

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Exploratorium ("Borrower")	Par Amount Requested:	Not to exceed \$49,350,000
Applicant Description:	The Exploratorium is a California nonprofit public benefit corporation in San Francisco that operates a 330,000 square foot of indoor/outdoor museum of science, art, and human perception with a mission to create inquiry-base experiences. It features more than 650 exhibits and serves approximately 850,000 visitors annually.		
Type of Financing:	Conduit Tax-Exempt Fixed Rate Obligations ("Obligations").		
Project Description:	Refund outstanding taxable loans with California Bank & Trust, the proceeds of which were used to (1) refinance the cost of the acquisition, construction, improvement, rehabilitation, furnishing and/or equipping of the Borrower's museum facilities (2) pay the costs of issuance.		
Project Site:	Pier 15 and Pier 17, City and County of San Francisco, CA 94111		
Plan of Finance:	The Borrower intends to refund maturing variable rate taxable loans ("Prior Obligations") with fixed rate Tax-Exempt Obligations in order avoid a looming balloon payment and to lock in long-term fixed interest rates.		
Type of Issue:	Private Placement		
Tax Status:	Tax-exempt		
Term:	20 years		
Credit Enhancement:	None		
Credit Rating:	Not applicable		
Fees:	Application Fee \$3,500; Issuance Fee \$55,000; Initial Annual Fee \$2,500 per year		
Estimated Sources of Funds:	Par Amount	\$49,350,000	Estimated Uses of Funds:
			Refunding Prior Obligations \$48,611,222
			Costs of Issuance \$584,400
			Contingency \$154,377
TOTAL SOURCES	\$49,350,000	TOTAL USES	\$49,350,000
Financing Team:	Bond Counsel: Kutak Rock LLP		
	Private Placement Purchaser: ZB, N.A. DBA California Bank & Trust ("CB&T")		
Public Benefits:	Refunding the outstanding variable rate California Bank & Trust Loans to a fixed rate Obligation will extend The Exploratorium's loan term and avoid a pending balloon payment at maturity. The fixed-rate debt structure will help The Exploratorium plan for future projects and to continue their mission to create scientific inquiry-based experiences for all.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
August 28, 2018	18-10	John Weir	
Staff Recommendation: Staff recommends approval of the Resolution No. 18-10 authorizing the issuance of Conduit Tax-Exempt Fixed Rate Obligations, in an amount not to exceed \$49,350,000, for the benefit of The Exploratorium.			

BACKGROUND AND HISTORY

The Exploratorium was founded in 1969 as a California non-profit corporation by physicist and university professor Frank Oppenheimer, as a means to provide direct and active ways for people to learn about the world.

The Exploratorium museum originally opened its doors at the historic Palace of Fine Arts in San Francisco's Marina District where it flourished under Frank Oppenheimer's direction. Oppenheimer's vision was an extension of his favored teaching style that emphasized hands-on tools and materials over textbooks; a classroom skill he developed teaching high school students. As director of the Exploratorium, he worked directly alongside the artists, educators, and developers to build and maintain the exhibits until just before his death in 1985. Following his tenure, The Exploratorium has been under the guidance of four different directors; all of whom have been prominent scientists and educators in their own field. Each has worked to continue Oppenheimer's vision, extend the reach of the museum and support the formation of museum partnerships in the United States and abroad.

In 2013, the museum moved to its current venue, located on Piers 15 and 17 along the Embarcadero on San Francisco's waterfront. The move provided the first opportunity for the museum to feature a significant outdoor component and created the opportunity to develop 20 new exhibits exploring the built and natural world around the piers. Financing for the move was secured in 2010-11 through a combination of historical tax credits and a construction loan.

