New Issue - Book-Entry Only **Ratings: See "RATINGS" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2018 Bonds. See "TAX MATTERS."

$145,850,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Student Housing Revenue Bonds
(CHF–Riverside I, L.L.C. — UCR Dundee-Glasgow Student Housing Project)
Series 2018

Dated: Date of Delivery **Due: May 15, as shown on the inside cover**

California Municipal Finance Authority (the "Issuer") is offering $145,850,000 aggregate principal amount of its Student Housing Revenue Bonds (CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project) Series 2018 (the "Series 2018 Bonds"). The Series 2018 Bonds are being issued under and pursuant to the Constitution and laws of the State of California, particularly the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California, as amended (the "Act"), and an Indenture, dated as of December 1, 2018 (the "Indenture"), between the Issuer and Wilmington Trust, National Association, as trustee (the "Bond Trustee"). The proceeds of the sale of the Series 2018 Bonds will be used to provide funds to (i) pay the costs of constructing, on land owned by The Regents of the University of California ("The Regents") and leased to CHF–Riverside I, L.L.C. (the "Borrower"), a limited liability company organized under the laws of the State of Alabama, an approximately 820-bed student housing facility (the "Series 2018 Housing Project") and an approximately 830-seat dining facility (the "Series 2018 Dining Project" and, together with the Series 2018 Housing Project, the "Series 2018 Project") and constructing and improving certain landscaping, hardscaping, utility lines, access roads, loading docks and sidewalks on land owned by The Regents, but not leased to the Borrower (the "Series 2018 Offsite Elements"), (ii) fund a subaccount of the Liquidity Account (as defined herein), capitalized interest and certain other funds and expenses as authorized under the Indenture and (iii) pay the Issuance Costs (as defined in the Indenture) of the Series 2018 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Principal of, redemption premium, if any, and interest on the Series 2018 Bonds are payable solely from a pledge of Project Gross Revenues (as defined herein) (including rental payments with respect to the Series 2018 Housing Project), Dining Facility Usage Fees (as defined below) and property pledged under the Leasehold Deed of Trust (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

In connection with the Series 2018 Dining Project, The Regents is obligated to pay a Dining Facility Usage Fee under the Dining Facility Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "Dining Facility Agreement"), between the Borrower and The Regents. The Dining Facility Usage Fee payments from The Regents are for fixed, scheduled amounts and account for approximately thirty-eight percent (38%) of the funds that are necessary to pay principal of, redemption premium, if any, and interest on the Series 2018 Bonds when due. The Dining Facility Agreement provides that The Regents' obligation to pay a Dining Facility Usage Fee under the Dining Facility Agreement is unconditional, including that such payment obligation is not contingent upon completion, use or operation of the Series 2018 Dining Project and that such obligation is not subject to abatement in the event of damage or destruction of the Series 2018 Dining Project. The Regents' obligation to pay the Dining Facility Usage Fee under the Dining Facility Agreement is an unsecured, general obligation of The Regents. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Indenture permits the Issuer to issue Additional Bonds (as defined herein) secured on a parity with the Series 2018 Bonds under certain circumstances. The Series 2018 Bonds and any Additional Bonds issued pursuant to the Indenture (collectively, the "Bonds") are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture. See "INTRODUCTORY STATEMENT" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Neither the Foundation (as defined herein) nor any limited liability company established by the Foundation (other than the Borrower) will have any obligation with respect to the Series 2018 Bonds or under the Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the Issuer and the Borrower, or any of the other Bond Documents (as defined in the Indenture). The Borrower's obligations with respect to the Series 2018 Bonds are non-recourse. See "NO RECOURSE AGAINST BORROWER'S MEMBER AND OFFICERS." See also "INVESTMENT CONSIDERATIONS—Limited Security; Non-Recourse Obligations."

As described under "BOND INSURANCE," the scheduled payment of principal and interest on the Series 2018 Bonds maturing on May 15, 2048 with the CUSIP number 13049YCK5 (the "Insured Bonds") when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2018 Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer").

THE SERIES 2018 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) OR THE UNIVERSITY (AS DEFINED HEREIN) OR THE REGENTS OR THE CITY OF RIVERSIDE, CALIFORNIA BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE SERIES 2018 BONDS ARE A LIMITED OBLIGATION OF THE ISSUER. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2018 BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE INDENTURE AND THE LOAN AGREEMENT AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE ISSUER) OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2018 BONDS. THE ISSUANCE OF THE SERIES 2018 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

The Series 2018 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and any multiple thereof. The Series 2018 Bonds will bear interest from the Date of Delivery, payable semiannually on each May 15 and November 15, commencing May 15, 2019 (each, an "Interest Payment Date"). The Series 2018 Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2018 Bonds. So long as Cede & Co. is the registered owner of the Series 2018 Bonds, references herein to the Owners of the Series 2018 Bonds shall mean Cede & Co. and will not mean the beneficial owners of the Series 2018 Bonds. So long as Cede & Co. is the registered owner of the Series 2018 Bonds, the payment of principal of, interest, and redemption premium, if any, on the Series 2018 Bonds will be made to Cede & Co., which will in turn be responsible for making such payments to its participants for subsequent disbursement to the beneficial owners. See "THE SERIES 2018 BONDS."

The Series 2018 Bonds will be subject to mandatory, optional and extraordinary redemption prior to maturity as described herein. See "THE SERIES 2018 BONDS—Redemption."

MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES OR YIELDS
SEE INSIDE COVER

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2018 Bonds are offered when, as, and if received by the Underwriters, subject to the approval as to legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer. Certain legal matters will be passed upon by Jones Hall, counsel to the Issuer; Nixon Peabody LLP and Orrick, Herrington & Sutcliffe LLP, special counsels to The Regents; the Office of General Counsel, counsel to The Regents; Hand Arendall Harrison Sale LLC, counsel to the Borrower; Morgan, Lewis & Bockius LLP, counsel to the Developer and the Manager; and O'Melveny & Myers LLP, counsel to the Underwriters. It is expected that the Series 2018 Bonds will be available for delivery to DTC in New York, New York on or about December 14, 2018.

Jefferies **J.P. Morgan**

Morgan Stanley **Raymond James**

Loop Capital Markets **Ramirez & Co., Inc.** **Siebert Cisneros Shank & Co., L.L.C.**

Dated: December 6, 2018

MATURITY AND PRICING SCHEDULE

$145,850,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Student Housing Revenue Bonds
(CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project)
Series 2018

Maturity (May 15)	Principal Amount ($)	Interest Rate (%)	Yield (%)	CUSIP† No.
2022	1,910,000	5.000	2.340	13049YBP5
2023	2,200,000	5.000	2.450	13049YBQ3
2024	2,315,000	5.000	2.570	13049YBR1
2025	2,425,000	5.000	2.710	13049YBS9
2026	2,550,000	5.000	2.840	13049YBT7
2027	2,675,000	5.000	2.940	13049YBU4
2028	2,810,000	5.000	3.060	13049YBV2
2029	2,950,000	5.000	3.160[c]	13049YBW0
2030	3,095,000	5.000	3.260[c]	13049YBX8
2031	3,250,000	5.000	3.350[c]	13049YBY6
2032	3,410,000	5.000	3.420[c]	13049YBZ3
2033	3,580,000	5.000	3.480[c]	13049YCA7
2034	3,760,000	5.000	3.540[c]	13049YCB5
2035	3,955,000	5.000	3.600[c]	13049YCC3
2036	4,150,000	5.000	3.650[c]	13049YCD1
2037	4,360,000	5.000	3.700[c]	13049YCE9
2038	4,575,000	5.000	3.740[c]	13049YCF6
2039	4,800,000	5.000	3.770[c]	13049YCG4
2040	5,045,000	5.000	3.800[c]	13049YCH2

$16,695,000 5.000% Term Bond due May 15, 2043 – Yield 3.870%[c] CUSIP† No. 13049YCJ8

$33,200,000 4.000% Term Bond due May 15, 2048 – Yield 4.140% CUSIP† No. 13049YCK5‡

$32,140,000 5.000% Term Bond due May 15, 2052 – Yield 4.040%[c] CUSIP† No. 13049YCL3

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c Priced to par call date of November 15, 2028.

‡ Insured Bonds to be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2018 Bonds by Build America Mutual Assurance Company.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No representation is made that past experience, as it might be shown by financial and other information, will necessarily continue or be repeated in the future. See "FORWARD-LOOKING STATEMENTS" herein.

No dealer, broker, salesperson, or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby, and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Borrower, the University, The Regents, the Developer, the Manager or the Underwriters. Neither the delivery of this Official Statement nor any sale hereunder will under any circumstances create any implication that there has been no change in the affairs of the Issuer or the Borrower since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2018 Bonds generally or the Insured Bonds in particular or the advisability of investing in the Insured Bonds or any of the Series 2018 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and in APPENDIX I—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

THE SERIES 2018 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

THE SERIES 2018 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR WITH THE SECURITIES COMMISSION OR ANY REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Statements in this Official Statement are made as of the date hereof unless stated otherwise and neither the delivery of this Official Statement at any time, nor any sales thereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof.

Any references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within such websites is not incorporated herein by reference and does not constitute part of this Official Statement.

In making an investment decision, investors must rely on their own examination of the Borrower and the terms of the offering, including the merits and risks involved. Prospective investors should not construe the contents of this Official Statement as legal, tax or investment advice.

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SUMMARY STATEMENT

The following Summary Statement is qualified in its entirety by the more detailed information contained elsewhere in this Official Statement and the appendices hereto (collectively, this "Official Statement"). The offering of the Series 2018 Bonds to potential investors is made only by means of this entire Official Statement, and no person is authorized to detach the following Summary Statement from this Official Statement or to use it otherwise without the entire Official Statement.

The Issuer

The California Municipal Finance Authority (the "Issuer") is a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004, by and among certain cities, counties and special districts in the State of California (the "State"), as may be amended from time to time (the "Joint Powers Agreement") pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "Act") for the purpose of exercising powers common to the members and exercising the additional powers granted to the Issuer by the Act and any other applicable provisions of State law. Under the Joint Powers Agreement, the Issuer may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the Act or any other applicable law. See "THE ISSUER" herein.

The Borrower

CHF–Riverside I, L.L.C. (the "Borrower") is a limited liability company, organized in July 2018 under the laws of the State of Alabama for the purpose of assisting UC Riverside (as defined below) to provide housing and dining facilities for its students. The proceeds of the Series 2018 Bonds will be loaned to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the Issuer and the Borrower. The Borrower is not expected to have any assets other than the "Project," which is defined in the Indenture as the Series 2018 Project (as defined below) and any additional project acquired, constructed, furnished and equipped with the proceeds of Additional Bonds (as defined herein). The Borrower's sole member is Collegiate Housing Foundation, a non-profit corporation organized and existing under the laws of the State of Alabama (the "Foundation"). The Foundation is an organization that is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Foundation was organized in 1996. See "THE BORROWER" herein. **Neither the Foundation nor any limited liability company established by the Foundation (other than the Borrower) will have any obligation with respect to the Series 2018 Bonds or under the Loan Agreement or any of the other Bond Documents (as defined in the Indenture). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Limited Obligations" herein. The Borrower's obligations with respect to the Series 2018 Bonds are non-recourse. See "NO RECOURSE AGAINST BORROWER'S MEMBER AND OFFICERS" herein. The Borrower's ability to pay the principal of and interest on the Series 2018 Bonds may be adversely affected by its contractual obligations with respect to the Series 2018 Bonds and the Series 2018 Project, including requirements for payment by the Borrower pursuant to indemnity obligations under certain of the Bond Documents (as defined in the Indenture). See "INVESTMENT CONSIDERATIONS—Limited Security; Non-Recourse Obligations" herein.**

The University and The Regents

The University of California (the "University"), established in 1868, is the public institution of higher education designated by the State of California in its master plan for higher education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. The Constitution of the State of California provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California" ("The Regents"), which is vested with full powers of organization and government, subject only to such legislative control as may be necessary to ensure the security of its funds and compliance with the terms of the endowments of the University and such competitive bidding procedures as may be made applicable to the University by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods and services. See "THE UNIVERSITY AND THE REGENTS" herein and APPENDIX B—"THE UNIVERSITY OF CALIFORNIA" and APPENDIX C—"THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018."

Pursuant to the Dining Facility Agreement, The Regents is obligated to pay a Dining Facility Usage Fee, the proceeds of which will be applied toward payment of a portion of the Series 2018 Bonds. See "The Dining Facility Agreement" below.

The Regents also will enter into a Marketing and Licensing Agreement, dated the date of issuance of the Series 2018 Bonds, with the Manager (the "Marketing and Licensing Agreement") for an initial term of five (5) years, subject to earlier termination, whereby The Regents (acting on behalf of UC Riverside) will assume certain delegated responsibilities of the Manager under the Management Agreement in connection with the marketing and leasing of beds in the Series 2018 Housing Project to eligible tenants. See "THE MANAGEMENT AGREEMENT AND THE MARKETING AND LICENSING AGREEMENT" herein.

UC Riverside

The University of California, Riverside ("UC Riverside") is a campus of the University, located in the City of Riverside, California (the "City"). UC Riverside was first established as the Citrus Experiment Station for the University in 1914. In 1954, UC Riverside was established as the fifth general campus in the University of California system. UC Riverside offers undergraduate, graduate and professional level study. UC Riverside is located on approximately 1,200 acres within the City at the geographical center of Inland Southern California, approximately 50 miles east of Los Angeles and 100 miles north of San Diego.

Freshmen enrollment totaled 4,530 in Fall 2018, a decrease of approximately 1.5% from Fall 2017, as a result of a University-wide strategy to reach a 2:1 ratio of new freshmen to new transfer students. As a result of this strategy, transfer enrollment increased to 1,916 for Fall 2018 as compared to 1,368 for Fall 2017, an approximately 40% increase. Moreover, overall new student enrollment (freshmen and transfer students) increased to 6,446 for Fall 2018, an approximately 8% increase over new student enrollment of 5,967 for Fall 2017. UC Riverside's targets for enrollment for Fall 2019 are approximately 4,600 for freshmen and 6,700 for all new students.

Current housing at UC Riverside consists of residence halls primarily for freshmen students and student apartments for continuing undergraduate students, transfer students and graduate students. There were a total of approximately 6,564 beds on campus for students (excluding off-campus leases) and approximately 28% of UC Riverside students lived on campus in Fall 2017.

See "THE UNIVERSITY OF CALIFORNIA, RIVERSIDE" herein and "THE SERIES 2018 PROJECT—Existing On-Campus Student Housing" in Appendix A hereto.

The Series 2018 Bonds

The Issuer will issue $145,850,000 aggregate principal amount of revenue bonds to be designated "California Municipal Finance Authority Student Housing Revenue Bonds (CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project) Series 2018" (the "Series 2018 Bonds"). The Series 2018 Bonds are being issued under and pursuant to the Constitution and laws of the State of California, particularly the Act, and an Indenture, dated as of December 1, 2018 (the "Indenture"), between the Issuer and the Bond Trustee (as defined below). The proceeds of the sale of the Series 2018 Bonds will be used to provide funds to (i) pay the costs of constructing, on land owned by The Regents and leased to the Borrower, the Series 2018 Project (as defined below) and constructing and improving the Series 2018 Offsite Elements (as defined below), (ii) fund a subaccount of the Liquidity Account (as defined herein), capitalized interest and certain other funds and expenses as authorized under the Indenture and (iii) pay the Issuance Costs (as defined in the Indenture) of the Series 2018 Bonds. See "THE SERIES 2018 BONDS" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Indenture permits the Issuer to issue Additional Bonds secured on a parity with the Series 2018 Bonds under certain circumstances. The Series 2018 Bonds and any Additional Bonds issued pursuant to the Indenture (collectively, the "Bonds") are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture. See "INTRODUCTORY STATEMENT," "DEBT SERVICE" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bond Trustee

Wilmington Trust, National Association, will act as trustee, bond registrar and paying agent for the Series 2018 Bonds.

The Master Trustee

Wilmington Trust, National Association, will also act as master trustee under the Financing Trust Agreement (as defined below). See "Security and Sources of Payment for the Bonds" below and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge and Assignment of Financing Trust Estate" herein.

