

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

<p>Applicant: Claremont Graduate University (“CGU”) 150 E. 10th Street Claremont, California Los Angeles County</p> <p>Facility Type: Private University</p> <p>Project Location: Los Angeles County</p> <p>Accreditation: WASC Senior College and University Commission</p>	<p>Amount Requested: \$60,250,000</p> <p>Date Requested: February 25, 2016</p> <p>Resolution Number: 310</p>																								
<p>Use of Proceeds: Bond proceeds will be used to advance refund all or a portion of the outstanding CEFA Series 2007 and Series 2008 Bonds. The refunding of these bonds is expected to provide CGU with a net present value savings of approximately \$9.2 million or 18.35%, under current market conditions. In addition, bond proceeds will be used to fund capital improvements, fund a debt service reserve fund, and pay the costs of issuance for the Series 2016 Bonds.</p>																									
<p>Type of Issue: Direct Bank Placement</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: Unrated (please see Guidelines discussion, Page 4)</p> <p>Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>																									
<p>Environmental Benefits: CGU is expected to incorporate several energy-efficient and environmentally beneficial designs and materials into their renovation projects including energy efficient HVAC systems as well as more energy efficient building through re-roofing and the installation of improved insulation.</p>																									
<p>Financial Overview: CGU has exhibited a steady revenue base from net tuition and fees, gifts/private contracts and federal grants/contracts. CGU continues to maintain solid net asset growth while reducing liabilities and Statement of Financial Position appears positive with a debt service coverage ratio of 0.20x.</p>																									
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<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, and CEQA documentation. All documentation satisfies the Authority’s requirements.</p>																									
<p>Staff Recommendation: Staff recommends the Authority approve Resolution No. 310 in an amount not to exceed \$60,250,000 for the Claremont Graduate University as an unrated Direct Bank Placement. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, the Authority’s financial advisor, concur with the Authority’s staff recommendations.</p>																									

STAFF SUMMARY AND RECOMMENDATION

Claremont Graduate University (“CGU”)

February 25, 2016

Resolution No. 310

I. PURPOSE OF FINANCING: CGU is taking advantage of the current interest rate environment to advance refund all or a portion of the CEFA Series 2007 and CEFA Series 2008 Bonds, that are expected to provide CGU with a net present value savings of approximately \$9.2 million or 18.35%, under current market conditions. CGU is planning to reconstruct, remodel and equip its graduate student housing facility to provide additional bed space and make it suitable for undergraduate student housing to serve its graduate students, undergraduate students from other universities in the Claremont Consortium, faculty, visiting faculty, and undergraduate students from nearby universities who enter into cooperative housing agreements with CGU. The CGU Project will increase the number of beds from 250 graduate beds to 385 undergraduate beds by converting many of the single bedrooms to double occupancy bedrooms.

Refunding \$ 54,462,916

CGU intends to advance refund all or a portion of the CEFA Series 2007 Bonds. The CEFA Series 2007 Bonds were issued in the amount of \$36 million and as of June 30, 2015, the full amount remains outstanding. Bond proceeds were used to construct new housing for graduate students at CGU.

CGU intends to advance refund all or a portion of the CEFA Series 2008 Bonds, of which approximately \$14.3 million remains outstanding as of June 30, 2015. The CEFA Series 2008 Bonds were originally issued in the amount of \$15 million. Bond proceeds were used to finance various capital improvement projects as well as refinance the Provost House and acquire land for the relocation of an academic department.

Project Fund 3,929,484

CGU plans to finance the cost of capital improvements that will reposition of existing student housing including the construction of amenities and equipping the project in furtherance thereof.

Environmental Benefits:

CGU is expected to incorporate several energy-efficient and environmentally beneficial designs and materials into their renovation projects including energy efficient HVAC systems as well as more energy efficient building through re-roofing and the installation of improved insulation.

