

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Learning with a Difference, Inc. dba Westmark School (Borrower or Westmark)	<b>Amount Requested:</b>	Not to exceed \$8,500,000
<b>Applicant Description:</b>	The Borrower is a 501(c)(3) nonprofit public benefit corporation established to operate a private school serving high-potential students in grades 2-12 which face language based learning differences and difficulties.		
<b>Type of Financing:</b>	Tax-exempt obligations		
<b>Project Description:</b>	<p>The project (Project) involves the construction or improvement of the following capital projects: security/campus safety; campus/master plan development; technology upgrades; and various building improvements. Westmark is acquiring an additional property and would like it added to the Project the school is funding with tax-exempt proceeds:</p> <ol style="list-style-type: none"> <li>1. Address - 5429 Louise Avenue, Encino (City of Los Angeles, Los Angeles County), California 91316</li> <li>2. Property Description - Approximately 0.40 acres of land with a 3,706 square foot home situated thereon. The property is located immediately adjacent to Westmark's campus.</li> <li>3. Purchase Price/Funding - Estimated purchase price of \$1,300,000. Westmark expects to use \$1,000,000 in tax-exempt proceeds to fund a portion of the purchase, with the remaining costs associated with the purchase being funded from the school's reserves and/or donor funds.</li> <li>4. Planned Uses - Residence for the Head of School and/or offices for administrative staff. In the future it's possible that the property could be used to expand existing athletic/play fields on Westmark's campus that are already adjacent to the property.</li> </ol>		
<b>Project Site:</b>	5461 Louise Avenue, Encino, California 91316 (Los Angeles County) and 5429 Louise Avenue, Encino, California 91316 (Los Angeles County)		
<b>Plan of Finance:</b>	<p>If approved by the Board, the I-Bank will issue up to \$8.5 million in tax-exempt obligations in a private placement with First Republic Bank (the "Tax-Exempt Obligations"). The proceeds of the Tax-Exempt Obligations will be used to (1) refund tax-exempt Variable Rate Demand Revenue Bonds, Series 2006 issued by the I-Bank November 17, 2006 (the "2006 Bonds"), outstanding in the aggregate principal amount of approximately \$6,200,000, (2) fund various capital improvement projects, (3) pay transaction costs and (4) acquire an additional property using \$1,000,000 to fund a portion of the purchase.</p> <p><b>Type of Issue:</b> Privately-placed fixed-rate securities with First Republic Bank (Lender)  <b>Tax Status:</b> Tax-exempt  <b>Term:</b> Fixed for the first 15 years; converts to a Variable Rate for years 16-30  <b>Credit Enhancement:</b> None  <b>Credit Rating:</b> Unrated  <b>Fees:</b> App Fee \$1,500; Issuance Fee \$21,250; Annual Fee \$500 per year</p>		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Tax-Exempt Obligation Proceeds	\$8,500,000	Refund Existing 2006 Bonds	\$6,240,000
		L/T Funds Project	\$1,110,000
		Costs of Issuance	\$150,000
		<b>Purchase of Property</b>	<b>\$1,000,000</b>
<b>TOTAL SOURCES</b>	<b>\$8,500,000</b>	<b>TOTAL USES</b>	<b>\$8,500,000</b>

<b>Financing Team:</b>			<b>Bond Counsel:</b> Kutak Rock
			<b>School Counsel:</b> Law Offices of Rossi A. Russell
			<b>Financial Advisor:</b> Growth Capital Associates, Inc.
			<b>Purchaser:</b> First Republic Bank
<b>Public Benefits:</b>	Westmark is committed to providing high potential students that have moderate to severe learning disabilities with a high quality education and the opportunity to advance to post-secondary education. The Project is critical to the successful operation of the school, including new security and safety systems that will insure that the campus environment is safe and supportive of the individual educational experiences that are key to student achievement. In terms of job creation, overall staffing grew from 36 in 2006 to 42 currently. Westmark estimates that staffing will increase by 3 to 5 positions over the next 2 to 3 years. The acquisition of the adjacent property includes the following public benefits: Residence for head of school; offices for administrative staff; and expansion of existing athletic/play fields.		
<b>Date of Board Meeting:</b> May 20, 2014		<b>Resolution Number:</b> 14-05	
		<b>Prepared by:</b> John Belmont	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution 14-05 authorizing the issuance of Tax-Exempt Obligations in an aggregate amount not to exceed \$8,500,000 for the benefit of Westmark. The Board's approval of a Maximum Approved Amount of \$8,500,000 is conditioned upon the I-Bank's receipt, prior to issuance of the Tax Exempt Obligations, of evidence, in form and substance satisfactory to the I-Bank, that the Lender has increased its commitment amount from \$7,500,000 to an amount not-to-exceed \$8,500,000 (the "Revised Lender Commitment"). Failure to provide such evidence will result in the reduction of the Maximum Approved Amount to the greater of (i) \$7,500,000 or (ii) the amount of the Revised Lender Commitment, but in no event shall the Maximum Approved Amount exceed \$8,500,000. A 2nd TEFRA Hearing will be scheduled addressing the increase in Obligations.			