The Series 2018 Project and the Series 2018 Offsite Elements

The project (the "Series 2018 Project"), to be known as the "Dundee Residence Hall" and "Glasgow Dining Facility," will consist, approximately, of an 820-bed student housing facility (the "Series 2018 Housing Project") and an 830-seat dining facility (the "Series 2018 Dining Project" and, together with the Series 2018 Housing Project, the "Series 2018 Project"). In connection with the Series 2018 Project, the Borrower will also be responsible for constructing and improving certain landscaping, hardscaping, utility lines, access roads, loading docks and sidewalks on land owned by The Regents, but not leased to the Borrower (the "Series 2018 Offsite Elements"). The site for the construction of the Series 2018 Project (the "Series 2018 Project Site") is on approximately

3.55 acres on the campus of UC Riverside that will be leased to the Borrower pursuant to the 2018 Ground Lease (as defined below). See "The 2018 Ground Lease" below. The Series 2018 Housing Project is intended primarily for freshmen students.

The developer and construction manager for the Series 2018 Project will be ACC SC Development (California) LP. See "The Developer" below. The Developer was selected to develop the Series 2018 Project as a result of a request for proposals made by The Regents. Construction of the Series 2018 Project is scheduled to begin in December 2018. The Developer and UC Riverside anticipate the Series 2018 Project will be complete in time for occupancy and use for Fall 2020. Initially, the completed Series 2018 Housing Project will be operated, managed and maintained by ACC SC Management (California) LP pursuant to the Management Agreement (as defined herein); however, UC Riverside Student Housing and Dining Services will have obligations under the 2018 Ground Lease to provide residential life support, support marketing to Permitted Occupants (as defined in the 2018 Ground Lease) and to provide police services with respect to the Series 2018 Housing Project. The Regents also will enter into the Marketing and Licensing Agreement with the Manager, whereby The Regents (acting on behalf of UC Riverside) will assume certain delegated responsibilities under the Management Agreement in connection with the marketing and leasing of beds in the Series 2018 Housing Project to eligible tenants. See "The University and The Regents" above. The Regents will operate, manage and maintain the completed Series 2018 Dining Project. See "THE SERIES 2018 PROJECT AND THE SERIES 2018 OFFSITE ELEMENTS" and "THE DINING FACILITY AGREEMENT" herein and APPENDIX A—"THE SERIES 2018 PROJECT." See also "The Manager" below.

The Developer

ACC SC Development (California) LP, a Delaware limited partnership (the "Developer"), will serve as developer and construction manager for the Series 2018 Project. The Developer is an affiliate of American Campus Communities, Inc., a Maryland corporation ("ACC"). Since 1993, ACC and its predecessor entities and affiliates have participated in the development of approximately 134 student communities consisting of more than 98,200 beds. See "THE DEVELOPER" herein.

The Manager

ACC SC Management (California) LP, a Delaware limited partnership (the "Manager") will manage the Series 2018 Housing Project. The Manager is an affiliate of ACC. As of September 30, 2018, ACC or its affiliates managed approximately 202 student housing communities, containing more than 131,855 beds, with an overall occupancy rate of approximately 97%. See "THE MANAGER" herein.

The 2018 Ground Lease

Pursuant to a Ground Lease Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "2018 Ground Lease"), between The Regents, as ground lessor (the "Ground Lessor"), and the Borrower, as ground lessee, The Regents will lease the Series 2018 Project Site to the Borrower for the period commencing on such date and expiring on the earlier of (i) the 45^{th} anniversary of such date at 12:00 midnight or (ii) 12:00 midnight of the day preceding the first day of the month following final redemption or defeasance of all of the Bonds and satisfaction of any and all amounts due under the Loan Agreement or the Indenture, subject to automatic extension if amounts remain due to The Regents. Under no circumstances, however, shall the term of the 2018 Ground Lease exceed

50 years. The term of the 2018 Ground Lease is further subject to (x) certain early termination rights of The Regents related to events of default, as provided in the 2018 Ground Lease and (y) an option to purchase, whereby The Regents, subject to certain conditions, may acquire the Borrower's entire interest in the Project or the Borrower's interest in the Series 2018 Dining Project. See "THE 2018 GROUND LEASE" herein.

Security and Sources of Payment for the Bonds

The obligations of the Borrower under the Loan Agreement are secured by (i) a Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of December 1, 2018 (the "Leasehold Deed of Trust"), pursuant to which the Borrower, (a) subject to Permitted Encumbrances (as defined therein), grants to the deed of trust trustee named therein for the benefit of the Bond Trustee a lien on the Borrower's leasehold interest in the Site (as defined therein and which term includes the real property underlying the Series 2018 Housing Project but excludes the real property underlying the Series 2018 Dining Project) and all improvements thereon and other interests therein created by the Ground Lease (as defined therein and which term includes the 2018 Ground Lease) and (b) subject to such Permitted Encumbrances (as defined therein), assigns and pledges to the deed of trust trustee named therein for the benefit of the Bond Trustee the Borrower's interest in the rents, revenues, issues, profits, products, royalties, income and other benefits of and from the Project (as defined in the Indenture and which term includes the Series 2018 Project), but excluding the Series 2018 Dining Project and the Dining Receipts (as defined herein), and any improvements thereto, and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Project, excluding the Series 2018 Dining Project, and all tangible personal property of the Borrower located on the Site and used primarily in connection with the construction, operation or maintenance of the Project, excluding the Series 2018 Dining Project and (ii) an Assignment of Documents, to be dated the date of issuance of the Series 2018 Bonds, relating to the Series 2018 Project (the "Assignment of Documents"), pursuant to which the Borrower assigns to the Bond Trustee its rights under the Development Agreement, the Management Agreement, the Construction Contract, the Architect's Agreement and any other contracts relating to the design or construction of the Series 2018 Project and any improvements thereto or expansions thereof. The Leasehold Deed of Trust does not convey any interest in or to the Series 2018 Dining Project or in any revenues generated by the Series 2018 Dining Project (including payments by residents for meals).

As security for its obligations under the Bonds, the Issuer will enter into an Indenture, dated as of December 1, 2018 (the "Indenture"), with the Bond Trustee. Pursuant to the Indenture, the Issuer assigns and pledges to the Bond Trustee, and grants to the Bond Trustee a first priority security interest in, all of its right, title and interest in the Loan Agreement (except for Unassigned Rights (as defined in the Loan Agreement)), the Leasehold Deed of Trust, the Management Agreement, the Assignment of Documents and all revenues, payments, receipts and moneys to be received and held thereunder.

In connection with the Series 2018 Dining Project, The Regents is obligated to pay a Dining Facility Usage Fee under the Dining Facility Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "Dining Facility Agreement"), between the Borrower and The Regents.

The Dining Facility Usage Fee payments from The Regents are for fixed, scheduled amounts and account for approximately thirty-eight percent (38%) of the funds that are necessary to pay principal of, redemption premium, if any, and interest on the Series 2018 Bonds when due. The Dining Facility Agreement provides that The Regents' obligation to pay the Dining Facility Usage Fee under the Dining Facility Agreement is unconditional, including that such payment obligation is not contingent upon completion, use or operation of the Series 2018 Dining Project and that such obligation is not subject to abatement in the event of damage or destruction of the Series 2018 Dining Project. The Regents' obligation to pay the Dining Facility Usage Fee under the Dining Facility Agreement is an unsecured, general obligation of The Regents. Pursuant to a Dining Facility Usage Fee Assignment Agreement (as defined herein), the Borrower will unconditionally sell, assign and transfer to the Bond Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its rights to receive the Dining Facility Usage Fee paid by The Regents under the Dining Facility Agreement and the Dining Facility Usage Fee will be paid directly to the Bond Trustee for deposit in the Bond Fund. See "THE DINING FACILITY AGREEMENT" herein.

The Borrower will also enter into a Financing Trust Agreement, dated as of December 1, 2018, with the Master Trustee, together with a First Supplemental Financing Trust Agreement, dated as of December 1, 2018 (together, the "Financing Trust Agreement"), with the Master Trustee. Pursuant to the Financing Trust Agreement, the Borrower assigns and grants to the Master Trustee, for the benefit of the Owners of the Series 2018 Bonds and any other bonds or other evidences of indebtedness issued from time to time and secured under the Financing Trust Agreement, a security interest in all right, title and interest of the Borrower and any future borrowers in the funds and accounts established and maintained under the Financing Trust Agreement (collectively, the "Financing Trust Estate").

Under the Loan Agreement, the Borrower is subject to certain financial covenants and restrictions on incurring additional Indebtedness (as defined in the Indenture).

The Indenture permits the Issuer to issue Additional Bonds secured on a parity with the Series 2018 Bonds under certain circumstances.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS."

Bond Insurance

Concurrently with the issuance of the Series 2018 Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2018 Bonds maturing on May 15, 2048 with CUSIP number 13049YCK5 (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix I to this Official Statement. See "BOND INSURANCE" and "INVESTMENT CONSIDERATIONS—Certain Rights of the Insurer" herein and APPENDIX I—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Continuing Disclosure

The Borrower and The Regents will agree in separate continuing disclosure agreements for the benefit of the Owners and Beneficial Owners of the

Series 2018 Bonds, each to provide certain information to enable the Underwriters to comply with the continuing disclosure requirements of the Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), as described further herein. The Issuer will not undertake any responsibility with respect to continuing disclosure under the Rule. The Master Trustee will covenant in the Financing Trust Agreement to cooperate with the Borrower, The Regents and the Bond Trustee, as the Borrower's dissemination agent with respect to the Series 2018 Bonds, to provide such information as they may reasonably request in order to meet the Borrower's continuing disclosure obligations under the Loan Agreement. See "CONTINUING DISCLOSURE" herein and APPENDIX F—"FORMS OF CONTINUING DISCLOSURE AGREEMENTS."

Certain Information

Statements in this Official Statement are made as of the date hereof unless stated otherwise and neither the delivery of this Official Statement at any time, nor any sales thereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof. Copies of this Official Statement and other relevant documents and information regarding the documents are available upon request from the Underwriters prior to the issuance and delivery of the Series 2018 Bonds and from the Bond Trustee after the issuance and delivery of the Series 2018 Bonds. See "INTRODUCTORY STATEMENT," "SOURCES OF INFORMATION" and "MISCELLANEOUS" herein.

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OFFICIAL STATEMENT

$145,850,000
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STUDENT HOUSING REVENUE BONDS
(CHF–RIVERSIDE I, L.L.C. – UCR DUNDEE-GLASGOW STUDENT HOUSING PROJECT)
SERIES 2018

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the appendices hereto, furnishes certain information in connection with the sale by the California Municipal Finance Authority (the "Issuer") of $145,850,000 in aggregate principal amount of its Student Housing Revenue Bonds (CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project) Series 2018 (the "Series 2018 Bonds") to be issued by the Issuer under and pursuant to the Constitution and laws of the State of California (the "State"), particularly the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State, as amended (the "Act"), and an Indenture, dated as of December 1, 2018 (the "Indenture"), between the Issuer and Wilmington Trust, National Association, as trustee (the "Bond Trustee").

The Series 2018 Bonds and any Additional Bonds (as defined herein) issued pursuant to the Indenture are collectively referred to herein as the "Bonds." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds" herein.

The proceeds of the sale of the Series 2018 Bonds will be used to provide funds to (i) pay the costs of constructing, on land owned by The Regents of the University of California ("The Regents") and leased to CHF–Riverside I, L.L.C. (the "Borrower"), a limited liability company organized under the laws of the State of Alabama, an approximately 820-bed student housing facility (the "Series 2018 Housing Project") and an approximately 830-seat dining facility (the "Series 2018 Dining Project" and, together with the Series 2018 Housing Project, the "Series 2018 Project") and constructing and improving certain landscaping, hardscaping, utility lines, access roads, loading docks and sidewalks on land owned by The Regents, but not leased to the Borrower (the "Series 2018 Offsite Elements"), (ii) fund a subaccount of the Liquidity Account (as defined herein), capitalized interest and certain other funds and expenses as authorized under the Indenture and (iii) pay the Issuance Costs (as defined in the Indenture) of the Series 2018 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2018 Project Site comprises approximately 3.55 acres on the campus of UC Riverside and will be leased to the Borrower, pursuant to the 2018 Ground Lease (as defined herein). See "THE 2018 GROUND LEASE" herein.

The Issuer will lend the proceeds of the Series 2018 Bonds to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the Issuer and the Borrower. The Borrower is obligated pursuant to the Loan Agreement to make or cause to be made monthly Basic Loan Payments (as defined herein) to the Issuer in amounts calculated to be sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds, as the same mature and become due. Under the Loan Agreement, the Borrower is obligated to pay all expenses of operating and maintaining the Series 2018 Housing Project in good repair, to keep it properly insured, and to pay all taxes, assessments and other governmental charges levied or assessed against or with respect to the Series 2018 Housing Project. Principal of, redemption premium, if any, and interest on the Series 2018 Bonds are payable solely from a pledge of Project Gross Revenues (as defined herein) (including rental payments with respect to the Series 2018 Housing Project), Dining Facility Usage Fees (as defined below) and property pledged under the Leasehold Deed of Trust (as defined herein). In connection with the Series 2018 Dining Project, The Regents is obligated to pay a Dining Facility Usage Fee under the Dining Facility Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "Dining Facility Agreement"), between the Borrower and The Regents. The Dining Facility Usage Fee payments from The Regents are for fixed, scheduled amounts and account for approximately thirty-eight percent (38%) of the funds that are necessary to pay principal of, redemption premium, if any, and interest on the Series 2018 Bonds when due. The Dining Facility Agreement provides that The Regents' obligation to pay a Dining Facility Usage Fee under the Dining Facility Agreement is unconditional, including that such rental payment obligation is not contingent upon completion, use or operation of the Series 2018 Dining Project and that such obligation is not subject to abatement in the event of damage or destruction of the Series 2018 Dining Project. The Regents' obligation to pay the Dining Facility Usage Fee under the Dining Facility Agreement is an unsecured, general obligation of The Regents. Pursuant to a Dining Facility Usage Fee Assignment Agreement (as defined herein), the Borrower will unconditionally sell, assign and transfer to the Bond Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its rights to receive the Dining Facility Usage Fee paid by The Regents under the Dining Facility Agreement and the Dining Facility Usage Fee will be paid directly to the Bond Trustee for deposit in the Bond Fund. See "THE 2018 GROUND LEASE," "THE DINING FACILITY AGREEMENT" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Neither the Foundation (as defined herein) nor any limited liability company established by the Foundation (other than the Borrower) will have any obligation with respect to the Series 2018 Bonds or under the Loan Agreement or any of the other Bond Documents. The Borrower's obligations with respect to the Series 2018 Bonds are non-recourse. See "NO RECOURSE AGAINST BORROWER'S MEMBER AND OFFICERS" herein. The Borrower's ability to pay the principal of and interest on the Series 2018 Bonds may be adversely affected by its contractual obligations with respect to the Series 2018 Bonds and the Series 2018 Project, including requirements for payment by the Borrower pursuant to indemnity obligations under certain of the Bond Documents (as defined in the Indenture). See "INVESTMENT CONSIDERATIONS—Limited Security; Non-Recourse Obligations" herein.

THE SERIES 2018 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE, CALIFORNIA BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE SERIES 2018 BONDS ARE A LIMITED OBLIGATION OF THE ISSUER. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2018 BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE INDENTURE AND THE LOAN AGREEMENT AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE ISSUER) OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2018 BONDS. THE ISSUANCE OF THE SERIES 2018 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

The obligations of the Borrower under the Loan Agreement are secured by (i) a Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of December 1, 2018 (the "Leasehold Deed of Trust"), pursuant to which the Borrower, (a) subject to Permitted Encumbrances (as defined therein), grants to the deed of trust trustee named therein for the benefit of the Bond Trustee a lien on the Borrower's leasehold interest in the Site (as defined therein and which term includes the real property underlying the Series 2018 Housing Project but excludes the real property underlying the Series 2018 Dining Project) and all improvements thereon and other interests therein created by the Ground Lease (as defined therein and which term includes the 2018 Ground Lease) and (b) subject to such Permitted Encumbrances, assigns and pledges to the deed of trust trustee named therein for the benefit of the Bond Trustee the Borrower's interest in the rents, revenues, issues, profits, products, royalties, income and other benefits of and from the Project (as defined in the Indenture and which term includes the Series 2018 Project), but excluding the Series 2018 Dining Project and the Dining Receipts (as defined herein), and any improvements thereto, and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Project, excluding the Series 2018 Dining Project, and all tangible personal property of the Borrower located on the Site and used primarily in connection with the construction, operation or maintenance of the Project, excluding the Series 2018 Dining Project and (ii) an Assignment of Documents, to be dated the date of issuance of the Series 2018 Bonds (the "Assignment of Documents") relating to the Series 2018 Project, pursuant to which the Borrower assigns to the Bond Trustee its rights under the Management Agreement, the Development Agreement, the Construction Contract, the Architect's Agreement and other contracts relating to the design or construction of the Series 2018 Project and any improvements thereto or expansions thereof. The Leasehold Deed of Trust does not convey any interest in or to the Series 2018 Dining Project or any revenues generated by Series 2018 Dining Project (including payments by residents for meals).