The Exploratorium features six main galleries, each focused on a different area of exploration, that allow visitors to interact with exhibits as follows:

- **Bernard and Barbro Osher Gallery 1: Human Phenomena** This gallery explores how the human mind works and helps visitors learn about the scientific study of human behavior through exhibits on emotion, language, memory, and pattern recognition.
- **Gallery 2: Tinkering** In Gallery 2 visitors can make, build, or tinker with familiar materials in unfamiliar ways that intersect science, art, and technology. Visitors can also view staff working to make exhibits and view exhibits in various stages of development.
- **Bechtel Gallery 3: Seeing and Listening** Gallery 3 is considered the heart of The Exploratorium and features many of the museum's classic exhibits. The gallery is designed to spark curiosity to investigate natural phenomena and allow participants to play with light and sound and learn how they work.
- **Gallery 4: Living Systems** Gallery 4 is anchored by the Life Sciences Laboratory, a working laboratory that cultivates organisms for exhibits. Visitors learn about living things and their ecosystems, and can interact with research-grade microscopes to view plankton and other species living in the bay and nearby ocean.
- **Gallery 5: Outdoor Exhibits** Gallery 5 focuses on encouraging visitors to investigate the wind, tides and other natural phenomena shaping the region. Exhibits include a 27 foot harp strummed by the wind, wind arrows, scale models of the Bay bridges and other activities centered on wind and water.

- **Fisher Bay Observatory Gallery 6: Observing Landscapes** Located on the second floor, Gallery 6 features views of the Bay and the San Francisco cityscape in an indoor/outdoor exhibition space. Visitors can use cameras and telescopes to observe the geography, history, and ecology of the San Francisco Bay region.

The Exploratorium is considered to be the progenitor of the hands-on science museum movement. It also serves as research and development center for over 1,000 institutions worldwide. The Exploratorium estimates that over 200 million people experience the exhibits it has created in other science museums every year. The Exploratorium collaborates with other science agencies such as National Aeronautics and Space Administration (NASA) and National Oceanic and Atmospheric Administration (NOAA).

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting the issuance of the Obligations to refund Prior Obligations the proceeds of which were used to refinance the cost of the acquisition, construction, improvement, rehabilitation, furnishing and/or equipping of certain museum facilities, consisting of approximately 330,000 square feet of indoor/outdoor exhibits, educational, administrative and ancillary facilities located at Pier 15 and Pier 17, San Francisco, California 94111, and to pay certain costs of issuance in connection with the issuance of the Obligations.

Original Construction Financing and Prior Obligations:

The original construction financing, undertaken to finance improvements to The Exploratorium’s current facilities, was a taxable construction loan incurred in 2011 in the amount of \$100 million. In addition, this financing was leveraged with Historic Tax Credits that were sold to an investor group generating approximately \$49.0 million. In November 2013, The Exploratorium refinanced the original construction loan into a 5-year taxable \$85.0 million loan provided by a banking group led by California Bank & Trust (“CB&T”). Also in November 2013, CB&T issued a revolving line of credit to The Exploratorium in the maximum face amount of \$5.0 million (the “Line of Credit”).

In December 2017, The Exploratorium refinanced with CB&T the remaining \$44.3 million in outstanding loan principal and converted the debt into a variable interest rate mode obligation with interest only payments and a one year maturity. The variable interest rate mode on the outstanding construction loan is 1 month LIBOR plus 2.15%. On August 2, 2018, the Exploratorium relieved its remaining \$3,937,717 Historic Tax Credit obligation through a payment to the investor group by drawing on funds available under the Line of Credit. These amounts will be refunded with the Obligations.

The following table summarizes the debt to be refunded:

Refunding of Outstanding Prior Obligations:

Date of Loan	Loan Type	Principal Amount/ Available Credit	Current Principal Outstanding	Maturity Date	Purpose
2013	Construction Loan	\$85,000,000	\$44,335,665	11/22/2018	Refinance Construction of facilities
2013	Line of Credit	\$6,500,000	\$3,937,117	11/22/2018	Retire outstanding Historic Tax Credits

The Facilities financed with the proceeds of the previous loans are comprised of the following properties situated at the following locations:

Pier 15
San Francisco, CA 94111

Pier 17
San Francisco, CA 94111

All of the original projects at the above properties have been completed.