Debt Service Reserve Fund		957,600
Financing Costs		<u>900,000</u>
Cost of Issuance.....	\$ 714,888	
Bank Origination Fee/Discount, Series A.....	35,112	
Bank Origination Fee/Discount, Series B & C.....	<u>150,000</u>	
<i>TOTAL USES OF FUNDS</i>		<u><i>\$60,250,000</i></u>

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II. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

Claremont Graduate University Series 2016 bonds (the “Bonds”) will be an unrated, direct bank placement with Umpqua Bank (Series 2016A Bank) and Deutsche Bank (Series 2016B and 2016C Bank). The following guidelines have been applied to this financing:

- Must be privately placed with and transferred only to a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933;
- Minimum denomination of \$250,000;
- Unconditional Promise to Pay from Borrower;
- Investor Letter (or equivalent provisions in the bond purchase agreement) required at issuance;
- Bond transfer restrictions must be noted conspicuously on the bond itself; and
- Bonds must be physically delivered*

All of the foregoing requirements are designed to maximize the likelihood that the unrated bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The Bonds are not rated at this time because Deutsche Bank and Umpqua Bank, as purchasers, do not require the Bonds to be rated. Deutsche Bank and Umpqua Bank have indicated they are Qualified Institutional Buyers under SEC Rule 144A and will make an independent credit determination to purchase the Bonds. Both of the foregoing will be reflected in their investor letters.

*CGU has requested the following exception to the Authority’s Bond Issuance Guidelines for Unrated Debt for this transaction:

- **Exception to Requirement that Bonds must be physically delivered**

CGU and Deutsche Bank request to deliver the Series 2016B and 2016C Bonds electronically through DTC’s book-entry system. The Series 2016B and 2016C Bonds will receive a designated Qualified Investment Buyer (“QIB”) CUIISP number such that in the event the bonds are transferred, only a QIB would be allowed to purchase the bonds. A traveling investor letter would also be required of subsequent beneficial owners of the Bonds.

Additional Covenants, Security, and Disclosures:

- **Additional Debt Limitation (Series A, B & C).** *Borrower can incur additional parity debt as long as:*
 - Ratio of the Sum of (Temporarily Restricted and Unrestricted Net Assets) to Debt > or = to 1.30x based on most recent audited financial statement (certificate required)
- **Cash or Liquidity Requirements (Series A, B & C).** *Borrower promises to periodically measure the balance of their liquid assets and maintain them at a prescribed level.*
 - The sum of unrestricted endowment funds and temporarily restricted endowment funds must be greater or equal to the Required Days Cash on Hand. Required Days Cash on Hand shall equal CGU’s total operating expenses (excluding depreciation expenses and interest expense) for the preceding Fiscal Year divided by 365 days multiplied by 205.

- **Debt to Capitalization Requirement (Series A, B & C).** *A ratio limiting how much debt can be incurred based on the liquid assets and debt then in place.*
 - Ratio of the Sum of (Temporarily Restricted and Unrestricted Net Assets) to Debt > 1.25x based on audited financial statements
- **Debt Service Reserve (Series B).** *Account established under the Indenture to make principal and interest payments if the Borrower fails to deposit timely payments.*
- **Debt Service Coverage Requirement (Series B).** *A ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments.*
 - DSCR minimum 1.05x, starting in 2020 and is project based.
- **Security Interest in Designated Property/ Leasehold Deed of Trust on the (Series B Bonds).**
 - CGU and CGU Student Housing, LLC (whose sole member is the University) will enter into a Project Lease Agreement relating to the 2007 Project (as defined in Resolution 310). The Series 2016B Bonds are further secured by rent payments under the Project Lease Agreement. The leasehold deed of trust allows the purchaser of the Series 2016B Bonds to foreclose on the Project Lease Agreement in the event of a default under the Project Lease Agreement and operate the 2007 Project as a lessee under the Project Lease Agreement.

Staff and the Authority's financial advisor Public Financial Management, Inc. have reviewed the entirety of this financing package and find it to be acceptable and appropriate given the credit quality of CGU.

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III. FINANCIAL ANALYSIS:

Claremont Graduate University
Statement of Activities
 Unrestricted

	Fiscal Year Ended June 30,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating activities:			
Revenues:			
Net tuition and fees revenues	\$ 39,791,883	\$ 38,982,346	\$ 38,014,167
Gifts and private contracts	6,201,147	3,943,271	4,056,862
Federal grants and contracts	6,116,002	6,743,071	6,850,612
Spending policy income	7,193,348	7,136,236	6,778,239
Other investment income (loss)	560,405	704,131	731,146
Other revenues	1,107,553	1,309,646	1,132,951
Auxiliary enterprises	2,446,874	2,404,692	2,236,433
Release and reclassification of restricted net assets	1,194,335	3,150,459	2,451,561
Total revenues	64,611,547	64,373,852	62,251,971
Expenses:			
Instruction	34,217,828	34,882,658	32,575,796
Research	7,737,764	7,861,568	7,462,711
Public service	-	22,600	-
Academic support	7,345,422	7,059,886	6,805,588
Student services	3,719,446	4,022,941	3,647,662
Institutional support	12,469,986	11,046,960	10,774,566
Student aid	624,540	600,162	608,115
Auxiliary enterprise	3,102,924	3,210,689	3,181,403
Total expenses	69,217,910	68,707,464	65,055,841
Excess of revenues over expenses	(4,606,363)	(4,333,612)	(2,803,870)
Other change in net assets;			
Actuarial adjustment	143,637	-	-
Net realized and unrealized gains (losses) on investment, net	(1,813,489)	5,445,336	5,103,662
Other comprehensive pension loss	(467,621)	184,904	477,369
Gain (loss) on disposal of plant facilities	-	397,124	-
Gain (loss) on settlement	-	(336,000)	-
Redesignation of net assets	3,356,323	41,108	66,085
Change in net assets	(3,387,513)	1,398,860	2,843,246
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	42,094,404	40,695,544	37,852,298
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 38,706,891	\$ 42,094,404	\$ 40,695,544

Claremont Graduate University
Statement of Financial Position

	As of June 30,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS:			
Cash and cash equivalents	\$ 295,648	\$ 51,726	\$ 1,436,531
Accounts receivable, net	4,522,224	5,391,573	3,907,757
Prepaid expenses and deposits	2,463,539	2,253,439	2,160,750
Contributions receivable, net	6,246,323	5,534,919	7,085,945
Notes receivable	1,219,703	1,437,814	1,560,806
Funds held in trust for others	696,531	673,883	445,010
Investments	191,521,815	198,055,132	179,455,759
Plant facilities, net	69,419,572	71,180,056	73,153,756
Total assets	\$ 276,385,355	\$ 284,578,542	\$ 269,206,314
LIABILITIES AND NET ASSETS:			
Accounts payable and accrued liabilities	\$ 6,539,609	\$ 9,951,841	\$ 10,146,999
Deposits and deferred revenues	3,014,201	3,076,550	3,129,057
Liability for staff retirement	1,581,387	454,807	735,790
Life income and annuities payable	1,608,523	1,808,576	1,855,595
Note and bonds payable	53,673,979	54,027,733	52,212,275
Government advances for student loans	1,526,834	1,594,656	1,662,906
Asset retirement obligation	839,802	787,321	684,281
Total liabilities	68,784,335	71,701,484	70,426,903
Net assets:			
Unrestricted	38,706,891	42,094,404	40,695,544
Temporarily restricted	49,035,192	48,979,630	41,902,516
Permanently restricted	119,858,937	121,803,024	116,171,351
TOTAL NET ASSETS	207,601,020	212,877,058	198,769,411
TOTAL LIABILITIES AND NET ASSETS	\$ 276,385,355	\$ 284,578,542	\$ 269,196,314

Financial Ratios

	Proforma			
	<u>FYE 6/30/15 (a)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt service coverage (x)	0.10	0.20	0.33	0.74
Debt to expendable net assets (x)	0.73	0.61	0.59	0.63
Expendable net assets to operations (x)		1.27	1.33	1.27
Margin		-7%	-7%	-5%

(a) Recalculates FY 2015 results to include the impact of this proposed financing

Financial Discussion:

CGU has exhibited a steady revenue base from net tuition and fees, gifts/private contracts and federal grants/contracts.

CGU continues to exhibit steady revenue growth over our review period. Revenues mainly consist of net tuition and fees, gifts/private contracts and federal grants/contracts, providing CGU a solid, well-diversified revenue base. CGU's academic operations remained solid, net tuition and fee revenues for FY 2015 totaled approximately \$39.8 million and have increased just about 4.68% from FY 2013, which totaled approximately \$38 million. This increase can be attributed to anticipated tuition increase of nearly 3% and steady enrollment.

Total operating expenses increased from approximately \$65.1 million in FY 2013 to approximately \$69.2 million in FY 2015. Instruction expense is primarily attributed towards the increase from just about \$32.6 million in FY 2013 to approximately \$34.2 million in FY 2015. CGU is currently working on implementing cost optimization strategies to lower expenses and centralize administration budget procedures. CGU hired a consulting firm in 2015 and is currently implementing plans centralizing organizational structure and staffing to run the university more efficiently. CGU anticipates this will help reduce expenses nearly \$5 million over the next three years.