Pursuant to the Indenture, the Issuer assigns and pledges to the Bond Trustee, and grants to the Bond Trustee a first priority security interest in, all of its right, title and interest in the Loan Agreement (except for Unassigned Rights (as defined in the Loan Agreement)), the Leasehold Deed of Trust, the Management Agreement, the Assignment of Documents and all revenues, payments, receipts and moneys to be received and held thereunder. The Borrower and the Master Trustee will also enter into a Financing Trust Agreement, dated as of December 1, 2018, and a First Supplemental Financing Trust Agreement, dated as of December 1, 2018 (together, the "Financing Trust Agreement"). Pursuant to the Financing Trust Agreement, the Borrower conveys, transfers, assigns, confirms and grants a security interest in, to the Master Trustee, for the benefit of the Owners of the Series 2018 Bonds and each additional Series of Bonds (as defined in the Financing Trust Agreement) issued from time to time and secured under the Financing Trust Agreement, all right, title and interest of the Borrower and any future borrowers in and to each the funds and accounts established and maintained under the Financing Trust Agreement as and to the extent set forth in the Financing Trust Agreement and subject to the terms and conditions thereof (collectively, the "Financing Trust Estate").

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Certain terms defined in the Indenture, the Financing Trust Agreement, the Loan Agreement, the 2018 Ground Lease and the Dining Facility Agreement are set forth in Appendix D attached to this Official Statement. Capitalized terms used but not defined herein or in Appendix D attached hereto have the same meanings as used in the Indenture unless the context clearly indicates otherwise. This Official Statement and the appendices hereto contain brief descriptions of, among other matters, the Issuer, the Borrower, The Regents, the University, UC Riverside, the Series 2018 Project, the Developer, the Manager, the Series 2018 Bonds, the Loan Agreement, the 2018 Ground Lease, the Dining Facility Agreement, the Financing Trust Agreement and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Loan Agreement, the 2018 Ground Lease, the Dining Facility Agreement, the Financing Trust Agreement, the Indenture, the Management Agreement, the Marketing and Licensing Agreement and any other Bond Documents (as defined in the Indenture) are qualified in their entirety by reference to such documents, and references herein to the Series 2018 Bonds are qualified in their entirety to the form thereof included in the Indenture.

THE ISSUER

The California Municipal Finance Authority (the "Issuer") is a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004, by and among certain cities, counties and special districts in the State, as may be amended from time to time (the "Joint Powers Agreement") pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "Act") for the purpose of exercising powers common to the members and exercising the additional powers granted to the Issuer by the Act and any other applicable provisions of State law. Under the Joint Powers Agreement, the Issuer may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the Act or any other applicable law.

The Issuer may sell and deliver obligations other than the Series 2018 Bonds. These obligations will be secured by instruments separate and apart from the Indenture and the Loan Agreement, and the holders of such other obligations of the Issuer will have no claim on the security for the Series 2018 Bonds. Likewise, the holders of the Series 2018 Bonds will have no claim on the security for such other obligations that may be issued by the Issuer.

Neither the Issuer nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the section entitled "LITIGATION – The Issuer." The Issuer does not and will not in the future monitor the financial condition of the Borrower or otherwise monitor payment of the Series 2018 Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Series 2018 Bonds, the Borrower or The Regents has been undertaken either by the Borrower or The Regents, as described herein. See "CONTINUING DISCLOSURE" herein.

THE SERIES 2018 PROJECT AND THE SERIES 2018 OFFSITE ELEMENTS

The project, to be known as the "Dundee Residence Hall" and "Glasgow Dining Facility," will consist, approximately, of an 820-bed student housing facility (the "Series 2018 Housing Project") and an 830-seat dining facility (the "Series 2018 Dining Project" and, together with the Series 2018 Housing Project, the "Series 2018 Project") with related amenities and improvements. In connection with the Series 2018 Project, the Borrower will also be responsible for constructing and improving certain landscaping, hardscaping, utility lines, access roads, loading docks and sidewalks on land owned by The Regents, but not leased to the Borrower (the "Series 2018 Offsite Elements"). The site for the construction of the Series 2018 Project (the "Series 2018 Project Site") is on approximately 3.55 acres on the campus of UC Riverside that will be leased to the Borrower pursuant to the 2018 Ground Lease. See "THE 2018 GROUND LEASE" herein. The Series 2018 Housing Project is intended primarily for freshmen students.

Upon completion of the Series 2018 Dining Project, The Regents expects to close permanently the A-I Dining Facility, which opened in 1959, seats approximately 500, and is currently serving a portion of UC Riverside's students. The Series 2018 Dining Project is expected to have capacity to serve students from the Series 2018 Housing Project and also students previously served at the A-I Dining Facility.

The developer and construction manager for the Series 2018 Project will be ACC SC Development (California) LP. See "THE DEVELOPER" herein. The Developer was selected to develop the Series 2018 Project as a result of a request for proposals made by The Regents.

Construction of the Series 2018 Project is scheduled to begin in December 2018. The Developer and UC Riverside anticipate the Series 2018 Project will be complete in time for occupancy and use for Fall 2020.

Initially, the completed Series 2018 Housing Project will be operated, managed and maintained by ACC SC Management (California) LP pursuant to the Management Agreement; however, UC Riverside Student Housing and Dining Services will have obligations under the 2018 Ground Lease to provide residential life support, support marketing to Permitted Occupants (as defined in the 2018 Ground Lease) and to provide police services with respect to the Series 2018 Housing Project. The Regents also will enter into the Marketing and Licensing Agreement (as defined herein) with the Manager, whereby The Regents (acting on behalf of UC Riverside) will assume certain delegated responsibilities of the Manager under the Management Agreement in connection with the marketing and leasing of beds in the Series 2018 Housing Project to eligible tenants. See "THE MANAGER." The Series 2018 Dining Project will be operated and maintained by The Regents pursuant to the Dining Facility Agreement, and the Borrower will have no control over or responsibility for its operation and maintenance. See "THE DINING FACILITY AGREEMENT" herein.

For a more detailed description of the Series 2018 Project, see APPENDIX A—"THE SERIES 2018 PROJECT."

Benchmark Contractors, Inc. (the "General Contractor"), a wholly-owned subsidiary of Morley Builders, will be the general contractor for the Series 2018 Project, pursuant to a guaranteed maximum price construction contract (the "Construction Contract") between the Developer, as agent for the Borrower, and the General Contractor. Prior to the issuance of the Series 2018 Bonds, the Developer also expects to enter into an architectural agreement with Solomon Cordwell Buenz & Associates, Inc. relating to the Series 2018 Project. See "THE CONSTRUCTION CONTRACT AND THE GENERAL CONTRACTOR" and "THE ARCHITECT" herein.

THE BORROWER

General

The Borrower, CHF–Riverside I, L.L.C., is a limited liability company, organized in July 2018 under the laws of the State of Alabama for the purpose of assisting UC Riverside to provide housing and dining facilities for its students. The proceeds of the Series 2018 Bonds will be loaned to the Borrower pursuant to the Loan Agreement. The Borrower is not expected to have any assets other than the "Project," which is defined in the Indenture as the Series 2018 Project and any additional project acquired, constructed, furnished and equipped with the proceeds of Additional Bonds (as defined herein). The Borrower's sole member is Collegiate Housing Foundation, a non-profit corporation organized and existing under the laws of the State of Alabama (the "Foundation"). The Foundation is an organization that is exempt from federal income tax pursuant to Section 501(c)(3) of the Code. The Foundation was organized in 1996 exclusively for charitable and educational purposes, including assisting its member colleges and universities in providing housing for their enrolled students and faculty and otherwise assisting its member colleges and universities in furtherance of their educational missions. The membership of the Foundation is comprised of those colleges and universities so assisted by the Foundation, including The Regents during the term of the Ground Lease. In 1997, the Foundation obtained a determination letter from the Internal Revenue Service recognizing the Foundation as an exempt organization under Section 501(c)(3) of the Code. The Borrower is a disregarded entity for federal income tax purposes. The Borrower's and the Foundation's main offices are located in Fairhope, Alabama. Since its founding, the Foundation and/or its affiliates have acquired and financed 57 student housing projects in 24 different states, with aggregate project costs exceeding $2.2 billion. **Neither the Foundation nor any limited liability company established by the Foundation (other than the Borrower) will have any obligation with respect to the Series 2018 Bonds or under the Loan Agreement or any of the other Bond Documents. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Limited Obligations" herein. The Borrower's obligations with respect to the Series 2018 Bonds are non-recourse. See "NO RECOURSE AGAINST BORROWER'S MEMBER AND OFFICERS" herein. The Borrower's ability to pay the principal of and interest on the Series 2018 Bonds may be adversely affected by its contractual obligations with respect to the Series 2018 Bonds and the Series 2018 Project, including requirements for payment by the Borrower pursuant to indemnity obligations under certain of the Bond Documents. See "INVESTMENT CONSIDERATIONS—Limited Security; Non-Recourse Obligations" herein.**

Board of Directors

The Foundation is governed by a Board of Directors elected by its members. The following individuals constituted the Board of Directors of the Foundation as of the date hereof:

Name	Business Affiliation	Term Expires
William B. Givhan	President of the Foundation	*
Leeman H. Covey	Immediate Past President of the Foundation	**
John B. Hicks	Senior Consultant, Academic Search, Inc., Former Executive Assistant to the Chancellor and Secretary of the Board of Trustees of the University of Alabama System	2021
Jack Edwards	Former President Pro Tem of the Board of Trustees of the University of Alabama System, Retired Member of Hand Arendall Harrison Sale, LLC	2019
John Brooks Slaughter	Professor of Education and Engineering, University of Southern California President Emeritus, Occidental College, Former President and Chief Executive Officer, National Action Council for Minorities in Engineering, Inc.	2018
Thomas M. Daly, Jr.	Former Senior Vice President and Managing Director Public Finance, Legg Mason Wood Walker, Inc.	2020
Robert A. Shearer	Mediator and Private Consultant for Project and Construction Management, Professor Emeritus, Mitchell College of Business, University of South Alabama, Former Executive Assistant to the President of the University of South Alabama	2019

* Mr. Givhan's term continues for as long as he serves as President of the Foundation.
** Mr. Covey's term continues for as long as he is the immediate past President of the Foundation unless removed by a majority of the remaining Board members.

NO RECOURSE AGAINST BORROWER'S MEMBER AND OFFICERS

No recourse under or upon any obligation, covenant, or agreement contained in the Loan Agreement, in any of the other Bond Documents, or in any other documents or certificates delivered in connection with the issuance of the Series 2018 Bonds, or for any claim based thereon, or under any judgment obtained against the Borrower, or by the enforcement of any assessment or penalty or otherwise or by any legal or equitable proceeding by virtue of any constitution, rule of law or equity, or statute or otherwise or under any other circumstances, shall be had against any incorporator, director, member, or officer, as such, past, present, or future of the Borrower or the Foundation, or any incorporator, director, member, or officer of any successor entity, as such, either directly or through the Borrower or any successor entity, or otherwise, for the payment for or to the Borrower or any receiver thereof, of any sum that may be due and unpaid by the Borrower under the Loan Agreement, any of the other Bond Documents or any other documents delivered in connection with the issuance of the Series 2018 Bonds.

THE SERIES 2018 BONDS

General Description

The Series 2018 Bonds will be dated the Date of Delivery and will mature on May 15 of the years and bear interest at the rates shown on the inside cover page of this Official Statement. Interest with respect to the Series 2018 Bonds will be payable initially on May 15, 2019, and semi-annually thereafter on each November 15 and May 15 (collectively, the "Interest Payment Dates" and each, an "Interest Payment Date") until paid, in an amount equal to the interest accrued from the Interest Payment Date immediately preceding the date of registration and authentication of each Series 2018 Bond, unless such Series 2018 Bond is registered and authenticated as of an Interest Payment Date, in which case it will bear interest from said Interest Payment Date, or unless, as shown by the records of the Bond Trustee, interest on the Series 2018 Bonds will be in default, in which event such Series 2018 Bond will bear interest from the date to which interest will have been paid in full on such Series 2018 Bond, or unless no interest will have been paid on the Series 2018 Bonds, in which event such Series 2018 Bond will bear interest from the dated date.

Interest on the Series 2018 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2018 Bonds will be issued as fully registered bonds without coupons in denominations of Five Thousand Dollars ($5,000) and any multiple thereof ("Authorized Denominations").

The Series 2018 Bonds, together with any Additional Bonds issued pursuant to the Indenture, are collectively referred to under the Indenture as the "Bonds." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds" herein.

Payment of the Series 2018 Bonds

Principal of and redemption premium, if any, on the Series 2018 Bonds will be payable by check or draft at maturity or at a date set for prior redemption at the Office of the Bond Trustee to the registered owner of each Series 2018 Bond upon presentation and surrender of the Series 2018 Bonds being paid or redeemed. Interest on each Series 2018 Bond will be paid by check or draft mailed to the person in whose name such Series 2018 Bond is registered, at the address as it appears on the Bond Register as of the close of business on the first day of the month (whether or not such day is a Business Day) immediately preceding each Interest Payment Date (the "Regular Record Date") for such payment, irrespective of any transfer or exchange of such Series 2018 Bond subsequent to a Regular Record Date and prior to the related Interest Payment Date by the person in whose name such Series 2018 Bond is registered. At the option of an owner of not less than Five Hundred Thousand Dollars ($500,000) in aggregate principal amount outstanding of Series 2018 Bonds issued under and secured by the Indenture, interest will be paid by wire transfer in immediately available funds in accordance with written wire transfer instructions filed with the Bond Trustee prior to the close of business on the Regular Record Date. Interest will continue to be paid in accordance with such instructions, until revoked, except for the final payment of interest upon maturity or redemption prior to maturity which will be paid only upon presentation of the Series 2018 Bond to the Bond Trustee. While DTC or its nominee is owner of the Series 2018 Bonds, all payments of principal of, and redemption premium, if any, and interest on the Series 2018 Bonds will be paid to DTC or its nominee by wire transfer. See "Book-Entry Only System for the Series 2018 Bonds" below and APPENDIX G—"BOOK-ENTRY ONLY SYSTEM."

Book-Entry Only System for the Series 2018 Bonds

DTC will act as securities depository for the Series 2018 Bonds. The ownership of one fully registered Series 2018 Bond for the maturity date set forth on the cover page hereof, in the aggregate principal amount of the Series 2018 Bonds maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC, or any successor nominee. See APPENDIX G—"BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

Redemption

Optional Redemption. The Series 2018 Bonds maturing on or before May 15, 2028 are not subject to optional redemption. The Series 2018 Bonds maturing on and after May 15, 2029 are subject to optional redemption prior to maturity, as set forth in a written request of an Authorized Borrower Representative, approved by The Regents and filed with the Bond Trustee, on any day, on and after November 15, 2028, in whole or in part, at a redemption price equal to the principal amount of the Series 2018 Bonds called for redemption plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Optional Redemption. The portion of the Series 2018 Bonds financing the Series 2018 Housing Project are also subject to redemption as set forth in a written request of an Authorized Borrower Representative approved by The Regents and filed with the Bond Trustee, <u>in whole</u>, if:

(i) the Series 2018 Housing Project shall have been destroyed or damaged and the Ground Lessor determines to redeem the portion of the Series 2018 Bonds financing the Series 2018 Housing Project from funds made available in accordance with the 2018 Ground Lease; <u>or</u>

(ii) title to, or the temporary use of, a substantial portion of the Series 2018 Housing Project shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority to such an extent that, in the opinion of a Consulting Architect expressed in a certificate filed with the Issuer and the Bond Trustee, (A) the Series 2018 Housing Project cannot be reasonably restored or replaced within a period of 12 months to substantially the condition thereof immediately preceding such taking, <u>or</u> (B) the Borrower is thereby prevented from carrying on its normal operations therein for a period of 12 consecutive months, <u>or</u> (C) the cost of restoration or replacement would exceed the total amount of compensation for such taking together with any other funds held by the Borrower or the Bond Trustee available to pay such costs and the Borrower is not willing to advance the amount of such deficiency.

