

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The RAND Corporation (“The Rand” or “Borrower”)	Amount Requested:	Not to exceed \$100,000,000
Applicant Description:	A California nonprofit public benefit corporation that helps improve public policy and decision-making through research and analysis. The Rand is dedicated to furthering and promoting scientific, educational, and charitable purposes for the public welfare and security of the United States and the World.		
Type of Financing:	Conduit Tax-exempt and/or Taxable Variable Rate Obligations (“Obligations”).		
Project Description:	The proceeds of the Obligations will be used to (a) refinance the Borrower’s outstanding IBank issued Revenue Bonds (The Rand Corporation) Series 2008A and Series 2008B (“Prior Bonds”); and (b) pay certain financing costs and costs of issuance in connection with the Obligations (collectively, the “Project”).		
Project Site:	1776 Main Street, Santa Monica, California 90401 (County of Los Angeles)		
Plan of Finance:	IBank will lend the proceeds of the Obligations to The Rand to finance the Project.		
Type of Issue:	Private Placement		
Tax Status:	Tax-exempt and/or Taxable		
Term:	4/1/2042		
Credit Enhancement:	None		
Credit Rating:	None		
IBank Fees:	Application Fee \$3,500; Issuance Fee \$75,000; Initial Annual Fee \$3,000 per year;		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-exempt and/or Taxable Obligations Proceeds	\$98,225,000.00	Refunding the Prior Bonds	\$98,225,000.00
Borrower’s Equity	\$450,000.00	Costs of Issuance	\$450,000.00
TOTAL SOURCES	\$98,675,000.00	TOTAL USES	\$98,675,000.00
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Corporate Counsel:	Arent Fox LLP		
Financial Advisor:	Raymond James & Associates, Inc.		
Bank Purchaser:	CN Financing, Inc.		

<p>Public Benefits:</p>	<p>Refunding of the Prior Bonds with mandatory tender date in June 1, 2021, will release some of the Borrower's resources, allowing for the restructuring of its portfolio. Refunding may not produce any financial savings but will benefit The Rand's operations and public purposes.</p> <p>The Rand has approximately 649 full-time and 272 part-time employees.</p>	
<p>Date of Board Meeting: February 24, 2021</p>	<p>Resolution Number: 21-04</p>	<p>Prepared by: John Belmont, on 1/15/2021</p>
<p>Staff Recommendation: Staff recommends approval of the Resolution No. 21-04 authorizing the issuance of Conduit Tax-Exempt and/or Taxable Obligations in an aggregate amount not to exceed \$100,000,000, for the benefit of The RAND Corporation.</p>		

BACKGROUND AND HISTORY

The RAND is a nonprofit public benefit corporation organized under the laws of the state of California. The Rand is derived from the term research and development (R&D), and was the first organization to be called a “think tank.” This distinction was earned soon after they were organized in 1946 by their original client, the U.S. Air Force.

For over 70 years, The Rand has been known as a research organization committed to public interest and public policy challenges for communities in the U.S. and worldwide. As a nonpartisan organization, it is operating independent of political and commercial pressures. The Rand developed the planning, programming and budgeting system in the early 1960’s that were mandated as the federal standard by President Lyndon Johnson in 1965. The Rand’s recent efforts include but are not limited to elimination of the opioid crisis, rebuilding Puerto Rico after hurricane Katrina, supporting military caregivers, addressing barriers to female U.S. Air Force officer retention, improving K-12 curricula, analyzing research evidence on the effects of gun policies, assessing the effects of the COVID-19 pandemic and potential paths forward, and studying Truth Decay, the diminishing reliance on facts and analysis in American public life.

The Rand’s developments include significant achievements in space systems, providing the foundation for America’s space program, and important contributions to digital computing and artificial intelligence. Additional contributions have been made to game theory, linear and dynamic programming, mathematical modeling and simulation, network theory, and cost analysis. Research regarding social policy planning and analysis in areas of urban decay, poverty, health care, education, and the efficient operation of municipal services such as fire and police.

The Rand’s research is supported by global organizations, including government agencies, foundations, and nonprofits. Its research programs rely on philanthropic gifts. The Rand is headquartered in Santa Monica, California, with offices in the East Coast, Europe and Australia. Approximately 1,950 people from 50 countries work at The Rand. The Project pertains to The Rand’s headquarters in Santa Monica, California.

The California Secretary of State reports an active status for the Borrower. The Borrower’s current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting the issuance of conduit tax-exempt and/or taxable Obligations to (a) refinance the Prior Bonds the proceeds of which were used to refinance the cost of the acquisition, construction, installation, furnishing and equipping of the Borrower’s corporate headquarters located at 1776 Main Street, Santa Monica, California 90401, consisting of approximately 3.7 acres of land with a five-story office building containing approximately 310,000 square feet of office space and a three-story underground parking garage (collectively, the “Facilities”); and (b) pay certain financing costs and costs of issuance in connection with the Obligations. The construction of the Facilities was completed in October, 2004.

The Obligations will refund the Prior Bonds the proceeds of which were issued to refund the Series 2007 (“2007 Bonds”) and Series 2002B Bonds (“2002B Bonds”), respectively. The 2007 Bonds were issued to advance refund the Series 2002A Bonds (“2002A Bonds”). The 2002A&B Bonds were originally issued to finance the Facilities.

Prior Bonds

The 2007 Bonds advance refunded all of the outstanding \$31,800,000 IBank Insured Revenue Bonds, the 2002A Bonds. The 2002A Bonds, in the amount of \$32,500,000, were part of a larger bond issuance that also included the 2002B Bonds in the amount of \$97,500,000, and together the 2002A Bonds and the 2002B Bonds were used to finance the construction, furnishing and equipping of a new headquarters and office facility located at 1776 Main Street, Santa Monica, California.