(see Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet The Exploratorium Date: August 28, 2018

Par Amount:	Not to exceed \$49,350,000, in conduit Tax-Exempt Obligations
Type of Offering:	Private Placement
Private Purchaser:	ZB, N.A., DBA California Bank & Trust
Credit Enhancement:	No Credit Enhancement
Expected Credit Rating:	No Credit Rating expected
Interest*:	Fixed rate of 3.96% for 10 years and thereafter resetting pursuant to the terms of the Loan Agreement.
Collateral:	First Deed of Trust, Security Agreement, and UCC-1 filing.
Guaranty:	The Moore Foundation up to \$22,500,000
Expected Closing Date*:	August 31, 2018
Conduit Transaction:	The Obligations are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Obligations.

*Please note that Interest and Closing Date are subject to change.

Financing Structure

The Obligations will be directly purchased by CB&T and the proceeds will be loaned to the Borrower pursuant to a Loan Agreement. Transfer of the Obligations will be limited to Qualified Institutional Buyers and the Obligations may only be transferred in whole and not in part.

The initial fixed interest rate equal to 3.96% will apply from the Closing Date to the first Rate Adjustment Date, which rate is subject to change at Closing Date. From and after the first Rate Adjustment Date, the new interest rate will be calculated by adding a margin factor to the Index, currently based on the LIBO Rate, or if the LIBO Rate is not available, the Federal Funds Rate.

As a material inducement to CB&T to extend credit, a Limited Guaranty Agreement in the amount of \$22,500,000 will be executed by The Gordon E. and Betty I. Moore Foundation. The Guarantor will absolutely, unconditionally and irrevocably guaranty to CB&T the Borrower's punctual payment and performance when due, not to exceed the guaranteed amount.

Limited Obligations of IBank

The Obligations are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Obligations or subject to any personal liability or accountability by reason of the execution thereof. The Obligations are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

Refunding of Outstanding Prior Obligations

The Obligations will extend The Exploratorium's loan term and avoid a pending balloon payment in November of 2018. The outstanding construction loan with CB&T is variable rate taxable loan pegged to a one month LIBOR plus 2.15%. Refinancing the outstanding Prior Obligations into tax-exempt fixed rate Obligations within a rising interest rate environment will remove the risk of higher future borrowing costs, thereby helping The Exploratorium better plan for future projects.

The Exploratorium museum currently operates in a 330,000 square foot indoor/outdoor museum that contains more than 650 exhibits and serves approximately 850,000 visitors annually.

The Exploratorium also offers a variety of professional learning resources to support better teaching and better learning. The offered programs support a wide range of groups, grade levels, and areas of expertise while staying true to the Exploratorium's inquiry-based approach. The three initiatives dedicated to this purpose are as follows:

- The **Teacher Institute** which supports a lively community of secondary science and math teachers and leaders through workshops, online communities, and classroom activities.
- The **Institute for Inquiry** which addresses the theory and practice of inquiry-based science education with K-5 teachers and professional learning providers.
- The **Tinkering Studio** which supports educators in developing hands-on activities that explore learning and creativity through making.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	July 11, 2018
Publications:	<i>The Daily Recorder and the San Francisco Daily Journal</i>
Date of TEFRA Hearing:	July 25, 2018
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank 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. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 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 the Resolution No. 18-10 authorizing the issuance of Conduit Tax-Exempt Fixed Rate Obligations in an amount not to exceed \$49,350,000, for the benefit of The Exploratorium.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF TRUSTEES

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APPENDIX B: PROJECT PHOTOS



Exploratorium Facilities at Piers 15 and 17



Students observing an exhibit during a field trip



Bechtel Central Gallery



Teachers attending professional development workshop