The portion of the Series 2018 Bonds financing the Series 2018 Housing Project will also be subject to redemption as set forth in a written request of an Authorized Borrower Representative approved by The Regents and filed with the Bond Trustee, <u>in part</u>, if:

(i) the Series 2018 Housing Project shall have been destroyed or damaged and the Ground Lessor determines to redeem the portion of the Series 2018 Bonds financing the Series 2018 Housing Project from funds made available in accordance with the 2018 Ground Lease; <u>or</u>

(ii) in the event of partial condemnation of the Series 2018 Housing Project from the Net Proceeds received by the Borrower as a result of such taking to the extent such Net Proceeds are not used for the restoration of the Series 2018 Housing Project or for the acquisition of substitute property suitable for the Borrower's operations at the Series 2018 Housing Project as such operations were conducted prior to such taking if the Borrower furnishes to the Issuer and the Bond Trustee (i) a certificate of a Consulting Architect stating (A) that the property forming a part of the Series 2018 Housing Project that was taken is not essential to the Borrower's use or occupancy of the Series 2018 Housing Project at substantially the same revenue-producing level prior to such taking, <u>or</u> (B) that the Series 2018 Housing Project has been restored to a condition substantially equivalent to its condition prior to the taking, <u>or</u> (C) that the Borrower has acquired or will acquire improvements that are substantially equivalent to the property forming a part of the Series 2018 Housing Project that was taken, or (ii) a written report of a Financial Consultant that the Fixed Charges Coverage Ratio (as defined in the Indenture) for each of the two (2) Fiscal Years following the Fiscal Year following such taking will not be less than the lesser of (a) 1.20:1.0 and (b) the average Fixed Charges Coverage Ratio for the two (2) most recent Fiscal Years prior to such taking for which audited financial statements are available.

If the portion of the Series 2018 Bonds financing the Series 2018 Housing Project is called for extraordinary optional redemption, in whole or in part, upon the occurrence of any of the events described above in this subheading, such Series 2018 Bonds may be redeemed on any date for which the requisite notice of redemption can be given within 180 days of such event at a redemption price of one hundred percent (100%) of the principal amount thereof plus interest accrued to the redemption date.

Other Redemptions at Par. The Series 2018 Bonds are also subject to redemption prior to maturity in whole or in part on any date for which the requisite notice of redemption can be given, upon the deposit of moneys in the Redemption Fund or the 2018 Dining Account of the Bond Fund, as applicable, as required by the Loan Agreement, the Indenture or the Financing Trust Agreement as set forth below in a principal amount equal to such deposit and at a redemption price of one hundred percent (100%) of such principal amount thereof plus interest accrued thereon to the redemption date:

(i) any Net Proceeds of title insurance on the Series 2018 Housing Project (or any other portion of the Series 2018 Housing Project if the Borrower, subject to approval by The Regents, directs that such proceeds be used to redeem the portion of the Series 2018 Bonds financing the Series 2018 Housing Project paid to the Bond Trustee pursuant to the provisions of the Loan Agreement; or

(ii) the release price for any unimproved portion of the Premises (or any other unimproved portion of the Premises if the Borrower, subject to approval by The Regents, directs that such proceeds be used to redeem the portion of the Series 2018 Bonds financing the Series 2018 Housing Project) released from the lien of the Leasehold Deed of Trust determined and paid to the Trustee upon certain events causing damage, destruction or condemnation as provided in the Loan Agreement); or

(iii) any unspent proceeds of the portion of the Series 2018 Bonds financing the Series 2018 Housing Project and investment earnings remaining in the 2018 Account of the Working Capital and Marketing Fund on the date that is one (1) year after the Series 2018 Completion Date and transferred to the 2018 Account of the Redemption Fund pursuant to the provisions of the Indenture; or

(iv) any funds released from the UCR Series 2018 Bonds Redemption Subaccount within the Liquidity Account pursuant to the Financing Trust Agreement for deposit into the 2018 Account of the Redemption Fund in order to redeem the portion of the Series 2018 Bonds financing the Series 2018 Housing Project or into the 2018 Dining Facility Account of the Bond Fund in order to redeem the portion of the Series 2018 Bonds financing the Series 2018 Dining Project; or

(v) any unspent proceeds of the Series 2018 Bonds and investment earnings remaining in the 2018 Account of the Construction Fund on or after the Series 2018 Completion Date and transferred, with a Favorable Opinion of Bond Counsel, on a ratable basis between the Outstanding portion of the Series 2018 Bonds financing the Series 2018 Housing Project and the Outstanding portion of the Series 2018 Bonds financing the Series 2018 Dining Project (A), with respect to the Series 2018 Bonds financing the Series 2018 Housing Project to the 2018 Account of the Redemption Fund pursuant to the Indenture in order to redeem such Series 2018 Bonds and (B) to the 2018 Dining Facility Account of the Bond Fund pursuant to the Indenture in order to redeem the Series 2018 Bonds financing the Series 2018 Dining Project.

See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE INDENTURE," "—THE GROUND LEASE" and "—THE FINANCING TRUST AGREEMENT."

In all instances where the Bond Trustee is directed by the terms of the Indenture to redeem Series 2018 Bonds from moneys deposited into the 2018 Account of the Redemption Fund, the Bond Trustee will redeem the maximum number of Series 2018 Bonds that may be redeemed in accordance with the provisions of the preceding paragraphs as directed in writing by an Authorized Borrower Representative and approved by The Regents, and any excess moneys will remain in the Redemption Fund.

Mandatory Sinking Fund Redemption. The Series 2018 Bonds listed below are subject to mandatory sinking fund redemption prior to maturity in part at a redemption price of one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the redemption date, in the following principal amounts and on the dates set forth below:

Series 2018 Bonds Maturing on May 15, 2043

May 15 of the Year	Principal Amount
2041	$5,295,000
2042	$5,560,000
2043	$5,840,000*

* Maturity

Series 2018 Bonds Maturing on May 15, 2048

May 15 of the Year	Principal Amount
2044	$6,130,000
2045	$6,375,000
2046	$6,630,000
2047	$6,895,000
2048	$7,170,000*

* Maturity

Series 2018 Bonds Maturing on May 15, 2052

May 15 of the Year	Principal Amount
2049	$7,455,000
2050	$7,830,000
2051	$8,225,000
2052	$8,630,000*

* Maturity

The Issuer will receive a credit against amounts required to be transferred under the Indenture in satisfaction of its mandatory sinking fund redemption obligations described above for Series 2018 Bonds delivered, purchased or redeemed, as hereinafter provided, if the Issuer or the Borrower at its option, on or before the forty-fifth (45^{th}) day immediately preceding any May 15 on which Series 2018 Bonds are to be retired pursuant to the schedules above, (i) delivers to the Bond Trustee for cancellation Series 2018 Bonds or portions thereof, in any aggregate principal amount desired or (ii) directs the Bond Trustee to grant a credit for any such Series 2018 Bonds that prior to said date have been purchased or redeemed (otherwise than through mandatory sinking fund redemption) and canceled by the Bond Trustee and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each such Series 2018 Bond so delivered or previously purchased or redeemed and cancelled by the Bond Trustee will be credited by the Bond Trustee at one hundred percent (100%) of the principal amount thereof on the obligation of the Issuer on such mandatory sinking fund redemption payment date, and any excess will be credited on future mandatory sinking fund redemption obligations in chronological order, and the principal amount of such Series 2018 Bonds to be redeemed by operation of mandatory sinking fund redemption and the Loan Payments specified in the Loan Agreement for mandatory sinking fund redemption will be accordingly reduced.

Partial Redemption. The Series 2018 Bonds will be redeemed only in Authorized Denominations. If less than all of the Series 2018 Bonds of any maturity are called for redemption in any of the circumstances set forth above (other than mandatory sinking fund redemption), the Borrower will select, in such manner as the Borrower may determine, the Series 2018 Bonds of such series or maturity to be redeemed; provided, however, that upon the optional redemption of the portion of the Series 2018 Bonds financing the Series 2018 Dining Project, pursuant to the Indenture, the Borrower shall designate, with the approval of The Regents, the maturities of such portion of the Series 2018 Bonds financing the Series 2018 Dining Project to be redeemed. If a book-entry system of evidence of transfer of ownership of bonds is in effect with a Securities Depository as provided in the Indenture and less than all of the Series 2018 Bonds of any maturity are to be redeemed, then such Securities Depository will determine by lot the amount of the interest of each direct participant in such Bonds to be redeemed. See "Book-Entry Only System for the Series 2018 Bonds" above. Notwithstanding the foregoing, if less than all of the Bonds are called for redemption (other than through mandatory sinking fund redemption), the Borrower will have the right to designate the Series and the maturity of such Bonds to be called for redemption and to designate the Sinking Fund Requirement to which such redemption will be credited.

Notice of Redemption; Cessation of Interest. In the event any of the Series 2018 Bonds are called for redemption, notice thereof identifying the Series 2018 Bonds or portions thereof to be redeemed will be given by the Bond Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of record of each Series 2018 Bond to be redeemed at the address shown on the Bond Register on the close of business on the fifth day preceding the date of the mailing; provided, however, that failure to give such notice by mailing to any owner of Series 2018 Bonds or any defect therein will not affect the validity of any proceedings for the redemption of any other Series 2018 Bonds for which notice will have been properly given. Each notice will specify the CUSIP numbers of the Series 2018 Bonds being called, the numbers of the Series 2018 Bonds being called, if less than all of the Series 2018 Bonds are being called, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable. Such notice will further state that payment of the applicable redemption price plus accrued interest to the date fixed for redemption will be made upon presentation and surrender of the Series 2018 Bonds to be redeemed and that on the redemption date, the redemption price will become due and payable upon each Series 2018 Bond to be redeemed and that interest thereon will cease to accrue on and after such date, provided collected funds for the redemption of the Series 2018 Bonds to be redeemed are on deposit with the Bond Trustee at the place of, and the time for, payment. Any notice mailed as provided in the Indenture will be conclusively presumed to have been duly given, whether or not the owner of such Series 2018 Bonds actually receives such notice. Upon the written request of the Borrower, any notice of optional redemption of Series 2018 Bonds to be redeemed pursuant to the provisions hereinabove described under the subheading "Optional Redemption" may contain a statement to the effect that the redemption of such Series 2018 Bonds is conditioned upon the receipt by the Bond Trustee of amounts equal to the redemption price of the Series 2018 Bonds to be redeemed on or before the redemption date, and, if a notice of such an optional redemption contains such statement, such optional redemption will be so conditioned.

Notice of redemption having been given as described above, the Series 2018 Bonds or portions thereof called for redemption will become and be due and payable on the date fixed for redemption at the redemption price provided for in the Indenture, plus accrued interest thereon to the date fixed for redemption, provided funds for the payment of such redemption price are on deposit at the place of payment at that time and, unless the Issuer defaults in the payment of the principal thereof or redemption premium, if any, and interest thereon, such Series 2018 Bonds or portions thereof called for redemption will cease to accrue interest, whether or not such Series 2018 Bonds are presented and surrendered for payment on such date. If any Series 2018 Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Series 2018 Bond or portion thereof will continue to bear interest at the rate set forth therein until paid or until due provision is made for the payment thereof.

Registration Provisions; Exchange; Replacement

The Bond Trustee, for and on behalf of the Issuer, will keep the Bond Register in which will be recorded any and all transfers of ownership of Series 2018 Bonds. No Series 2018 Bonds will be registered to bearer. Any Series

2018 Bond may be transferred upon the Bond Register upon surrender thereof at the Office of the Bond Trustee by the owner in person or by his, her or its attorney-in-fact or legal representative duly authorized in writing together with a written instrument of transfer in form and with guarantee of signature satisfactory to the Bond Trustee duly executed by the owner or his or her attorney-in-fact or legal representative duly authorized in writing and upon payment by such owner of a sum sufficient to cover any governmental tax, fee or charge required to be paid as provided in the Indenture. Upon any such registration of transfer, the Issuer will cause to be executed and the Bond Trustee will authenticate and deliver in the name of the transferee a new fully registered Series 2018 Bond or Bonds of like tenor, in Authorized Denominations, and of the same maturity or maturities and interest rate or rates and in the same aggregate principal amount, and the Bond Trustee will enter the transfer of ownership in the Bond Register. No transfer of any Series 2018 Bond will be effective until entered on the Bond Register.

Any Series 2018 Bonds, upon surrender thereof at the Office of the Bond Trustee with a written instrument of transfer in form and with guarantee of signature satisfactory to the Bond Trustee, duly executed by the owner or his or her attorney-in-fact or legal representative duly authorized in writing, may be exchanged, at the option of the owner thereof; and upon payment by such owner of a sum sufficient to cover any governmental tax, fee or charge required to be paid as provided in the Indenture, when not prohibited by law, for an equal aggregate principal amount of Series 2018 Bonds of like tenor and of the same interest rate and maturity or maturities and in any other Authorized Denominations and registered in the name of the same owner. The Issuer will cause to be executed and the Bond Trustee will authenticate and deliver Series 2018 Bonds that the owner making the exchange is entitled to receive, bearing numbers not then Outstanding, and the Bond Trustee, as bond registrar, will enter the exchange in the Bond Register.

Except as provided in the Indenture with respect to exchanges for certain temporary Series 2018 Bonds, the cost of printing, lithographing and engraving of all Series 2018 Bonds will be deemed to be an Ordinary Expense of the Bond Trustee and there will be no charge to any owner for the registration, exchange or transfer of Series 2018 Bonds, although in each case the Bond Trustee may require the payment by the owner requesting exchange or transfer of any tax, fee or other governmental charge required to be paid with respect thereto and may require that such amount be paid before any such new Bond will be delivered.

The Issuer and the Bond Trustee may deem and treat the owner of any Series 2018 Bond as the absolute owner of such Series 2018 Bond for the purpose of receiving any payment on such Series 2018 Bond and for all other purposes of the Indenture and the Loan Agreement, whether such Series 2018 Bond shall be overdue or not, and neither the Issuer nor the Bond Trustee will be affected by any notice to the contrary. Payment of or on account of the principal of and interest and redemption premium, if any, on any Series 2018 Bond will be made to or upon the written order of the owner thereof or his or her attorney-in-fact or legal representative duly authorized in writing. All such payments will be valid and effectual to satisfaction and discharge the liability upon such Series 2018 Bond to the extent of the sum or sums so paid.

New Series 2018 Bonds delivered upon any transfer or exchange will be valid limited obligations of the Issuer, evidencing the same obligation as the Series 2018 Bonds surrendered, will be secured by the Indenture and will be entitled to all of the security and benefits thereof to the same extent as the Series 2018 Bonds (or portions thereof) surrendered. The Bond Trustee will not be required to transfer or exchange any Series 2018 Bonds (a) after the notice calling such Series 2018 Bond (or a portion thereof) for redemption will have been given as provided in the Indenture, or (b) during the period beginning at the opening of business on the first (1st) day (whether or not a Business Day) immediately preceding either an Interest Payment Date or any date of selection of Series 2018 Bonds to be redeemed and ending at the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

THE SERIES 2018 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE, CALIFORNIA BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE SERIES 2018

BONDS ARE A LIMITED OBLIGATION OF THE ISSUER. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2018 BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE INDENTURE AND THE LOAN AGREEMENT AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE ISSUER) OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2018 BONDS. THE ISSUANCE OF THE SERIES 2018 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

Neither the Foundation nor any limited liability company established by the Foundation (other than the Borrower) will have any obligation with respect to the Series 2018 Bonds or under the Loan Agreement or any of the other Bond Documents.

See "INVESTMENT CONSIDERATIONS—Limited Security; Non-Recourse Obligations" herein.