CGU continues to maintain solid net asset growth while reducing liabilities and the Statement of Financial Position appears positive with a debt service coverage ratio of 0.20x.

CGU's total net assets have fluctuated over the three-year review period rising nearly 4.4%, from \$198.8 million in FY 2013 to \$212.9 million in FY 2014, and back down just about \$207.6 million in FY 2015. CGU attributes this increase primarily to strong investment returns that represent roughly 67% of CGU's assets, posting gains of approximately 6.7% from nearly \$179.5 million in FY 2013 to roughly \$191.5 million in FY 2015. Cash and cash equivalents fluctuated over the review period and according to CGU, this was related to timing and the transferring of cash-on-hand for investments.

Overall, total liabilities decreased approximately 2.3%, from nearly \$70.4 million in FY 2013 to \$68.9 million FY 2015. CGU managed to lower accounts payable and accrued liabilities nearly 35.6% from the hiring of dedicated staff to manage accounts payable and reduce liability obligations. CGU's liability for staff retirement reflects a 114.9% increase in FY 2015 due to the timing of the payout of staff retirement plans and appropriation. CGU will split the payout expense over two fiscal years.

In FY 2015 CGU, under new leadership, rebuilt the admissions and recruitment team with central support and oversight. CGU continues to work with the consultant to improve admissions processes, marketing messages and communications, financial aid practices, and financial aid leveraging. With their help, CGU yielded an additional 50 new students in FY 2016 over the previous year. CGU also filled a fundraising staff position to build a multi-million dollar fundraising campaign in the upcoming years.

CGU's future outlook appears to be stable. The debt service coverage ratio is 0.20x for FY 2015. Including the proposed bond financing, CGU's proforma debt service coverage is 0.10x. With the cost optimization, enrollment, management, and academic program improvement plans in place, CGU is optimistic financial recovery will follow.

IV. BACKGROUND:

General:

Founded in 1925, CGU is an independent institution devoted entirely to graduate study. CGU's 2,000 full-time and part-time students are enrolled in degree programs in 24 different fields of study. Students at CGU are encouraged to pursue personal academic interests and research agendas even when they transcend the traditional boundaries between individual departments.

CGU prepares a diverse group of outstanding individuals to assume leadership roles in the worldwide community through teaching, research, and practice in selected fields. Education at CGU is student-centered, characterized by personal attention and flexibility. CGU emphasizes human-scale instruction—small classrooms, accessible faculty, close faculty-student interaction, and student involvement in the design of individualized courses of study. CGU's unique status as a comprehensive independent graduate institution enables it to provide students with a dynamic and supportive environment in which to excel.

CGU is a member of the Claremont Consortium, with undergraduate Pomona, Scripps, Claremont McKenna, Harvey Mudd, and Pitzer colleges and the Keck Graduate Institute. Located on contiguous campuses 35 miles east of Los Angeles in the city of Claremont in the foothills of the San Gabriel Mountains, the member institutions are academically independent, but share central programs and services. Thus, CGU is able to combine the intimacy of a small university with the facilities and academic breadth of a mid-sized university.

CGU offers advanced study in the humanities, fine arts, social sciences, psychology, education, management, executive management, information systems, botany, religion and mathematics. Its curriculum successfully integrates theory with practice and traditional disciplines with newer professional programs.

Administration:

CGU is governed by a self-perpetuating Board of Trustees, not to exceed 45 members including the President of CGU. Trustees are elected to three-year terms and approximately one-third of Trustees are elected annually.

The President of CGU is appointed by the Board of Trustees and, as chief executive officer, is charged with the principal responsibility for administration of CGU. All other officers of CGU are appointed by the Board of Trustees but are subject to the day-to-day direction of the President of CGU.

Accreditations and Affiliations:

CGU is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (“WASC”), the primary accrediting body for institutions of higher education in the Western United States. The most recent WASC visit was in June 2012. The next scheduled WASC visit is in spring 2022, as CGU was awarded a full ten-year accreditation, the maximum allowed.

Academic Programs:

Several years ago, CGU underwent a profound reorganization, in which academic units were grouped into eight schools, and responsibility center management was implemented. This reorganization was intended to facilitate coordination of curricular planning among related disciplines and specialties, while protecting the integrity of individual disciplines. In addition, it was meant to enhance the potential for curricular innovation, co-teaching, and creative experimentation by bringing faculty and students in related disciplines into closer and more systematic contact with one another.