## BACKGROUND AND HISTORY

Learning with a Difference, Inc. dba The Westmark School (Borrower or Westmark) is an independent, nonprofit school located in Encino, a neighborhood in the San Fernando Valley region of the City of Los Angeles. The Borrower serves high-potential students in grades 2 through 12 that face language-based learning differences and difficulties. Westmark is accredited by the Western Association of Schools and Colleges, and currently serves approximately 225 students. Students have moderate to severe learning disabilities ranging from dyslexia and attention deficit disorders to extreme reading, writing, comprehension and organizational difficulties. Even with these challenges, the vast majority of student's demonstrate average to high levels of intellectual capability upon graduation, with over 95% moving on to post-secondary educational programs at colleges, universities and technical schools.

The history of Westmark can be traced back to 1983 when the Landmark School of Massachusetts opened Landmark West (Landmark) in Culver City, California. In 1991, the school's present campus was acquired as a new home for Landmark. Learning with a Difference, Inc. was organized in 1997 to purchase Landmark and provide local oversight in the development and implementation of the educational programs.

Westmark offers comprehensive lower and secondary school programs. All curricula follows the State of California's academic framework. A multi-sensory, sight, sound and touch teaching approach are used to promote the student's success both academically and with life skills. Middle and high school students participate in transitional education programs designed to foster their successful transition from Westmark to other educational and non-academic environments. Westmark programs are enriched by athletics, electives, assistive technology and leadership training.

Westmark's academic program is unique and creative, giving students the opportunity to find their individual paths to success. Most students, having failed in the traditional classroom environment, arrive at the School defeated and having lost a desire to learn. Students are re-engaged by special education credentialed faculty and staff members who are passionate about the learning process and focused on building self-esteem, managing daily struggles with anxiety and increasing social confidence. Westmark offers state of the art assistive learning technologies, individualized instruction and curriculum, specialized high-interest classes and a full athletic program.

Westmark provides need-based financial aid. Approximately 18% of the students receive some form of financial assistance, with the awards averaging approximately \$15,000.

Current Westmark leadership is listed in Appendix A.

## PROJECT DESCRIPTION

A portion of the proceeds of the Tax-Exempt Obligations will be used to fund construction or improvement of the following capital projects:

1. Security/Campus Safety – emergency broadcast system, security cameras, keyless entry and lockdown system, and improvements to the school entrance.
2. Campus/Master Plan Development – design and engineering and CUP amendment associated with future projects.
3. Technology Upgrades – new/upgraded wireless network and computers for students and staff.
4. Various Building Improvements – roof replacement, shade canopies, playground enhancements and renovation of pool building.
5. Acquisition of additional property to be added to the Project as follow:

A. Address - 5429 Louise Avenue, Encino (City of Los Angeles, Los Angeles County), California 91316

B. Property Description - Approximately 0.40 acres of land with a 3,706 square foot home situated thereon. The property is located immediately adjacent to Westmark's campus.

C. Purchase Price/Funding - Estimated purchase price of \$1,300,000. Westmark expects to use \$1,000,000 in tax-exempt proceeds to fund a portion of the purchase, with the remaining costs associated with the purchase being funded from the school's reserves and/or donor funds.

D. Planned Uses - Residence for the Head of School and/or offices for administrative staff. In the future it's possible that the property could be used to expand existing athletic/play fields on Westmark's campus that are already adjacent to the property.

As indicated under "Financing Structure" below, proceeds of the Tax Exempt obligations will also be used to refund the 2006 Bonds and to pay costs of issuance.

## FINANCING STRUCTURE

If the I-Bank Board grants its final approval of the issuance of Tax-Exempt Obligations for an aggregate amount not to exceed \$8,500,000 for the benefit of Westmark, the I-Bank will issue the Tax-Exempt Obligations in a private placement to First Republic Bank (Lender), a Qualified Institutional Buyer (QIB) within the meaning of Section 144(A) of the Securities Act of 1933 (Securities Act), as amended. Thereafter, the I-Bank will loan the proceeds from the Tax-Exempt Obligations to Westmark (Loan).