Leasehold Deed of Trust and Assignment of Documents

As security for the Borrower's obligations under the Loan Agreement in connection with the financing of the Series 2018 Project, the Borrower will execute and deliver (i) the Leasehold Deed of Trust pursuant to which the Borrower, subject to Permitted Encumbrances, grants to the deed of trust trustee named therein for the benefit of the Bond Trustee a first priority lien on the Borrower's leasehold interest in the Site (as defined therein and which term includes the real property underlying the Series 2018 Housing Project but excludes the real property underlying the Series 2018 Dining Project) and its interest in all improvements thereon and other interests created by the 2018 Ground Lease and, subject to Permitted Encumbrances, assigns and pledges to the deed of trust trustee named therein for the benefit of the Bond Trustee the Borrower's interest in the rents, revenues, issues, profits, products, royalties, income and other benefits of and from the Project (as defined in the Indenture and which term includes the Series 2018 Project), but excluding the Series 2018 Dining Project and the Dining Receipts (as defined herein), and any improvements thereto, and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Project, excluding the Series 2018 Dining Project, and all tangible personal property of the Borrower located on the Site and used primarily in connection with the construction, operation or maintenance of the Project, excluding the Series 2018 Dining Project and (ii) the Assignment of Documents pursuant to which the Borrower assigns to the Bond Trustee its rights under the Development Agreement, the Management Agreement, the Construction Contract, the Architect's Agreement and any other contracts relating to the design or construction of the Series 2018 Project and any improvements thereto or expansions thereof. The lien created by the Leasehold Deed of Trust is subject to the rights of the Ground Lessor under the 2018 Ground Lease as the fee simple owner of the Series 2018 Project Site. See "INVESTMENT CONSIDERATIONS—Limited Scope of Deed of Trust Lien; Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws)" herein. The Leasehold Deed of Trust does not constitute a lien on the Ground Lessor's fee simple interest in the Series 2018 Project Site or create any lien with respect to the dining component of the Series 2018 Project Site or the Offsite Elements (as defined in the Indenture and which term includes the Series 2018 Offsite Elements).

Project Gross Revenues; Revenue Fund

As security for payments under the Loan Agreement and as security for payment of the Series 2018 Bonds, (i) the Issuer will execute and deliver the Indenture, under the terms of which all of the right, title, interest, and remedies of the Issuer in the Loan Agreement (except the Unassigned Rights), the Financing Trust Agreement, the Leasehold Deed of Trust and the Assignment of Documents, together with all revenues and amounts to be received and all property to be held by the Issuer under the Indenture, excluding, in any event, Dining Receipts (as defined in the Indenture), will be assigned and will be the subject of a grant of a first priority security interest to the Bond Trustee and will be pledged as security for, among other things, the payment of the Series 2018 Bonds, and (ii) the Borrower will execute and deliver the Dining Facility Usage Fee Assignment Agreement, under the terms of which the Borrower's right to receive Dining Facility Usage Fees will be the subject of a grant of a first priority security interest to the Trustee and will be pledged as security for, among other things, the payment of the Series 2018 Bonds. Pursuant to the Loan Agreement, the Borrower consents to such assignment and grant of a first priority security interest and agrees that its obligations to make all payments under the Loan Agreement will be absolute and will not be subject to any defense, except payment, or to any right of setoff, counterclaim, or recoupment arising out of any breach by the Issuer of any obligation to the Borrower, whether thereunder or otherwise, or arising out of any indebtedness or liability relating to the Project at any time owing to the Borrower by the Issuer. The Borrower further agrees that all Basic Loan Payments required to be made under the Loan Agreement, which are payable solely from Project Gross Revenues, will be paid directly to the Bond Trustee for the account of the Issuer. The Bond Trustee will have all rights and remedies accorded to the Issuer under the Loan Agreement (except for Unassigned Rights), and any reference therein to the Issuer will be deemed, with the necessary changes in detail, to include the Bond Trustee, and the Bond Trustee and the Bondholders are deemed to be and are third party beneficiaries of the representations, covenants, and agreements of the Borrower contained in the Loan Agreement.

The Indenture defines "Project Gross Revenues" as (i) the gross receipts and operating and non-operating revenues of the Borrower, and interest earnings thereon, derived from the ground leasing or operation of the Project, all as determined in accordance with GAAP, and interest earned on all Funds, but excluding, in any event, (ii) the sum of (a) earnings on amounts that are irrevocably deposited in escrow to achieve defeasance or similar arrangement for the payment of the principal of or interest on Indebtedness, (b) security deposits received from student residents of the Project and held by the Borrower until such time, if any, as the Borrower shall be permitted to apply such deposits to the payment of rent or to the repair and maintenance of the Project in accordance with the terms of a lease or residency agreement, (c) Dining Facility Usage Fees and (d) payments made by residents of the Series 2018 Housing Project to The Regents pursuant to the payment provisions of any Resident Housing Contracts (as defined in the 2018 Ground Lease) that are allocable to board (the "Allocable Dining Receipts") as well as fees, receipts and other income in connection with The Regents' operation of or services provided through the Series 2018 Dining Project (collectively, the "Dining Receipts").

The Indenture requires the Issuer to create and order established by the Bond Trustee a trust fund designated as the "Revenue Fund" into which the Borrower is required by the Loan Agreement to deposit or cause to be deposited the Project Gross Revenues on a weekly basis (including any amounts required to be deposited therein pursuant to the Development Agreement). The Indenture provides that the amounts so transferred and deposited into the Revenue Fund maintained by the Bond Trustee will be disbursed by the Bond Trustee each month or at such other times described in the Indenture in the order set forth in the Indenture, including, among other transfers, monthly transfers to the Bond Fund to pay a portion of the principal and interest due on the Series 2018 Bonds and any other Bonds on the immediately succeeding Interest Payment Date. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE INDENTURE—Events of Default" and "—Funds and Accounts—*Revenue Fund*."

Rental payments with respect to the Series 2018 Project will be collected by the Manager together with Allocable Dining Receipts that are payable to The Regents, and all such funds will be deposited by the Manager into a temporary deposit account, in which account such funds will be commingled, prior to deposit of the rental payments (but not any Dining Receipts) in the Revenue Fund. See "INVESTMENT CONSIDERATIONS—Commingling of Project Gross Revenues and Dining Receipts."

Pledge and Assignment of Trust Estate

Pursuant to the Indenture, the Issuer assigns and grants a security interest to the Bond Trustee, in order to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of the covenants expressed in the Indenture and in the Series 2018 Bonds, in and to the following (the "Trust Estate"), in each case, whether now owned or hereafter acquired by the Issuer and howsoever its interest therein may arise or appear (whether by ownership, security interest, claim or otherwise) and whether due or to become due and whether or not earned by performance:

(i) all the right, title and interest of the Issuer in and to (a) the Loan Agreement (except for Unassigned Rights) and any loan, financing or similar agreement between the Issuer and the Borrower relating to Additional Bonds, (b) the Leasehold Deed of Trust, (c) the Management Agreement, (d) the Development Agreement and (e) the Assignment of Documents, and all extensions and renewals of the terms thereof, if any, and all amounts encumbered thereby, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and make receipt for payments and other sums of money payable, receivable or to be held thereunder, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things that the Issuer is or may become entitled to do under the foregoing;

(ii) all the right, title and interest of the Issuer in and to all cash proceeds and receipts arising out of or in connection with the sale of the Series 2018 Bonds and all moneys held by the Bond Trustee in the funds created under the Indenture, other than the Rebate Fund, including the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Distributed Management Fee Fund, the Working Capital and Marketing Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operations Contingency Fund, the Distributed Management Fee Fund and the Surplus Fund created thereunder, or held by the Bond Trustee as special trust funds derived from insurance proceeds, condemnation awards, payments on contractors' performance or payment bonds or other surety bonds or any other source, but excluding, in any event, Dining Receipts (as defined herein);

(iii) all the right, title and interest of the Issuer in and to all moneys and securities and interest earnings thereon from time to time delivered to and held by the Bond Trustee under the terms of the Indenture, but excluding, in any event, Dining Receipts, and all other rights of every name and nature and any and all other property from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security thereunder by the Issuer or by anyone on its behalf or with its written consent to the Bond Trustee;

(iv) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Bond Trustee; and

(v) all right, title and interest of the Issuer in the Financing Trust Agreement and all extensions and renewals of the terms thereof, if any, and all amounts encumbered thereby, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and make receipt for payments and other sums of money payable, receivable or to be held thereunder, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things that the Issuer is or may become entitled to do under the foregoing.

Under the Indenture, at all times while the Bonds are outstanding, the rights of the Owners of the Bonds to the Trust Estate, to the extent provided for, are subject to a first and prior lien to secure the payment of all fees and expenses of the Bond Trustee. The Bond Trustee may apply moneys received by it pursuant to any action taken by it in accordance with the Indenture in connection with any Event of Default to the payment of the costs and expenses of the proceedings resulting on the collection of such moneys and to the payment of the expenses, liabilities and advances incurred or made by the Bond Trustee prior to its applying such moneys to the payment of principal of, redemption premium, if any, and interest on, the Bonds.

Dining Facility Usage Fees

In connection with the Series 2018 Dining Project, The Regents is obligated to pay a Dining Facility Usage Fee under the Dining Facility Agreement. The Dining Facility Usage Fee payments from The Regents are for fixed, scheduled amounts and account for approximately thirty-eight percent (38%) of the funds that are necessary to pay principal of, redemption premium, if any, and interest on the Series 2018 Bonds when due. The Dining Facility Agreement provides that The Regents' obligation to pay a Dining Facility Usage Fee under the Dining Facility Agreement is unconditional, including that such payment obligation is not contingent upon completion, use or operation of the Series 2018 Dining Project and that such obligation is not subject to abatement in the event of damage or destruction of the Series 2018 Dining Project. See "THE DINING FACILITY AGREEMENT" herein.

The Regents' obligation to pay the Dining Facility Usage Fee under the Dining Facility Agreement is an unsecured, general obligation of The Regents. The Series 2018 Bonds are not direct obligations of The Regents and none of the property, assets or revenues of The Regents will be pledged as security for the payment of the Series 2018 Bonds. In addition, the Dining Facility Agreement does not contain any financial covenants limiting the ability of The Regents to incur indebtedness (secured or unsecured) or encumber or dispose of its property or any covenants requiring The Regents to produce revenues at any specified level or to obtain any insurance with respect to its property or operations.

See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE DINING FACILITY AGREEMENT." For information regarding The Regents and the University, see "THE UNIVERSITY OF CALIFORNIA AND THE REGENTS" herein. For considerations related to The Regents' payment obligations under the Dining Facility Agreement and related matters, see "INVESTMENT CONSIDERATIONS—Reliance on The Regents' Payment of Dining Facility Usage Fees" herein.

Pursuant to the Dining Facility Usage Fee Assignment Agreement, the Borrower will unconditionally sell, assign and transfer to the Bond Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its rights to receive the Dining Facility Usage Fee paid by The Regents under the Dining Facility Agreement and the Dining Facility Usage Fee will be paid directly to the Bond Trustee for deposit in the Bond Fund.

Pledge and Assignment of Financing Trust Estate

Pursuant to the Financing Trust Agreement, the Borrower conveys, transfers, assigns, confirms and grants a security interest in, to the Master Trustee, for the benefit of the Owners of the Series 2018 Bonds and each additional Series of Bonds (as defined in the Financing Trust Agreement) issued from time to time and secured under the Financing Trust Agreement, all right, title and interest of the Borrower and any future borrowers in and to each the funds and accounts established and maintained under the Financing Trust Agreement as and to the extent set forth in the Financing Trust Agreement and subject to the terms and conditions thereof (collectively, the "Financing Trust Estate") for the equal and proportionate benefit and protection of the Owners of each Series of Bonds (including but not limited to the Series 2018 Bonds) and, without privilege, preference, priority or distinction as to lien or otherwise, of any Series of Bonds over any other Series of Bonds by reason of priority in their issuance or of principal over interest or interest over principal.

Other bonds and indebtedness in addition to the Series 2018 Bonds may be secured by the Financing Trust Agreement if such bonds or indebtedness satisfy the requirements thereof, including the requirement that any such bonds or indebtedness receive not less than an investment grade rating from a Rating Agency upon issuance (collectively, the "FTA-Secured Bonds"). See "Liquidity Account and Subaccounts" below and "INVESTMENT CONSIDERATIONS—Liquidity Account Available to Secure Other FTA-Secured Bonds; Financing Trust Agreement Subject to Amendment."

The Regents expects to issue FTA-Secured Bonds in connection with the financing of the North District Phase I Project described under "THE UNIVERSITY OF CALIFORNIA, RIVERSIDE" herein

The pledge and assignment effected by each borrower of the proceeds of FTA-Secured Bonds through the Financing Trust Agreement will be valid and binding from the date of execution and delivery of the related Supplemental Financing Trust Agreement, the moneys so pledged and assigned and hereafter received by the Master Trustee will be subject to the lien of such pledge and assignment and such lien will be a continuing, irrevocable and exclusive first lien and will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Master Trustee irrespective of whether such parties have notice thereof. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS" for a summary of the Financing Trust Agreement.

Construction Fund

The Indenture creates a Construction Fund, and within that fund a separate account designated as the "2018 Account" with respect to the Series 2018 Bonds, and provides that the Bond Trustee will deposit into the Construction Fund as and when received any moneys paid to it under the Loan Agreement or the Indenture for credit or transfer to the Construction Fund. Subject to the final paragraph in this section, moneys in the 2018 Account of the Construction

Fund will be expended for the Costs of the Series 2018 Project (as defined in the Indenture) and the costs of the Series 2018 Offsite Elements in accordance with the provisions of the Loan Agreement and disbursed upon receipt of a requisition for payment.

All proceeds of the Series 2018 Bonds and investment earnings thereon remaining in the Series 2018 Account of the Construction Fund on or after the Series 2018 Completion Date, less amounts retained or set aside to meet costs not then due and payable or that are being contested, will be applied or transferred to one or more of the following upon written direction of the Borrower to the Bond Trustee, subject in each case to the requirements set forth in the Indenture with respect thereto: (i) for other capital expenditures approved by the Ground Lessor, with the consent of the Borrower; provided, however, a Favorable Opinion of Bond Counsel with respect to such capital expenditures is provided to the Indenture Trustee; (ii) to the 2018 Account of the Bond Fund; provided the Borrower delivers to the Bond Trustee a Favorable Opinion of Bond Counsel and (iii) to the 2018 Account of the Redemption Fund or the 2018 Dining Facility Account of the Bond Fund, provided the Borrower delivers to the Bond Trustee a Favorable Opinion of Bond Counsel.

In the event that the Ground Lessor elects to terminate the 2018 Ground Lease and acquire the uncompleted Series 2018 Project and the Series 2018 Offsite Elements by paying to the Bond Trustee all amounts then required by the Bond Trustee for defeasance and payment of the Series 2018 Bonds (either at maturity or, if sooner, on their first optional redemption date) in accordance with their terms pursuant to the Indenture, moneys in the Construction Fund may be expended for such defeasance and payment. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE INDENTURE—Funds and Accounts—*Construction Fund*" and "—THE GROUND LEASE—Condition of Leased Land and Term—*Early Termination*."

Repair and Replacement Fund

The Indenture also creates a Repair and Replacement Fund, which is a fund into which the Borrower is required to make deposits from Project Gross Revenues on a monthly basis as and to the extent set forth in the Indenture and the Loan Agreement. The Indenture provides that moneys in the Repair and Replacement Fund will be disbursed by the Bond Trustee to pay (i) the budgeted maintenance and repair costs related to the Project (excluding the Series 2018 Dining Project) and (ii) the principal of, redemption premium, if any, and interest on the Bonds to the extent there are insufficient funds on deposit in the Bond Fund, the Surplus Fund and the Operations Contingency Fund therefor, on the date such payment is due. In the event that funds in the Construction Fund are insufficient for the payment of Costs of the Project in full, the Bond Trustee may, upon the written request of the Borrower approved by the Ground Lessor, transfer the amount of such deficiency from the Repair and Replacement Fund. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE INDENTURE—Funds and Accounts—*Construction Fund*" and "—*Repair and Replacement Fund*."

Working Capital and Marketing Fund

A Working Capital and Marketing Fund is created under the Indenture and within that fund a separate account designated as the "2018 Account" with respect to the Series 2018 Bonds. The Indenture and the Loan Agreement permit the 2018 Account of the Working Capital and Marketing Fund to be used to fund the working capital needs of the Borrower and to pay for the costs of marketing the Series 2018 Housing Project until one (1) year after the Series 2018 Completion Date (including without limitation wages and benefits, printing, advertising, recruiting, relocation and brochures), in each case in accordance with the Loan Agreement. Upon issuance of the Series 2018 Bonds, proceeds in the amount of $150,000 will be deposited in the 2018 Account of the Working Capital and Marketing Fund to be used for such purposes. Upon a direction of the Borrower, all proceeds of the Series 2018 Bonds and investment earnings thereon remaining in the Working Capital and Marketing Fund on the date that is one year after the Series 2018 Completion Date will be transferred (i) to the 2018 Account of the Bond Fund and used for payment of principal of the portion of the Series 2018 Bonds financing the Series 2018 Housing Project, provided the Borrower delivers to the Bond Trustee a Favorable Opinion of Bond Counsel, (ii) to the 2018 Account of the Redemption Fund and used to redeem the portion of the Series 2018 Bonds financing the Series 2018 Housing Project in accordance with the Indenture or (iii) for other capital expenditures approved by the Ground Lessor, with the consent of the Borrower; provided, however, a Favorable Opinion of Bond Counsel with respect to such capital expenditures is provided to the Bond Trustee.