CGU offers over 40 degrees and certificates in its School of Educational Studies, School of Organization and Behavior Sciences, School of Politics and Economics, School for the Arts and Humanities, School of Information Systems and Technology, School of Religion, School of Mathematical Sciences and the Peter F. Drucker and Masatoshi Ito Graduate School of Management, as well as in its program in Botany, Applied Women's Studies and Africana Studies.

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V. OUTSTANDING DEBT (\$000's):

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 06/30/2015</u>	<u>Estimated Amount Outstanding After Proposed Financing*</u>
Existing Debt:			
Term note - Mortgage	\$ 703,042	\$ 703,042	\$ 703,042
Term note - Residential Properties	2,250,000	2,099,890	2,099,890
CEFA, Series 2007 A	36,000,000	36,000,000	-
CEFA, Series 2008 A	15,000,000	14,260,000	-
 Proposed:			
CEFA, Series 2016		<hr/>	60,250,000
 Total		<u>\$ 53,062,932</u>	<u>\$ 63,052,932</u>

*As of proposed issuance date of Series 2016 Bonds, principal balance remaining outstanding

VI. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act
- Iran Contracting Act Certificate – Not required with this financing

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 310 in an amount not to exceed \$60,250,000 for the Claremont Graduate University as an unrated Direct Bank Placement. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, the Authority’s financial advisor, concur with the Authority’s staff recommendations.

EXHIBIT 1

Financing Team Claremont Graduate University

Borrower:	Claremont Graduate University
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Attorney General's Office
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Borrower's Counsel:	Loeb & Loeb, LLP
Bond Counsel:	Norton Rose Fulbright US LLP
Purchaser, Series A:	Umpqua Bank
Purchaser, Series B & C:	Deutsche Bank
Purchaser Counsel, Series A:	Nixon Peabody, LLP
Purchaser Counsel, Series B & C:	Kutak Rock, LLP
Developer:	HP Real Estate Development, LLC
Developer Counsel & Placement Agent's Counsel:	Haynsworth Sinkler Boyd
Co-Placement Agent:	Hilltop Securities Inc.
Co-Placement Agent:	Piedmont Securities, LLC
Structuring Agent and Pricing Consultant:	Piedmont Securities, LLC
Swap Advisor – Bidding Agent:	Kensington Capital Advisors, LLC
Escrow Agent/Trustee/Trustee Counsel:	MUFG Union Bank, N.A.
Auditor to the University:	Moss-Adams LLP
Verification Agent:	Grant Thornton

RESOLUTION NO. 310

RESOLUTION OF THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO FINANCE AND/OR REFINANCE PROJECTS
AT THE EDUCATIONAL FACILITIES
OF THE CLAREMONT GRADUATE UNIVERSITY

WHEREAS, the California Educational Facilities Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Educational Facilities Authority Act (the “Act”) to issue revenue bonds and to loan the proceeds thereof to a participating private college or a participating nonprofit entity (both as defined in the Act) for the acquisition or construction of projects (as defined in the Act), to refund existing bonds, mortgages, or advances or other obligations incurred, given, or made by a participating private college for the acquisition or construction of any projects, to loan the proceeds thereof to a participating private college for the purpose of refinancing projects not originally funded pursuant to the Act (including repayment of costs, as defined in the Act), and to refund existing bonds or notes of the Authority;

WHEREAS, Claremont Graduate University (the “Borrower”) is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California; and

WHEREAS, the Authority has previously issued its Revenue Bonds (Claremont Graduate University) 2007 Series A (the “2007 Bonds”), in the aggregate principal amount of \$36,000,000, all of which is currently outstanding, and made a loan (the “2007 Loan”) of the proceeds thereof to the Borrower to finance the acquisition or construction of projects, as more particularly described under the caption “2007 Project” in Exhibit A hereto (the “2007 Project”); and

WHEREAS, the Authority has previously issued its Revenue Bonds (Claremont Graduate University) 2008 Series A (the “2008 Bonds,” and together with the 2007 Bonds, the “Prior Bonds”), in the aggregate principal amount of \$15,000,000, of which \$14,260,000 currently is outstanding, and made a loan (the “2008 Loan,” and together with the 2007 Loan, the “Prior Loans”) of the proceeds thereof to the Borrower for the purposes of financing or refinancing certain projects, as more particularly described under the caption “2008 Project” in Exhibit A hereto (the “2008 Project,” and together with the 2007 Project, the “Prior Projects”), not originally funded pursuant to the Act (including repayment of related costs, as defined in the Act); and