Refunding the Prior Bonds

The following Table shows the par-amount, outstanding principal amount, maturity, and purpose of the Prior Bonds:

Bond Issue	Issuer Par Amount	Outstanding as of December 31, 2020	Outstanding as of April 1, 2021	Final Maturity	Purpose of Issuance
Series 2008A	\$34,575,000	\$27,325,000	\$26,525,000	4/1/2042	Refunding 2007 bonds
Series 2008B	\$93,565,000	\$73,845,000	\$71,700,000	4/1/2042	Refunding 2002B bonds
TOTAL	\$128,140,000	\$101,170,000	\$98,225,000		

The outstanding tax-exempt bank direct placement variable rate bond indebtedness held by Wells Fargo is subject to mandatory tender upon the expiration of the current bank term on June 1, 2021.

FINANCING STRUCTURE

Term Sheet
The RAND Corporation
Date: February 24, 2021

Bond Par Amount:	Not to exceed \$100,000,000; tax-exempt and/or taxable Loan Obligations.
Type of Offering:	Private Placement.
Lender:	CN Financing, Inc.
Credit Enhancement and Expected Credit Rating:	None.
Interest Rate*:	Applicable Loan Rate based on one-month LIBOR rate and subject to the terms of the Loan Agreement.
Final Maturity*:	April 1, 2042
Collateral:	None.
Expected Closing Date*:	April 1, 2021
Conduit Transaction:	The Obligations are special, limited obligations payable solely from payments made by The Rand 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 the Interest Rate, Final Maturity and Expected Closing Date are subject to change.

Financing Structure

The Obligations will be directly purchased by CN Financing, Inc and the proceeds loaned to the Borrower pursuant to the Loan Agreement. The Obligations are subject to transfer restrictions and may be transferred, assigned and reassigned in whole (but not in part) by the Lender to an affiliate of the Lender or a Qualified Institutional Buyer pursuant to the Loan Agreement. IBank staff has determined that an affiliate of the Lender is a sophisticated investor equivalent to a Qualified Institutional Buyer.

Interest on the Obligations be based on LIBOR Interest Rate and will accrue daily and be payable monthly in arrears on the first day of the month, commencing on May 1, 2021.

Limited Obligations of IBank

The Obligations are payable solely from and secured solely by the pledge of the Borrower's payments under the Loan Agreement. 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

The Rand shares research publications in digital format free of charge as a public service on its website, rand.org. Thousands of reports that span 70 years are readily accessible. The RAND Blog includes timely insights and analysis on today's most important policy issues and commentary on the latest world news as well as research highlights. The Rand further contributes to the public benefit through its Pardee RAND Graduate School.

Refunding of the Prior Bonds with mandatory tender date in June 1, 2021 will release some of the Borrower's resources, allowing The Rand to restructure its portfolio. The Project may not produce any financial savings but will benefit the operations and public purposes.

The Rand has approximately 921 full-time and part-time employees at its Santa Monica headquarters.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD MEMBERS

Michael E. Leiter	Chair Skadden, Arps, Slate, Meagher & Flom, LLP Washington, DC
Mary E. Peters	Vice Chair Mary Peters Consulting Group, LLC; Former- U.S. Secretary of Transportation Peoria, AZ
Carl Bildt	Board Member Former- Prime Minister of Sweden Stockholm, Sweden
Kenneth R. Feinberg	Board Member The Law Offices of Kenneth R. Feinberg, PC Washington DC
Mala Gaonkar	Board Member Lone Pine Capital London, England
Malcolm Gladwell	Board Member The New Yorker New York, NY
Michael Gould	Board Member Former- Bloomingdale's New York, NY
Pedro José Greer, Jr.	Board Member Roseman University College of Medicine Las Vegas, NV
Chuck Hagel	Board Member Former- U.S. Secretary of Defense Hobe Sound, FL
Bonnie G. Hill	Board Member B. Hill Enterprises, LLC Beverly Hills, CA
Karen Elliott House	Board Member Former-The Wall Street Journal, Dow Jones and Company, Inc. Princeton, NJ
Joel Z. Hyatt	Board Member Globality, Inc., Current Media, LLC Atherton, CA
Lionel C. Johnson	Board Member Pacific Pension & Investment Institute San Francisco, CA

Philip Lader	Board Member Morgan Stanley International; Former- U.S. Ambassador, Court of St. James's Charleston, SC
Peter Lowy	Board Member LFG Los Angeles, CA
Vivek H. Murthy	Board Member Former- U.S. Surgeon General and Vice Admiral, Public Health Service Commissioned Corps Washington DC
Soledad O'Brien	Board Member Starfish Media Group New York, NY
Gerald L. Parsky	Board Member Aurora Capital Group Los Angeles, CA
David L. Porges	Board Member EQT Corporation Pittsburgh, PA
Donald B. Rice	Board Member Agensys, Inc. Former- U.S. Secretary of the Air Force Los Angeles, CA
Michael D. Rich	Board Member The RAND Corporation Santa Monica, CA
Teresa Wynn Roseborough	Board Member The Home Depot, Inc. Atlanta, GA
Leonard D. Schaeffer	Board Member WellPoint Santa Monica, CA

EXECUTIVE STAFF

Michael D. Rich	President and Chief Executive Officer
Robert M. Case	Vice President, General Counsel, and Corporate Secretary
Andrew R. Hoehn	Senior Vice President, Research and Analysis
Mike Januzik	Vice President and Chief Financial Officer
Susan L. Marquis	Dean, Pardee RAND Graduate School; Vice President, Innovation
Eric Peltz	Senior Vice President, Finance and Operations

APPENDIX B: PROJECT PHOTOS