Liquidity Account and Subaccounts

So long as any of the FTA-Secured Bonds (including the Series 2018 Bonds) remain Outstanding, the Master Trustee is required under the Financing Trust Agreement to establish, maintain and hold in trust, a separate trust account to be designated as the "UC Riverside Privatized Housing Financing Trust Liquidity Account" (the "Liquidity Account"). Pursuant to the Financing Trust Agreement, the Master Trustee will create within the Liquidity Account: (1) the UCR Series 2018 Bonds Pooling Subaccount and (2) the UCR Series 2018 Bonds Redemption Subaccount and, in connection with the issuance of each series of other FTA-Secured Bonds, a Series Pooling Subaccount and a Series Redemption Subaccount applicable to such series of FTA-Secured Bonds. The Financing Trust Agreement provides that the Master Trustee will deposit amounts to, and transfer amounts from the Liquidity Account and such subaccounts in accordance with the terms and conditions of the Financing Trust Agreement. All such moneys shall be promptly deposited by the Master Trustee upon receipt thereof and shall be held, disbursed, allocated and applied by the Master Trustee only as provided in the Financing Trust Agreement.

On the date of issuance of the Series 2018 Bonds, the Bond Trustee, on behalf of the Borrower, will deposit in the UCR Series 2018 Bonds Pooling Subaccount held by the Master Trustee the amount of $9,070,000, which amount represents the Maximum Annual Debt Service on the Series 2018 Bonds, which will constitute the Liquidity Subaccount Requirement (as defined in the Financing Trust Agreement) with respect to the Series 2018 Bonds.

The Financing Trust Agreement and the Loan Agreement require the Borrower to maintain funds on deposit in the Series Pooling Subaccounts in an aggregate amount not less than the Liquidity Subaccount Requirement (as such requirement is adjusted pursuant to the Financing Trust Agreement).

Upon receipt of notice from a bond trustee of a Debt Service Account Deficiency relating to FTA-Secured Bonds (currently consisting of only the Series 2018 Bonds), the Master Trustee will determine if the amount on deposit in the Series Pooling Subaccount for such bonds is sufficient to pay such deficiency. If the amounts on deposit in such Series Pooling Subaccount are not less than such deficiency, the Master Trustee will transfer the amount of such deficiency to such bond trustee for deposit into such Debt Service Account. If the amounts on deposit in such Series Pooling Subaccount are less than such deficiency, then the Master Trustee will (1) transfer all amounts on deposit in such Series Pooling Subaccount to such bond trustee for deposit into such Debt Service Account and (2) transfer an amount equal to the difference between such amount and the amount of the deficiency to such bond trustee for deposit into such Debt Service Account by withdrawing an amount from each remaining Series Pooling Subaccount equal to the Proportionate Share (as defined in the Financing Trust Agreement) of such subaccount.

Amounts on deposit in the UCR Bonds Pooling Subaccount in excess of the Liquidity Subaccount Requirement shall, upon the receipt of a written certificate of The Regents by the Master Trustee, with the consent of the Borrower, be transferred to the UCR Bonds Redemption Subaccount as and unless otherwise provided in the related Supplemental Financing Trust Agreement; provided that for purposes of this calculation, the Maximum Annual Debt Service of any FTA-Secured Bonds to be redeemed shall be excluded.

Each UCR Bonds Redemption Subaccount will be applied from time to time in accordance with the terms of its related Supplemental Financing Trust Agreement to redeem, purchase or defease the related series of FTA-Secured Bonds in accordance with the terms of the related Indenture. Upon the written direction of The Regents with the consent of the Borrower, moneys on deposit in the UCR Series 2018 Bonds Redemption Subaccount will be transferred to the Bond Trustee and ratably deposited, based on the principal amount of Outstanding Series 2018 Bonds, between the portion of the Series 2018 Bonds financing the Series 2018 Housing Project and the portion of the Series 2018 Bonds financing the Series 2018 Dining Project into (i) the 2018 Dining Facility Account of the Bond Fund and applied in accordance with the Indenture, and (ii) either (x) the 2018 Account of the Bond Fund and applied to pay principal of and interest on the portion of the Series 2018 Bonds financing the Series 2018 Housing Project as it becomes due and payable in accordance with the Indenture or (y) the Redemption Fund and applied to redeem or purchase the portion of the Series 2018 Bonds financing the Series 2018 Housing Project in accordance with the Indenture. Interest earnings allocable to proceeds of the Series 2018 Bonds on investments held in the UCR Series 2018 Bond Pooling Subaccount will, unless otherwise directed by a written direction of The Regents filed with the Master Trustee with the consent of the Borrower, be transferred (i) prior to the Series 2018 Completion Date, to the Bond Trustee for deposit in the 2018 Account of the Construction Fund, and (ii) on and following the Series 2018 Completion Date, to the Bond Trustee for deposit in the 2018 Account of the Bond Fund. See APPENDIX D—

"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE FINANCING TRUST AGREEMENT—Deposits to UCR Bonds Pooling Subaccount; Application of UCR Series 2018 Bonds Redemption Subaccount."

The Financing Trust Agreement permits the provisions described above, and any and all other provisions of the Financing Trust Agreement, to be amended by a written instrument of the Master Trustee and any Borrower (as defined in the Financing Trust Agreement and including, but not limited to, the Borrower (as defined herein)), upon approval of The Regents, if the Master Trustee receives written confirmation from the Rating Agency that the amendment will not result in the downgrade of its credit rating on any Series of Bonds to less than an Investment Grade Rating (generally defined as a rating of "Baa3" or higher from Moody's).

For additional information regarding the Financing Trust Agreement and the provisions described above, see APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE FINANCING TRUST AGREEMENT." See also "INVESTMENT CONSIDERATIONS—Liquidity Account Available to Secure Other FTA-Secured Bonds; Financing Trust Agreement Subject to Amendment" herein.

Insurance Coverage

A mortgagee's title insurance policy, covering the housing component of the Series 2018 Project Site, will be available to the Bond Trustee at or prior to closing of the Series 2018 Bonds in the face amount of at least equal to the initial principal amount of the portion of the Series 2018 Bonds related to the Series 2018 Housing Project to insure that the Bond Trustee (as its interests may appear) will have a valid first lien on the Borrower's leasehold interest in and to the housing component of the Series 2018 Project Site, subject only to Permitted Encumbrances and the standard exception for survey matters. Any net proceeds payable either to the Issuer or to the Borrower under such policy shall be subject to the lien of the Indenture, paid to the Bond Trustee and held by the Bond Trustee in the Insurance Fund or the Redemption Fund, as the case may be, and shall, at the Borrower's written direction, be either (i) used to acquire or construct replacement or substitute housing facilities in Riverside, California for that to which title has been lost or (ii) used to redeem Series 2018 Bonds pursuant to the Indenture.

The Borrower agrees in the Loan Agreement to maintain or cause to be maintained at all times during construction of the Series 2018 Project and the Series 2018 Offsite Elements in full force and effect: (i) builder's risk-completed value form insurance insuring all buildings, structures, boilers, equipment, facilities, fixtures, supplies and other property constituting part of the Series 2018 Project and the Series 2018 Offsite Elements on an "all risk of loss or damage basis" subject to standard exclusions and sub-limits including perils of earth movement, (including, but not limited to, earthquake, landslide and subsidence), flood, windstorm, collapse, boiler and machinery accidents, strikes, riot, civil commotion and sabotage to the full replacement cost of the Series 2018 Project except for flood/water damage coverage which each shall have a sub-limit of twenty-five million dollars ($25,000,000) with a deductible provision not to exceed one-hundred thousand dollars ($100,000) and earth movement/earthquake coverage which shall have a sublimit of twenty-five million dollars ($25,000,000) with the lowest commercially available deductible provisions, but in any case with deductibles not to exceed 5% of value at risk; (ii) commercial general liability insurance on an occurrence basis for liability of the general contractor or the Borrower, as an additional insured, arising out of claims for bodily injury and/or property damage; (iii) commercial automobile liability insurance for the liability of the general contractor arising out of claims for bodily injury and/or property damage covering all owned (if any), leased, hired, and non-owned vehicles used in the performance of the general contractor's obligations under the Construction Contract with a minimum limit of $1,000,000 each accident for combined bodily injury and property damage and including personal injury protection and uninsured motorist protection in the minimum statutory limits where required by law; (iv) worker's compensation insurance as required by applicable state law with statutory limits; (v) employers' liability insurance for liability of the general contractor arising out of injury to or death of the general contractor's employees, with a minimum limit of $1,000,000 per accident; and (vi) excess or umbrella liability insurance on an occurrence basis (on at least a following form basis) in excess of the underlying insurance described in this paragraph with a twenty-five million dollars ($25,000,000) combined bodily injury, death and property damage minimum limit per occurrence and a twenty-five million dollars ($25,000,000) aggregate; all as subject to the requirements contained in the Loan Agreement.

The Borrower also agrees in the Loan Agreement to keep or cause to be kept the Series 2018 Housing Project continuously insured against such risks as are customarily insured against with respect to facilities of like size and type, as recommended by an Insurance Consultant, including, but not limited to: (a) the insurance policies required under the 2018 Ground Lease (including (i) property damage insurance on an "all risk or special form" basis; (ii) business auto liability insurance; (iii) commercial general liability insurance; (iv) excess/umbrella liability; and (v) workers' compensation insurance; all as more particularly described in the 2018 Ground Lease); and (b) commencing on the Series 2018 Completion Date, business interruption insurance (also referred to as "business income" or "loss of rents insurance") covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in, the operation of the Series 2018 Housing Project caused by damage or destruction insured under the property casualty insurance required under the 2018 Ground Lease in an amount not less than Annual Debt Service on the Series 2018 Bonds for the next succeeding twenty-four (24) months (the deductible provisions for such business interruption insurance shall not exceed thirty (30) days per occurrence) or such greater amount as may be approved in writing by the Ground Lessor. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE LOAN AGREEMENT—Acquisition, Construction, Furnishing and Equipping of the Series 2018 Project."

The Loan Agreement requires that earth movement/earthquake insurance on the Series 2018 Project be maintained during the construction of the Series 2018 Project. Other than during construction, the Loan Agreement does not require earth movement/earthquake insurance to be maintained with respect to the Series 2018 Project, and neither the Borrower nor The Regents has obtained or plans to obtain or maintain such coverage for any completed portion of the Series 2018 Project. See "INVESTMENT CONSIDERATIONS—Seismic Risks and Other Disasters."

Additional Bonds

The Indenture defines "Additional Bonds" as any additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of the Indenture. The Indenture provides that, so long as no Event of Default under the Indenture is then existing, Additional Bonds may be issued by the Issuer upon the written request of the Borrower to provide funds to pay any one or more of the following: (i) the costs of completing, renovating or expanding the Project (including the Series 2018 Project) and Offsite Elements, (ii) the costs of refunding any Bonds (including the Series 2018 Bonds) and (iii) in each such case, the costs of the issuance and sale of the Additional Bonds and capitalized or funded interest for such period and such other costs reasonably related to the financing as shall be agreed upon by the Borrower and the Issuer. Any such Additional Bonds hereafter issued will be secured by the lien and security interests granted by the Leasehold Deed of Trust equally and ratably with the Series 2018 Bonds and any other Additional Bonds hereafter issued, and will be payable from the Bond Fund and the Redemption Fund. The Indenture also requires an amount equal to the amount, if any, needed to qualify such Additional Bonds for the additional security of the Financing Trust Agreement in accordance therewith to be deposited into a subaccount of the Liquidity Account.

The Indenture provides that no Additional Bonds may be issued without written confirmation from each Rating Agency then providing an underlying rating on the Outstanding Bonds that the issuance of such Additional Bonds will not result in the underlying rating on the Outstanding Bonds being below Baa3 (or the equivalent rating).

Further, no Additional Bonds may be issued pursuant to the Indenture unless and until there is furnished to the Bond Trustee either: (i) a certificate of the chief financial officer of the Borrower confirming that (A) for the Fiscal Year immediately preceding the issuance of such Additional Bonds the Fixed Charges Coverage Ratio was at least 1.2:1.0 and (B) based on a written report of a Financial Consultant accompanying such certificate, the Fixed Charges Coverage Ratio for the first full Fiscal Year following completion of improvements to the Project financed with the proceeds of such Additional Bonds is reasonably expected to be at least 1.2:1.0; or (ii) a certificate of the chief financial officer of the Borrower confirming that (A) such Additional Bonds are issued in order to refund Bonds previously issued, and (B) following the issuance of such Additional Bonds, Annual Debt Service of the Bonds shall be reduced.

The Regents does not expect to finance the North District Phase I Project (described under "THE UNIVERSITY OF CALIFORNIA, RIVERSIDE") with Additional Bonds issued under the Indenture. See, however, "Pledge and Assignment of Financing Trust Estate" above.

Rate Covenant

The Borrower has covenanted and agreed in the Loan Agreement to operate the Project (excluding the Series 2018 Dining Project) as a revenue producing student housing facility, parking and related facilities, and to the extent permitted by law and by the Ground Lease (including the 2018 Ground Lease), to charge such fees and rates for its facilities and services and to exercise such skill and diligence as will provide Revenue Available for Fixed Charges, together with other available funds, sufficient to pay promptly all expenses of operation, maintenance and repair of the Project (excluding the Series 2018 Dining Project), to provide all payments required to be made by the Borrower under the Loan Agreement and to maintain the Fixed Charges Coverage Ratio of at least 1.2:1.0.

The Loan Agreement provides that such rates, fees and charges in each Fiscal Year beginning with the Fiscal Year ending June 30, 2021 shall be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.2:1.0. The Loan Agreement also provides that, in the event that, based upon the financial statements of the Borrower required by the Loan Agreement, for any Fiscal Year, such Fixed Charges Coverage Ratio was not maintained at a level of at least 1.15:1.0, such failure shall not constitute an Event of Default so long as the Borrower will: (i) promptly (and in no event later than 30 days after such determination) employ a Financial Consultant to submit (not later than 30 days after commencing such employment) a report of such firm containing recommendations as to changes in the operating policies of the Borrower designed to maintain such Fixed Charges Coverage Ratio and (ii) promptly follow such recommendations to the extent permitted by law and by the Ground Lease. Notwithstanding the retention of a Financial Consultant, an Event of Default shall occur under the Loan Agreement, if the Fixed Charges Coverage Ratio is less than 1.0:1.0 as of the end of any Fiscal Year.

The Borrower also is required under the Loan Agreement, from time to time as often as necessary and to the extent permitted by law and the Ground Lease (including the 2018 Ground Lease), to revise the rates, fees and charges aforesaid in such manner as may be necessary or proper so that the Revenue Available for Fixed Charges will be sufficient to meet the requirements of the Loan Agreement, and further, in order to comply with provisions of the Loan Agreement, to take all action within its power to obtain approvals of any regulatory or supervisory authority to implement any rates, fees, and charges required by the Loan Agreement.

See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE LOAN AGREEMENT—Rate Covenant."

Enforceability of Remedies

The realization of value from the real and personal property comprising the Project (including the Series 2018 Project) and from the other security for the Bonds (including the Series 2018 Bonds) upon any default will depend upon the exercise of various remedies specified by the Bond Documents and the other agreements described herein. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. See "INVESTMENT CONSIDERATIONS—Limited Scope of Deed of Trust Lien; Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws) herein."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2018 Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2018 Bonds maturing on May 15, 2048 with CUSIP number 13049YCK5 (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix I to this Official Statement. See APPENDIX I—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2018 Bonds generally or the Insured Bonds in particular, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2018 Bonds generally and, in particular, the Insured Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the Issuer with respect to the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $524 million, $104.1 million and $419.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2018 Bonds generally or the Insured Bonds in particular or the advisability of investing in the Insured Bonds or any of the Series 2018 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under this heading (i.e., "BOND INSURANCE") and in APPENDIX I—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g., general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the Issuer, the Borrower, The Regents or the Underwriters, and none of the Issuer, the Borrower, The Regents or the Underwriters assumes any responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Insured Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2018 Bonds, whether at the initial offering or otherwise.

