I assume no obligation to revise or supplement this opinion should the present law of the jurisdictions mentioned be changed or should the representations mentioned prove not to be true when made or no longer to be true at some point in the future.

I am furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Sincerely,

U.S. BANK NATIONAL ASSOCIATION

Mary C. Beckey
Vice President & Corporate Counsel
International Banking

FitchRatings

One State Street Plaza
New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

November 8, 2011

Mr. Don Cook
Chief Financial Officer
The Westmark School
5461 Louise Avenue
Encino, CA 91316

Re: California Infrastructure and Economic Development Bank
Variable Rate Demand Revenue Bonds
(Westmark School Project), Series 2006

Dear Mr. Cook:

Fitch ("Fitch") (see definition below) has reviewed the documentation submitted to us in connection with the substitution of the current irrevocable direct-pay confirming letter of credit provided by The Bank of New York (rated 'AA-/F1+', Stable Outlook) with an irrevocable direct-pay substitute confirming letter of credit (CLOC) to be provided by U.S. Bank, National Association (rated 'AA-/F1+', Stable Outlook) as support for the above-referenced bonds. On the effective date of November 9, 2011, Fitch will confirm the 'AA-/F1+', stable outlook rating. The rating will expire upon the earliest of: (a) November 8, 2012, the initial stated expiration date of the substitute CLOC, with one-year extensions upon the request of the beneficiary and CLOC's bank's consent through November 17, 2016; (b) conversion to the fixed interest rate mode; (c) any prior termination of the substitute CLOC; and (d) defeasance of the bonds.

Ratings are conditioned on the receipt by Fitch of final transaction documents.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Fitch Ratings

Mr. Cook
Rating letter - page 2
November 8, 2011

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given rating.

This rating is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating assessment. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing you or any other party any financial advice, or any legal, auditing, accounting, appraisal or actuarial services. A rating should not be viewed as a replacement for such advice or services.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to the use of its name as an expert in connection with any registration statement filed under U.S., U.K. or any other relevant securities laws. Fitch does not consent to the inclusion of its ratings nor this letter communicating our rating action in any offering document.

It is important that you promptly provide us with all information that may be material to the rating so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, the accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

FitchRatings

Mr. Cook
Rating letter - page 3
November 8, 2011

It is important that you promptly provide us with all information that may be material to the rating so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, the accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings. Nothing in this letter shall limit our right to publish, disseminate or license others to publish or otherwise to disseminate the ratings or the rationale for the ratings.

In this letter, "**Fitch**" means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact me at 212-908-0796.

Sincerely,



Fitch
Mario Civico
Senior Director
Public Finance

cc: Jessica Shaham - Kutak Rock LLP
Dania Samai - Wells Fargo Bank, N.A.

**California Infrastructure and Economic Development Bank
Variable Rate Demand Revenue Bonds, Series 2006
(The Westmark School Project)**

CONSENT OF ISSUER

Pursuant to the Loan Agreement, dated as of November 1, 2006 (the "Loan Agreement"), between the California Infrastructure and Economic Development Bank (the "Issuer") and Learning with a Difference, Inc., d/b/a The Westmark School (the "Borrower"), the Issuer hereby consents to the substitution (the "Substitution") by the Borrower of an Alternate Letter of Credit (as defined in the Indenture of Trust, dated as of November 1, 2006, between the Issuer and Wells Fargo Bank, National Association, as trustee) to be provided by U.S. Bank National Association as security for the above-referenced bonds, in substitution of the current confirming letter of credit provided by The Bank of New York (the "Confirming Letter of Credit"), subject to the satisfaction of the conditions precedent to the Substitution set forth in Section 5.08 of the Loan Agreement (with the exception of the requirement that the Alternate Letter of Credit be provided at least 23 days prior to the expiration of the Confirming Letter of Credit, which requirement is hereby waived by the Issuer).

IN WITNESS WHEREOF, the Executive Director of the Issuer has executed this consent for and on behalf of the Issuer on this 9th day of November, 2011.

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

By: 
Stanton C. Hazelroth, Executive Director