The proceeds from the Tax-Exempt Obligations will be used as follows:

- \$6,240,000 - Refund tax-exempt bonds issued by the I-Bank in 2006.
- \$1,110,000 - Reimburse Westmark for prior capital projects that were funded with cash/reserves and/or fund the capital projects, including campus renovations and technology and security upgrades (the "New Facilities").
- \$150,000 - Fund certain costs of issuance in connection with the issuance of the Obligations.
- \$1,000,000 – Acquisition of additional property adjacent to Westmark.

Westmark's obligation to repay Lender for the proceeds of the Tax-Exempt Obligations is expected to be secured by collateral including, but not limited to, Westmark's personal property assets and a negative pledge on certain real property. As part of the financing, the I-Bank will assign all rights to the collateral to the Lender. Furthermore, the I-Bank will assign its right to receive the loan payments from the School, except for certain Reserved Issuer Rights, to the Lender pursuant to a master loan agreement between the I-Bank, Westmark and the Lender (Loan Agreement). Repayment of the Tax-Exempt Obligations will be made solely from Westmark's payments under the Loan.

The Lender will sign a sophisticated investor letter (Investor Letter) at closing certifying, among other things, that (i) it is a QIB, within the meaning of Rule 144(A) of the Securities Act; (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 Loan and that it is able to bear the economic risks of such investment; and (iii) it will prohibit the subsequent sale, assignment or transfer of the Loan, except, in whole and not in part, to another QIB signing an Investor Letter.

In no event shall the Loan 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 Tax-Exempt Obligations. The Tax-Exempt Obligations shall constitute a special limited obligation of the I-Bank. The Tax-Exempt Obligations shall be payable solely from payments made by Westmark under the Loan Agreement.

### Financial Covenants Summary:

Lender's financial covenants to be maintained by Westmark:

- Loan to Value/Collateral – Maximum loan to appraised value of 60% (appraised on an “as improved” basis).
- Maintain minimum Debt Coverage Ratio of 1.25:1 measured annually at each FYE.
- Minimum liquidity requirement of \$500,000, measured semi-annually at each FYE and at 12/31.
- No additional debt by Borrower exceeding \$500,000 without prior written consent by First Republic Bank, excludes existing First Republic Bank line of credit and renewals thereof. First Republic Bank shall have a right of first refusal on any future borrowing by Borrower.

## **PUBLIC BENEFITS**

The projects being funded with tax-exempt proceeds will allow Westmark to continue its mission of providing high potential students that have moderate to severe learning disabilities with a high quality education and the opportunity to advance to post-secondary education. The projects described are critical to the successful operation of the school, including new security and safety systems that will insure that the campus environment is safe and supportive of the individual educational experiences that are key to student achievement.

A guiding principle of Westmark is to provide an education that allows children to find their unique talents and develop them to their fullest potential. Westmark does not place children in pre-designed programs, but rather develops programs and curricula based upon the child's areas of strength and growth using the latest research and teaching methodologies available. The School is a progressive institution that uses and applies the latest in research about the brain and the way individuals learn in the classrooms.

In addition to the classroom, Westmark also offers an optional tutorial program designed to remediate deficits in reading, writing, math, study skills, organization, time management and specific subject areas. The focus of the program is to stimulate critical thinking skills. Additionally, all programs are further enriched by athletics, electives, assistive technology and leadership training.

One of the single most daunting challenges facing parents and their children is the process of identifying and evaluating choices for higher education and postsecondary options as their child completes his or her education at Westmark. Toward this end, Westmark has an educational consultant who helps students successfully transition into higher education by reviewing transcripts, test scores and current testing documentation to assist students and parents with educational decisions. The consultant meets individually with parents and students in 11th and 12th grade to inform them about the college process and financial aid and is available to offer guidance and information regarding career options, technical schools and career colleges. The School turns challenges into triumphs since 95 percent of graduating seniors go on to some form of higher level instruction and to become productive and contributing members of society.

