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University of California to Sell Debt to Pay for Campus Doctor's Assault Settlement.

- **Part of \$3 billion issue will help fund James Heaps settlement**
- **Former UCLA doctor faces felony complaint, several lawsuits**

The University of California is expected to sell bonds of which a portion will be used to help finance settlement payments to victims of a university doctor for alleged sexual assault.

The school is slated to issue \$3 billion of medical center pooled revenue bonds next week, through two series, \$1.3 billion of tax-exempt bonds and \$1.7 billion of taxable securities. A portion of the taxable series will be used to help fund the more than \$700 million of expected settlement claims to victims of James Heaps, a former UCLA Health gynecologic oncologist for alleged sexual misconduct during exams, according to preliminary bond documents.

Though the University is insured, "the combined settlements will exhaust available insurance coverage and efforts are underway to evaluate options to fund the settlements," the documents say. To date, all settlements related to Heaps exceed \$330 million, while the University expects the cumulative settlement amount to exceed \$700 million, according to bond documents. "It is expected that a portion of the 2022 bonds will be used to fund a portion of the settlements of the Heaps matters."

While settlement bonds aren't common in the \$4 trillion municipal bond market, the University of California is not the first school to turn to Wall Street to finance settlement payments to victims. In 2019, Michigan State University sold bonds to refinance a private placement loan that was used to compensate the victims of Larry Nassar.

About \$680 million of debt was sold by muni issuers in 2021 where some of the proceeds would be funding lawsuit settlements including legal disputes over land or taxes. That's roughly a 10th of 1% of overall 2021 sales. Most of the 2021 issuance can be attributed to a \$603 million sale by Michigan, which used bond proceeds to finance the state's settlement payments to victims of the lead-contaminated water supply in the majority-Black city of Flint.

Heaps's medical privileges allowed him to treat patients at Ronald Reagan UCLA Medical Center for more than two decades and was a consulting physician at UCLA Student Health from 1983 until 2010. He faces a felony complaint filed by the Los Angeles County District Attorney plus numerous lawsuits have been filed in both state and federal courts including one class action regarding the allegations.

The sale is being managed by Barclays Plc and JPMorgan Chase & Co, plus a syndicate of nearly two dozen other banks.

Bloomberg Markets

By Danielle Moran and Nic Querolo

April 22, 2022

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