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$60,250,000, and (i) to refund all of the outstanding Prior Bonds, (ii) to make one or more loans of the proceeds of the Bonds (as defined below) to the Borrower (a) to refinance the Prior Loans and (b) to acquire and construct projects (as defined in the Act), as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project” and, together with the Prior Projects, the “Project”), (iii) pay costs of issuance of the Bonds, and (iv) at the sole option of the Borrower, provide a bond reserve fund for the Bonds; and

WHEREAS, to the extent required by subdivision (b) of Section 94212 of the Education Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a “project” under such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought.

NOW, THEREFORE, BE IT RESOLVED by the California Educational Facilities Authority as follows:

Pursuant to the Act, revenue bonds of the Authority designated as the “California Educational Facilities Authority Revenue Bonds (Claremont Graduate University), Series 2016” (the “Bonds”), in a total aggregate principal amount not to exceed \$62,500,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fifth recital above.

The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time within one year of the date of adoption of this Resolution, at public or private sale, in such aggregate principal amount (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices, at such interest rate or rates, with such maturity date or dates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds or any series of them may, at the sole option of the Borrower, be secured or supported by one or more of the following: deed of trust, bond reserve fund, bond insurance, other credit and/or liquidity facility and/or another security arrangement.

The following documents:

the Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower;

the Bond Trust Indenture relating to the Bonds (the “Indenture”), between the Authority and MUFJ Union Bank, N.A. (the “Trustee”); and

the Bond Placement Agreement relating to the Bonds (the “Bond Placement Agreement”), among Hilltop Securities Inc., the Borrower and the Authority;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer(s) executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture and the Bond

Placement Agreement. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

The dated dates, maturity dates (not exceeding 50 years from the respective date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of purchase or tender, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for credit and/or liquidity facilities, if any, from time to time, shall be as provided in the Indenture, as finally executed.

The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the respective purchasers thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the respective purchasers, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Each officer of the Authority is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things which they 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 and the Indenture, Loan Agreement and Bond Placement Agreement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and escrow agreement and other certifications; and (b) any agreement or commitment letter with respect to the provision of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

The provisions of the Authority's Resolution No. 2014-03 apply to the documents and actions approved in this Resolution.

The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____.

EXHIBIT A

2007 Project:

Construction of new housing for graduate students at the University located at 1415 N. College Avenue, Claremont, California. The new housing is a 5 three-story buildings totaling approximately 100,450 square feet consisting of 62 studio apartments, 21 one-bedroom apartments, 60 two-bedroom apartments, and 15 three-bedroom apartments, for a total of 248 beds.

2008 Project:

Acquisition, construction, expansion, rehabilitation, remodeling, renovation and equipping of all or a portion of the following educational facilities, in each case with related and appurtenant facilities to be located at 150 East 10th Street, Claremont, California, unless otherwise noted below:

1) The upgrading and renovation of academic/administrative buildings, including but not limited to Burkle Building, Academic Computing Building, Art Building, Harper Hall, Harper East, McManus, and Stauffer. Work will include, but not be limited to, upgrading HVAC equipment and EMS controls, creating usable space in an area that currently cannot be occupied, updating a server room, adding a generator for emergency power, furniture/phone/server equipment, boiler replacement, repairs, carpet & paint, new roofs and ADA upgrades (including elevators).

2) Converting rental houses to academic use and upgrading houses currently used for academic, research, rental or administrative purposes. Work will include, but not be limited to, painting & re-roofing, HVAC upgrades and renovating for ADA requirements (including, but not limited to, the President's house located at 709 Harvard Avenue, Claremont, California).

3) Land acquisition of approximately 4 acres of a 7 acre parcel for new and/or existing academic programs (located in the city of Claremont, California, at the intersection of Foothill Boulevard to the south and College Avenue to the west).

4) The refinancing of the Provost House (located adjacent to the Campus at 207 West 6th Street, Claremont, California).

New Project:

Reconstruction, remodeling and equipping of the graduate student housing facility (2007 Project) to provide additional bed space and make it suitable for undergraduate student housing.