

**CAL POLY**  
CORPORATION

**BOARD OF DIRECTORS SPECIAL MEETING #3**  
**Monday, March 18, 2019**  
**Corporation Administration Building 15**  
**Conference Room #124**

**Fiscal Year 2018-19**

**MINUTES**

**Present:** Phil Barlow, Steve Harding (*via conference call*), Keith Humphrey (*via conference call*), Kshitij Mehta (*via conference call*), Nick Pettit, Cyrus Ramezani, Steven Rein, Andy Thulin, Cynthia Villa, Dean Wendt (*arrived at 2:36 p.m.*)

**Absent:** Patrick Mullen, Roman Waskiewicz

**Staff:** Joe Alves, Dan Banfield, Ellen Curtis, Lorie Leetham, Will Marchese, Fatma Spanton, Jennifer Wharton

**I. CALL TO ORDER**

Chair Cynthia Villa called the meeting to order at 2:30 p.m.

Villa announced that Patrick Mullen and Roman Waskiewicz would not be in attendance. She asked those on conference call to please state their names.

**II. BUSINESS**

**A. Wine & Viticulture Center Line of Credit**

***M/S/P (Rein/Humphrey) that the Board approve the Wine and Viticulture Center Line of Credit. (Thulin abstained. None opposed.)***

Villa stated that Lorie Leetham will provide background on the business item, Andy Thulin will discuss the project and plans for use of the center, and Dan Banfield will present the specifics of the financing and payback of the loan.

Leetham stated that the request before the board is for a line of credit for the Wine and Viticulture Center to allow for construction to continue on schedule while additional funds are being raised.

Under the master operating agreement with the university and the CSU, the corporation is authorized to perform functions associated with the acquisition, development, sale and transfer of real and personal property, including financing transactions related to these type of activities.

In the past, the corporation has provided bridge funding for various projects, either directly or by securing outside financing. Two examples are the Cal Poly Housing Corporation and Spanos Stadium.

Andy Thulin reported that the JUSTIN and J. LOHR Center for Wine and Viticulture is a donor-funded project that will include two buildings a 15,000 square foot winery and a 12,000 square foot grange hall which will include a 200 seat conference hall. The buildings will include sensory, enology, bottling and viticulture rooms as well as teaching and research labs.

The Winery is already bonded for bottling 5,000 cases but CAFES is only expecting to produce

3,000. The JUSTIN and J. LOHR Center is a donor-funded project with an estimated construction cost of \$20 million. CAFES has secured more than \$12.2 million in donor pledges toward the project and continues to raise funds to cover the cost of the entire project.

Cyrus Ramezani commented that this is very exciting and important for the future of the university and the College of Agriculture and he is excited that the corporation can support this project.

Banfield reported that the university has identified a need for a bridge loan financing to allow the university to meet estimated construction costs greater than project cash outflow obligations that will be required prior to receiving donor pledge payments. In addition, the estimated project cost is greater than donor funds currently pledged. The university has requested from the corporation a line of credit in the amount of \$7.6 million over a five-year period commencing July 1, 2019.

Corporation board policy allows for the advancement of funds for this type of request, purpose or program. Any request greater than \$250,000 requires approval by the Corporation Board of Directors.

Corporation management worked closely with CAFES and Administration and Finance to identify terms and conditions for the line of credit that would be mutually beneficial to all parties. After three years, the line credit would be reduced to \$3.8 million and any money borrowed in excess of that amount would be due back to the corporation. The remaining balance outstanding would be due at the expiration of the five-year agreement.

The line of credit would bear interest at an initial rate of 2.5 percent and be market to market every six months with semi-annual interest rate adjustments not to exceed 0.5 percent. The current prime rate is approximately 5.5 percent. Obtaining an unsecured loan for less than the prime rate in the external markets would prove challenging. This is an opportunity for the corporation to provide financial value to the university, while at the same time maintaining the corporation's internal rate of return on their investments. Corporation management has evaluated the corporation's short-to-mid-term cash flow needs, including operational and capital, together with anticipated finance terms, and determined that there are sufficient funds available to meet organizational needs over the requisite timeframe.

Phil Barlow raised a concern that with the low interest rate being offered, would the board and the corporation be setting a precedent of offering a low rate for future requests such as this.

Leetham replied that the corporation carefully evaluates the liquidity and the financial position of the corporation with every request.

Villa commented that there is always a concern when the corporation and this board establishes and or approves a special situation. At this time, the corporation is in a financial position to help, but in the future may not be. She also commented that the corporation can only do this so many times based on financial position. It's on the university to prioritize.

Steve Rein inquired if there are any other buildings or major needs of the university that the corporation could potentially be asked to support that the board should be aware of before moving forward with approving this request. Villa replied that no other project, that she is aware of, is in a position to move to this point where corporation would have to invest.

Villa commented this is where the corporation adds tremendous value in being able to support the university. She thanked Leetham, Banfield and corporation staff for coming together and working so quickly to find a way to make this request happen.

**III. ADJOURNMENT**

No further matters appearing, the meeting was adjourned at 2:52 p.m.

Respectfully submitted,

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**Ann Roy, Recording Secretary**