THE DEVELOPER

General

The Developer, ACC SC Development (California) LP, a limited partnership duly organized and validly existing under the laws of the State of Delaware and authorized to do business in the State of California, is an indirect wholly owned subsidiary of ACC. ACC was founded in October of 1993 and is now a publicly traded corporation on the New York Stock Exchange which has as its business student housing. ACC became the first publicly traded student housing REIT. The company is traded on the New York Stock Exchange under the symbol "ACC". Since 1996, ACC has developed more than $7.2 billion in properties for its own account and its university clients, and it has acquired in excess of $6.3 billion in student housing assets. As of the present date, ACC has developed or been awarded the development of approximately 134 privatized student housing facilities, consisting of more than 98,200 student beds. Corporate headquarters are located in Austin, Texas. ACC has designed and programmed the full range of contemporary student communities including modern-day residence halls (traditional and full-service), and all styles of apartments and mid-and high-rise communities.

The Developer is an affiliate of the Manager. See "THE MANAGER" herein.

Development Agreement

The Borrower will engage the Developer to develop the Series 2018 Project and serve as construction manager pursuant to a Development Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "Development Agreement"). The Developer will agree to use commercially reasonable efforts to complete the Series 2018 Dining Project by August 8, 2020 (as such date may be amended or extended from time to time in accordance with the Development Agreement) and the Series 2018 Housing Project by September 19, 2020 (as such date may be amended or extended from time to time in accordance with the Development Agreement). In the event that substantial completion of the Series 2018 Housing Project is not achieved by the date a resident or residents are to occupy in accordance with the applicable housing contract or housing contracts, then the Developer will be obligated to provide alternative housing, transportation and other specified services to those students who have executed leases for units in the Series 2018 Housing Project and are unable to take occupancy until such time as substantial completion of the unit(s) is achieved (collectively, the "Alternate Services"), as further provided and subject to the limitations set forth in the Development Agreement. In addition, in the event that substantial completion of the Series 2018 Dining Project is not achieved by August 8, 2020 (as such date may be amended or extended from time to time in accordance with the Development Agreement), and provided all obligations to provide Alternative Services have been satisfied, the Developer will pay, as liquidated damages, a per diem amount of $25,000 until such time as substantial completion of the Series 2018 Dining Project is achieved, subject to the limitations set forth in the Development Agreement.

The Borrower will pay the Developer for its services under the Development Agreement (i) a Development Fee in the amount of $3,770,000 and (ii) a Construction Management Fee in the amount of $1,235,000. Such fees, together with reasonable and necessary reimbursable expenses included in the approved budget, are payable solely out of proceeds of the Bonds. At the time final payment is made under the Construction Contract (as defined below), the Developer shall earn and be paid a cost savings fee equal to 33% of the Savings (as defined in the Construction Contract), to be paid by the Borrower at the same time as the General Contractor's share of the Savings is due and payable. Twenty-five percent (25%) of any Construction Contingency (as defined in the Development Agreement) remaining following completion of construction of the Series 2018 Project and following payment of all construction and development costs and any costs of providing Alternate Services or liquidated damages shall also be payable to the Developer.

The Developer is required to maintain during construction of the Series 2018 Project, in its own name and at its own expense, professional liability insurance, commercial general liability insurance and worker's compensation insurance.

In performing its duties under the Development Agreement, the Developer serves as construction manager to enforce, on behalf of the Borrower, the contracts with the Architect and the General Contractor as described herein under the captions "THE ARCHITECT" and "THE CONSTRUCTION CONTRACT AND THE GENERAL CONTRACTOR."

THE MANAGER

General

ACC SC Management (California) LP, a Delaware limited partnership (the "Manager") will manage the Series 2018 Housing Project.

As of September 30, 2018, ACC and its affiliates managed 202 student housing communities, containing more than 131,855 beds, with an overall occupancy rate of approximately 97%. A list of student housing communities managed by ACC or its affiliates is available at www.americancampuscommunities.com. The referenced information from the ACC website is not intended to be incorporated in this Official Statement by this reference. The Manager is an indirect, wholly-owned subsidiary of ACC and is an affiliate of the Developer. **The obligations of the Manager with respect to the Series 2018 Housing Project are not guaranteed by ACC.** For information regarding ACC and the Developer, see "THE DEVELOPER" herein.

Management Agreement

The Borrower will engage the Manager to manage, operate and lease the Series 2018 Housing Project pursuant to a Management Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "Management Agreement"). Under the Management Agreement, the Manager is responsible for (a) hiring, training and overseeing the on-site manager and on-site maintenance personnel; (b) preparing and providing a marketing program for the Series 2018 Housing Project and supervising the implementation of the marketing program; (c) preparing and executing housing contracts and assigning rooms; (d) in cooperation with The Regents as Ground Lessor under the 2018 Ground Lease, hiring, training and overseeing student staff; (e) negotiation and execution of utilities and other service contracts for the Series 2018 Housing Project; (f) preparing an annual budget describing in detail all of the revenue and expenses entailed in the operation and maintenance of the Series 2018 Housing Project and all planned capital expenditures for the Series 2018 Housing Project, and the submission of the same to the Borrower for approval; (g) collection of all rents and other charges due for services provided in connection with the use or occupancy of the Series 2018 Housing Project; (h) assuring proper scheduled maintenance of the Series 2018 Housing Project; (i) paying operating expenses of the Series 2018 Housing Project; and (j) maintaining records, books and accounts related to the Series 2018 Housing Project, and providing the Borrower with monthly budget reconciliations and an annual financial statement. The Management Agreement permits the Manager to delegate certain marketing, licensing, and lease-up services to The Regents. The Manager expects to delegate such services at closing pursuant to the Marketing and Licensing Agreement (see "Marketing and Licensing Agreement" below).

The Management Agreement requires the Manager to manage, operate and maintain the Series 2018 Housing Project in compliance with the standards, rules and procedures outlined within the 2018 Ground Lease. All employees necessary or appropriate to the implementation of the terms of the Management Agreement will be employed pursuant to the Management Agreement. As provided in the Management Agreement, the Manager will be paid a monthly amount (the "Base Management Fee") of two percent (2%) of all occupancy receipts allocable to housing received for a month. Additionally, the Management Agreement provides that the Manager will be paid annually from the Distributed Management Fee Fund, in accordance with the Indenture and the Management Agreement, one and one half percent (1.5%) of the occupancy receipts allocable to housing received during such Lease Year.

The Management Agreement does not prohibit the Manager or its affiliates from engaging in, or possessing an interest in, any other project and ventures, even if such other project or ventures compete with the Series 2018 Housing Project. Notwithstanding the potentially competitive nature of such other project or ventures, the Manager agrees in the Management Agreement to manage the Series 2018 Housing Project in good faith at all times.

The primary term of the Management Agreement will terminate on June 30, 2025, unless terminated earlier in accordance with the provisions thereof. At the expiration of the primary term, the Management Agreement will automatically renew for successive one-year terms, unless on or before 120 days prior to the expiration of any such period or any extension thereof, either the Borrower or the Manager shall notify the other in writing that it elects to terminate the Management Agreement, in which case the Management Agreement shall be thereby terminated on the last day of such period. The Borrower may, after obtaining any necessary approvals pursuant to the 2018 Ground Lease, with consent or direction from the Ground Lessor, terminate the Management Agreement at any time, without cause, by providing one hundred eighty (180) days written notice to the Manager and the payment of certain termination fees described in the Management Agreement. The Manager and the Borrower also have the right to terminate the Management Agreement for cause upon the occurrence of certain events described in the Management Agreement. The Manager and the Borrower may materially modify or amend, with the approval of the Ground Lessor, the Management Agreement at any time.

Replacement of the Manager

In the Loan Agreement, the Borrower agrees that if the initial Manager shall cease to serve as Manager, the Borrower will promptly employ and at all times thereafter employ as Manager either UC Riverside or a recognized manager of student housing facilities that then manages, and shall have for the past five years managed, at least 5,000 beds of student housing facilities. The Borrower also agrees that the Manager may be replaced, upon the prior written approval of the Ground Lessor, if (i) the Fixed Charges Coverage Ratio (excluding, until after the Series 2018 Completion Date, Revenues and Fixed Charges relating to the Series 2018 Project) is not at least 1.0:1.0 for any Fiscal Year or 1.2:1.0 for two consecutive Fiscal Years, as shown in the financial statements of the Borrower related to the Project required under the Loan Agreement, (ii) the Annual Average Occupancy Percentage of the Project falls below 80% for two consecutive Fiscal Years or (iii) the Borrower has the right to terminate the Manager for cause under the Management Agreement. Pursuant to the Loan Agreement, prior to entering into a contract with a successor Manager, the Borrower is required to first deliver to the Bond Trustee an opinion of Bond Counsel to the effect that the terms of the proposed Management Agreement will not cause the interest on Outstanding Tax-Exempt Bonds to be included in gross income for federal income tax purposes. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE LOAN AGREEMENT—Covenant Regarding Manager."

Marketing and Licensing Agreement

As permitted under the Management Agreement, the Manager expects to enter into a Marketing and Licensing Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "Marketing and Licensing Agreement"), with The Regents (acting on behalf of UC Riverside) for an initial term of five (5) years commencing on the Commencement Date (i.e., July 1, 2020), subject to earlier termination, whereby The Regents will assume certain delegated responsibilities of the Manager under the Management Agreement in connection with the marketing and leasing of beds in the Series 2018 Housing Project to eligible tenants in accordance with the 2018 Ground Lease.

Specific obligations to be assumed by The Regents include coordination of initial rent-up of the Series 2018 Housing Project, design and implementation of a residential life and housing administration program and the hiring, training and overseeing of personnel, including resident advisors. As an expense of the Series 2018 Project, The Regents will be paid an annual fee, subject to annual increase, to compensate The Regents for providing services to the Series 2018 Project under the Marketing and Licensing Agreement.

The Marketing and Licensing Agreement states that the Borrower and the Bond Trustee are intended third-party beneficiaries of the agreement and that they and their respective successors and assigns shall be entitled to rely upon the covenants and agreements therein and to seek enforcement in the event of any nonperformance thereunder.

THE UNIVERSITY AND THE REGENTS

The University of California (the "University"), established in 1868, is the public institution of higher education designated by the State of California in its master plan for higher education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. The Constitution of the State of California provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California" ("The Regents"), which is vested with full powers of organization and government, subject only to such legislative control as may be necessary to ensure the security of its funds and compliance with the terms of the endowments of the University and such competitive bidding procedures as may be made applicable to the University by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods and services.

For additional information, see APPENDIX B—"THE UNIVERSITY OF CALIFORNIA."

The audited Annual Financial Report of the University for the year ended June 30, 2018 is contained in Appendix C. The Annual Financial Report should be read in its entirety. See APPENDIX C—"THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018."

The information contained in Appendices B and C describes, among other things, funds and assets of The Regents. None of the funds and assets of The Regents are pledged as security for the Series 2018 Bonds.

Pursuant to the Dining Facility Agreement, The Regents is obligated to pay a Dining Facility Usage Fee, the proceeds of which will be applied toward repayment of a portion of the Series 2018 Bonds. See "THE DINING FACILITY AGREEMENT" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Dining Facility Usage Fee" herein.

The Regents also will enter into the Marketing and Licensing Agreement for an initial term of five (5) years commencing on the Commencement Date (i.e., July 1, 2020), subject to earlier termination, whereby The Regents (acting on behalf of UC Riverside) will assume certain delegated responsibilities of the Manager under the Management Agreement in connection with the marketing and leasing of beds in the Series 2018 Housing Project to eligible tenants. See "THE MANAGEMENT AGREEMENT AND THE MARKETING AND LICENSING AGREEMENT" herein.

THE UNIVERSITY OF CALIFORNIA, RIVERSIDE

General

The University of California, Riverside ("UC Riverside") is a campus of the University, located in the City of Riverside, California (the "City"). UC Riverside was first established as the Citrus Experiment Station for the University in 1914. In 1954, UC Riverside was established as the fifth general campus in the University of California system. UC Riverside offers undergraduate, graduate and professional level study. UC Riverside is located on approximately 1,200 acres within the City at the geographical center of Inland Southern California, approximately 50 miles east of Los Angeles and 100 miles north of San Diego.

Enrollment

The following table shows student enrollment levels at UC Riverside for the last five full academic years. The three-term average figures indicate average enrollment levels for the fall, winter and spring terms for each academic year listed and include both general campus and health sciences enrollments.

	Freshmen	Undergraduate[1]		Graduate[2]	
Academic Year	Fall	Fall	Three-Term Average	Fall	Three-Term Average
2013-14	4,201	18,621	17,941	2,664	2,557
2014-15	4,279	18,782	18,032	2,805	2,692
2015-16	4,029	18,608	17,938	2,931	2,817
2016-17	5,358	19,799	19,059	3,122	2,989
2017-18	4,599	20,069	19,505	3,209	3,075

(1) The Undergraduate category includes post baccalaureates.
(2) The Graduate category includes students in graduate academic programs, professional programs, and self-supporting degree programs. It does not include medical interns or residents.

Freshmen enrollment totaled 4,530 in Fall 2018, a decrease of approximately 1.5% from Fall 2017. Both this decrease in freshmen enrollment and the Fall 2017 decrease (as compared to Fall 2016, as reflected in the table above) were the result of a University-wide strategy to reach a 2:1 ratio of new freshmen to new transfer students. As a result of this strategy, transfer enrollment increased to 1,916 for Fall 2018 as compared to 1,368 for Fall 2017, an approximately 40% increase. Moreover, overall new student enrollment (freshmen and transfer students) increased to 6,446 for Fall 2018, an approximately 8% increase over new student enrollment of 5,967 for Fall 2017. UC Riverside's targets for enrollment for Fall 2019 are approximately 4,600 for freshmen and 6,700 for all new students.

Housing

Current housing at UC Riverside consists of residence halls intended primarily for freshmen students and student apartments available to continuing undergraduate students, transfer students and graduate students. For Academic Year 2017-18, such housing included (i) three University-owned undergraduate residence hall communities ranging in size from 1,000 to 1,390 beds and totaling 3,420 beds in aggregate, (ii) four University-owned on-campus undergraduate and graduate apartment complexes totaling 2,424 beds in aggregate, (iii) one University-owned on-campus undergraduate and graduate family apartment complex that houses approximately 134 students and 246 non-students (dependents, spouses, partners, etc.) and (iv) two non-University-owned student residential communities, developed through prior third-party public-private partnerships, totaling 586 beds in aggregate. Approximately 28% of UC Riverside students lived on campus in Fall 2017.

Rental rates ranged from $15,165 to $17,865 (including room and board) per academic year per student in University-owned undergraduate residence halls, $310 to $1,220 per month per student in University-owned undergraduate and graduate apartments, and $925 to $950 per month per apartment in University-owned undergraduate and graduate family apartments in Fall 2017. Occupancy rates in both University-owned residence halls and apartments averaged over 98% in each of the Academic Years 2013-14 through 2017-18.

In each of Academic Years 2013-14 through 2017-18, the collection rate for all University-owned on-campus student housing payments averaged approximately 98%.

Although UC Riverside does not require any of its students to live on campus, it does offer guaranteed housing to new freshmen and transfer students. The residence halls have not had any capacity for additional students other than new freshmen and transfers and student staff. The apartments provide priority to any resident renewing their housing contracts and any on-campus beds remaining are offered to other returning undergraduate students who have applied to be on a wait-list. Each year, approximately 2,500 to 3,500 returning undergraduate students put themselves on a housing wait-list for University-owned communities. In these communities, there tend to be approximately 1,300 to 1,700 beds available for non-guaranteed returning undergraduate student applicants. On-campus housing for undergraduate and graduate students with families is assigned on a first-come, first-served basis.

Over the last five academic years (through and including 2017-18), non-residence hall housing available for UC Riverside students has increased by approximately 7%. In Fall 2014, 800 new apartment beds were added. In Fall 2016, an old 266-unit family housing complex was closed for demolition and a 320-bed single student apartment complex was converted into family housing, resulting in a net decrease of approximately 450 beds.