In addition to the above, the School emphasizes the importance of community involvement; all students must fulfill community service requirements as part of their academic training. For example, 2<sup>nd</sup> through 6<sup>th</sup> grade students are required to complete 8 hours of community service per year, 7<sup>th</sup> and 8<sup>th</sup> graders must perform 16 hours of community service per year, and high school students must complete 24 hours of community service per year. Students satisfy this requirement by volunteering with organizations that perform such services as providing meals for the homeless, transferring Braille text to audio tapes, projects that aid the environment, assisting in nursing homes and shelters, etc. Additionally, fee-based summer school and after-school tutorial programs are available to the public, and Westmark offers the use of their facilities for other special needs organizations.

The new tax-exempt loan is consistent with several strategic funding objectives Westmark is seeking to achieve, including the following:

1. Entering into a long-term financing arrangement at a fixed interest rate and benefiting from the current interest rate environment that is at historically low levels.
2. Have debt proceeds available to fund future capital projects, with the proceeds being integrated into a single financing that refunds existing debt.
3. Utilize a simpler and more costs-effective tax-exempt loan structure versus the letter of credit backed bonds that were issued in 2006.

In terms of job creation, overall staffing grew from 36 in 2006 to 42 currently. Westmark estimates that staffing will increase by 3 to 5 positions over the next 2 to 3 years.

The expansion of the Project to include acquisition of an adjacent property would include the following public benefit possibilities: Residence for head of school; offices for administrative staff; and expansion of existing athletic/play fields.

## 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	May 19, 2014
Publications	<i>The Sacramento Bee</i> <i>Metropolitan News-Enterprise</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	
Applicant meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> <li>1. Project is in the State of California.</li> <li>2. Westmark is capable of meeting the obligations incurred under relevant agreements.</li> <li>3. Payments to be made by Westmark 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.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
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 14-05, authorizing the issuance of Tax Exempt Obligations, in an amount not to exceed \$8,500,000, for the benefit of Westmark School. The Board's approval of a Maximum Approved Amount of \$8,500,000 is conditioned upon the I-Bank's receipt, prior to issuance of the Tax Exempt Obligations, of evidence, in form and substance satisfactory to the I-Bank, that the Lender has increased its commitment amount from \$7,500,000 to an amount not-to-exceed \$8,500,000 (the "Revised Lender Commitment"). Failure to provide such evidence will result in the reduction of the Maximum Approved Amount to the greater of (i) \$7,500,000 or (ii) the amount of the Revised Lender Commitment, but in no event shall the Maximum Approved Amount exceed \$8,500,000.

A 2nd TEFRA Hearing will be scheduled addressing the increase in Obligations.



**APPENDIX A – GOVERNANCE AND MANAGEMENT**

<b>WESTMARK SCHOOL TRUSTEE LISTING</b>	
Ayers, Tess	Trustee - Documentary Producer, Little Mama, Inc.
Bailey, Wayne	Trustee – Retired CFO; Investor
Clark, David	Trustee – Assistant Dean of Student Affairs, UCLA Fielding School of Public Health
Cunnion, Dawn	Trustee – Associate Head of School, Brentwood School
Daniels, Susanne	Trustee - Strategic Consultant, Television and New Media
English, Elizabeth	Trustee - Head of School, The Archer School for Girls
Furgatch, Andrew	Treasurer - Chairman & CEO, Magna Carta Companies, Inc.
Gissell, Jolyon	Trustee - Sr. V.P., Wealth Advisor & Family Wealth Director, Morgan Stanley
Guzman, Ron	Trustee – Vice President of Loan Services, LAPD Credit Union
Hoyt, Robert	Trustee - President, LATHER
Kennedy, Kathleen	Trustee - Film Producer
Liebling, Deborah	Trustee - Entertainment Executive and Film Producer
Lizer, Laura	Trustee - President & CEO, Laura Lizer and Associates providing financial and investment planning
Mack, Andrea	Secretary - Senior Vice President, Trust Company of the West
Montgomery, James	Trustee - Founder & CEO, Montgomery & Co.
Nelson, Chuck	Trustee - Investor
Robertson, Chip	Vice Chair – Real Estate Developer
Sanchini, Rae	Chair – Producer, Lightstorm Entertainment
Tollin, Mike	Trustee – Film/Television Director and Producer

**Westmark School  
Key Administrative Staff**

Thomas Muir Meredith	Head of School
Dr. Clarence Perkins	Associate Head of School and Upper School Director
Jennifer Spellman	Director of the Lower and Middle School
Don Cook	Director of Finance and Operations
Nancy Nichols	Director of Advancement
Lori Schackel	Director of Marketing and Communications
Sarah Hamilton	Director of Student Life

APPENDIX B – Photos of Westmark School