In Fall 2017, approximately 4,600 freshmen enrolled at UC Riverside and approximately 72% of those freshmen lived on campus. Over the last five full academic years (through and including 2017-18), the number of new freshmen increased approximately 12.5%, but the residence hall space available to house such students only increased by approximately 10%, with such increase accomplished through the conversion of double occupancy rooms to triple occupancy rather than through the introduction of new housing facilities. In Fall 2018, UC Riverside again used converted space in order to meet freshmen demand, converting approximately 490 double occupancy rooms to triple occupancy and converting several lounge spaces into quad occupancy rooms for the current academic year. Upon completion of the Series 2018 Housing Project, The Regents expects to convert all previously-converted triple occupancy and quad occupancy spaces back to double occupancy rooms or lounge spaces, as applicable.

In addition to the Series 2018 Project, The Regents expects to proceed with the development of approximately 4,000 to 6,000 additional beds and related facilities on-campus at UC Riverside. The anticipated development, currently known as the North District, is intended primarily for undergraduate (non-freshmen) students and is expected to proceed in several phases over a period of several years. The first phase of the development is anticipated to consist of approximately 1,500 beds, in apartment style housing, and associated parking (collectively, the "North District Phase I Project") located on-campus at UC Riverside. The Regents expects the North District Phase I Project to commence construction during 2019, with affiliates of ACC (the parent company of the Developer and the Manager for the Series 2018 Project) also serving as developer and manager of the project, and to be completed in time for occupancy for Fall 2021. The cost of developing the North District Phase I Project has not been determined. The Regents does not expect that Additional Bonds will be issued under the Indenture with respect to the North District Phase I Project, but The Regents does anticipate that the bonds expected to be issued in 2019 to finance the North District Phase I Project will be FTA-Secured Bonds under the Financing Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge and Assignment of Financing Trust Estate" herein. The timing, design, cost and method of financing the other phases of this development have not yet been determined.

See APPENDIX A—"THE SERIES 2018 PROJECT—Existing On-Campus Student Housing" for additional information regarding current on-campus housing at UC Riverside.

The Bond Documents permit the Borrower to develop, operate and/or own additional on- and off-campus housing for UC Riverside. See "INVESTMENT CONSIDERATIONS—Competing Facilities and Rental Market Considerations" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The schedule below contains the estimated sources and uses of funds resulting from the sale of the Series 2018 Bonds:

SOURCES OF FUNDS:	
Par Amount of the Series 2018 Bonds	$145,850,000.00
Net Original Issue Premium	11,041,289.00
TOTAL SOURCES OF FUNDS	$156,891,289.00
USES OF FUNDS:	
Deposit to Construction Fund[(1)]	$130,311,342.81
Deposit to Capitalized Interest Account[(2)]	14,856,929.43
Deposit to Working Capital and Marketing Fund	150,000.00
Issuance Costs[(3)]	2,503,016.76
Transfer to Master Trustee for Deposit to UCR Bonds Pooling Subaccount	9,070,000.00
TOTAL USES OF FUNDS	$156,891,289.00

(1) Pursuant to the Indenture, amounts remaining in the Construction Fund after the Series 2018 Completion Date may be transferred to various other funds.

(2) Funds deposited in the Capitalized Interest Account are calculated to be sufficient, together with certain investments earnings, to pay interest on the Series 2018 Bonds through March 1, 2021.

(3) Issuance Costs include Underwriters' discount, premium for the Policy, legal fees, printing costs, fees of the Issuer, the Bond Trustee, the rating agency and other miscellaneous costs.

DEBT SERVICE

The following table shows the scheduled principal and interest requirements on the Series 2018 Bonds.

Fiscal Year Ending June 30	Series 2018 Debt Service Principal	Interest[(1)]	Total
2019	-	$ 2,919,543	$ 2,919,543
2020	-	6,960,500	6,960,500
2021	-	6,960,500	6,960,500
2022	$ 1,910,000	6,960,500	8,870,500
2023	2,200,000	6,865,000	9,065,000
2024	2,315,000	6,755,000	9,070,000
2025	2,425,000	6,639,250	9,064,250
2026	2,550,000	6,518,000	9,068,000
2027	2,675,000	6,390,500	9,065,500
2028	2,810,000	6,256,750	9,066,750
2029	2,950,000	6,116,250	9,066,250
2030	3,095,000	5,968,750	9,063,750
2031	3,250,000	5,814,000	9,064,000
2032	3,410,000	5,651,500	9,061,500
2033	3,580,000	5,481,000	9,061,000
2034	3,760,000	5,302,000	9,062,000
2035	3,955,000	5,114,000	9,069,000
2036	4,150,000	4,916,250	9,066,250
2037	4,360,000	4,708,750	9,068,750
2038	4,575,000	4,490,750	9,065,750
2039	4,800,000	4,262,000	9,062,000
2040	5,045,000	4,022,000	9,067,000
2041	5,295,000	3,769,750	9,064,750
2042	5,560,000	3,505,000	9,065,000
2043	5,840,000	3,227,000	9,067,000
2044	6,130,000	2,935,000	9,065,000
2045	6,375,000	2,689,800	9,064,800
2046	6,630,000	2,434,800	9,064,800
2047	6,895,000	2,169,600	9,064,600
2048	7,170,000	1,893,800	9,063,800
2049	7,455,000	1,607,000	9,062,000
2050	7,830,000	1,234,250	9,064,250
2051	8,225,000	842,750	9,067,750
2052	8,630,000	431,500	9,061,500
Total	$ 145,850,000	$ 151,813,043	$ 297,663,043

(1)Includes amounts to be paid from capitalized interest. See "ESTIMATED SOURCES AND USES OF FUNDS."

THE 2018 GROUND LEASE

Pursuant to the 2018 Ground Lease, The Regents has leased the Series 2018 Project Site to the Borrower for a period commencing on the date of issuance of the Series 2018 Bonds and expiring on the earlier of (i) the 45th anniversary of such date at 12:00 midnight or (ii) 12:00 midnight of the day preceding the first day of the month following final redemption or defeasance of all of the Bonds and satisfaction of any and all amounts due under the Loan Agreement or the Indenture, subject to automatic extension if amounts remain due to The Regents. Under no circumstances, shall the term of the 2018 Ground Lease exceed 50 years. The 2018 Ground Lease is also subject to certain early termination rights of The Regents related to events of default and untimely completion of the Series 2018

Project, as provided in the 2018 Ground Lease. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE GROUND LEASE" for a summary of the 2018 Ground Lease.

The Borrower may assign or transfer its interest in the Series 2018 Project and/or the Series 2018 Project Site only with the prior written consent of The Regents, which consent is not to be unreasonably withheld. The Borrower's interest in the Project is also subject to an exclusive option to purchase granted to The Regents in the 2018 Ground Lease. The Regents may exercise the option to purchase with respect to the entire interest of the Borrower in the Project or the Borrower's interest in the Series 2018 Dining Project. The Regents' option to purchase, effective no earlier than the tenth year following the Effective Date (as defined in the 2018 Ground Lease), may be exercised by providing appropriate notice. If the option to purchase is exercised with respect to the Borrower's interest in the entire Project, the purchase price shall be equal to: (i) all amounts due under the Bond Documents, (ii) costs of defeasance or any premium payable on such indebtedness, (iii) all interest accrued or to accrue on such indebtedness through the date of payment of such indebtedness and (iv) closing costs. If the option to purchase is exercised with respect to the Borrower's interest in the Series 2018 Dining Project, the purchase price shall be equal to (i) all amounts due under the Bond Documents solely with respect to the Series 2018 Dining Project, (ii) costs of defeasance or any premium payable on such indebtedness, (iii) all interest accrued or to accrue on such indebtedness through the date of payment of such indebtedness and (iv) closing costs. Upon exercise of the option, title to the Project or the Series 2018 Dining Project, as applicable, will be conveyed to The Regents, subject only to Resident Leases, Permitted Encumbrances and all matters that would be disclosed by an accurate survey and inspection of the Project or the Series 2018 Dining Project, as applicable.

The occurrence of any of the following will constitute an event of default on the part of the Borrower under the 2018 Ground Lease:

(i) The Borrower shall fail to pay the rent or additional rent due thereunder at the times specified in the 2018 Ground Lease, and such failure shall continue for 15 days after written notice from The Regents.

(ii) The Borrower shall fail to correct any Operating Deficiency (as defined in the 2018 Ground Lease) within the periods provided for in the 2018 Ground Lease.

(iii) Except to the extent caused by Force Majeure, the Borrower shall fail to perform or cause to be performed any other term, covenant, condition or provision of the 2018 Ground Lease and shall fail to correct such failure within 30 days after written notice specifying such is given to the Borrower by The Regents. In the case of any such failure that cannot with due diligence be corrected within such 30 day period, but can be wholly corrected within a period of time not materially detrimental to the rights of The Regents, it will not constitute an event of default thereunder if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure shall be corrected.

(iv) The Borrower shall be adjudicated a bankrupt.

(v) A permanent receiver shall be appointed for the Borrower's interest in the Premises and such receiver shall not be removed within 90 days after notice from The Regents to the Borrower to obtain such removal.

(vi) The Borrower shall voluntarily take advantage of any debtor relief proceedings under any present or future law whereby rent due under the 2018 Ground Lease or any part thereof shall be reduced or payment thereof deferred or shall become subject to any such involuntary proceedings and said involuntary proceedings shall not be dismissed within 90 days after notice from The Regents to the Borrower to obtain such dismissal.

(vii) The Borrower shall make a general assignment for the benefit of creditors.

(viii) The Premises (as defined in the 2018 Ground Lease) or the Borrower's effects or interests therein shall be levied upon or attached under process against the Borrower, and the same shall not be satisfied or dissolved within 90 days after notice from The Regents to the Borrower to obtain satisfaction or dissolution thereof.

(ix) A default shall have occurred and continued beyond any applicable notice and cure periods under any of the Construction Documents (as defined in the 2018 Ground Lease).

(x) An event of default by the Borrower shall have occurred pursuant to any of the Bond Documents and the Bond Trustee shall have provided written notice of such event of default and its intent to exercise its remedies pursuant to the Bond Documents.

Upon the occurrence of any of the foregoing events of default, The Regents will, subject to the provisions of the 2018 Ground Lease, have the right to (i) upon 90 days written notice and opportunity to cure provided to the Bond Trustee, terminate the 2018 Ground Lease immediately upon written notice to the Borrower and thereafter, to the extent permitted by law, without legal process, enter on and take possession and control of the Premises to the complete exclusion of the Borrower, and The Regents may demand, collect and retain all payments due from occupants of the Premises, and may otherwise treat and occupy the Premises as if the 2018 Ground Lease had expired of its own limitation, or (ii) without terminating the 2018 Ground Lease, re-let the Premises (upon obtaining the written consent of the Bond Trustee) and collect from the Borrower the reasonable costs and expenses of re-letting, repairing and altering the Premises.

Notwithstanding the foregoing termination rights of The Regents, if The Regents elects to terminate the 2018 Ground Lease upon the occurrence of an Event of Default, the Leasehold Deed of Trust Trustee shall be entitled to extend the date of termination for a limited time in order to allow it to acquire the Borrower's interest in the real property underlying the Series 2018 Housing Project as set forth in the 2018 Ground Lease by foreclosure or otherwise, provided that during such time, the Leasehold Deed of Trust Trustee shall pay rent and other charges required under the 2018 Ground Lease during such period. If the 2018 Ground Lease shall be terminated due to any Event of Default, the Leasehold Deed of Trust Trustee will have the option, but not the obligation, to enter into a lease of the real property underlying the Series 2018 Housing Project with The Regents at the same rent and upon the same terms and conditions contained in the 2018 Ground Lease.

The Borrower's liability under the 2018 Ground Lease will be non-recourse, and The Regents' source of satisfaction of the Borrower's obligations will be limited to the Borrower's interest in the 2018 Ground Lease, the Premises, all personal property owned by Borrower and used in connection with the Series 2018 Project, and Net Available Cash Flow (as defined in the 2018 Ground Lease).

The Borrower will be obligated to maintain and repair the Series 2018 Housing Project as provided in the 2018 Ground Lease. The 2018 Ground Lease will require the Borrower to enter into a management agreement with the Manager that will provide for operation of the Series 2018 Housing Project. The 2018 Ground Lease will prohibit the Borrower from amending the Management Agreement or entering an agreement with a subsequent manager without the prior consent of The Regents.

Under the 2018 Ground Lease, the Borrower will be obligated, subject to Force Majeure (as defined in the 2018 Ground Lease) and eminent domain, to commence and pursue to final completion the construction of the Series 2018 Project in accordance with the Construction Documents (as defined in the 2018 Ground Lease) and the construction schedule set forth in the Construction Contract. If the Borrower does not deliver on schedule the number of student rooms contemplated in the Construction Documents, the Developer will be liable up to a maximum amount equal to the Development Fee of $3,770,000 pursuant to and subject to the Development Agreement to provide alternative housing and transportation to students who have executed Resident Housing Contracts (as defined in the 2018 Ground Lease) with respect to the Series 2018 Project but are unable to occupy such rooms due to non-completion of the Series 2018 Project. In addition, if the Borrower fails to diligently pursue completion of the Series 2018 Project or fails to achieve substantial completion of the Series 2018 Project by a certain date, as more fully provided in the 2018 Ground Lease, The Regents has certain early termination rights. See "THE DEVELOPER—Development Agreement" herein.

THE DINING FACILITY AGREEMENT

Concurrently with the issuance of the Bonds, the Borrower, as owner, will enter into a Dining Facility Agreement with The Regents, as operator. Pursuant to the Dining Facility Agreement, The Regents, as operator, will have the right to use and occupy that portion of the Project known and referred to as the Glasgow Dining Facility (i.e., the Series 2018 Dining Project). The Dining Facility Agreement will have a term commencing on the date of issuance of the Series 2018 Bonds and expiring on the earlier of (i) the date on which all Dining Facility Usage Fee payments have been paid or prepaid and The Regents have provided the Borrower written notice of termination of the Dining Facility Agreement, (ii) the date on which the 2018 Ground Lease terminates, (iii) 12:00 midnight on the first day of the first month following the final repayment, redemption or defeasance of the Series 2018 Bonds and satisfaction of any and all amounts due under the Loan Agreement or the Indenture, or (iv) the 45th anniversary of the Effective Date at 12:00 midnight.

Under the terms of the Dining Facility Agreement, The Regents will be required to pay the Dining Facility Usage Fee to the Borrower. The Dining Facility Agreement provides that The Regents' obligation to pay the Dining Facility Usage Fee under the Dining Facility Agreement is unconditional, including that such payment obligation is not contingent upon completion or occupancy of the Series 2018 Dining Project and that such obligation is not subject to abatement in the event of damage or destruction of the Series 2018 Dining Project.

If an event of default occurs by the Borrower pursuant to the Dining Facility Agreement, which events of default include, among other things, failure by the Borrower to perform its obligations under the Dining Facility Agreement, the Dining Facility Agreement does not permit The Regents to terminate the Dining Facility Agreement. The Regents' remedies if an event of default occurs by the Borrower under the Dining Facility Agreement are to perform the Borrower's obligations under the Dining Facility Agreement and obtain reimbursement from the Borrower for those actual expenses incurred by The Regents while performing such obligations, plus a one percent (1%) administrative fee along with any reasonable legal fees incurred by The Regents due to the default.

If an event of default occurs by The Regents, which events of default include, among other things, failure by The Regents to perform its obligations under the Dining Facility Agreement, the Dining Facility Agreement does not permit the Borrower to terminate the Dining Facility Agreement. The Borrower's sole remedies under the Dining Facility Agreement if an event of default occurs by The Regents are to: (i) perform The Regents' obligations under the Dining Facility Agreement and seek reimbursement from The Regents for such amounts, (ii) receive certain damages from The Regents and (iii) charge interest at a default rate.

Neither The Regents (except to certain affiliated entities) nor the Borrower (except to certain affiliated entities) is permitted to assign the Dining Facility Agreement without the prior written consent of the other party.

Pursuant to a Dining Facility Usage Fee Assignment Agreement, to be dated the date of issuance of the Series 2018 Bonds (the "Dining Facility Usage Fee Assignment Agreement"), between the Borrower and the Bond Trustee, the Borrower will unconditionally sell, assign and transfer to the Bond Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its rights to receive the Dining Facility Usage Fee paid by The Regents under the Dining Facility Agreement and the Dining Facility Usage Fee will be paid directly to the Bond Trustee for deposit in the Bond Fund.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Dining Facility Usage Fees" herein and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS—THE DINING FACILITY AGREEMENT" for a summary of the Dining Facility Agreement. See also "INVESTMENT CONSIDERATIONS—Limitation on Acceleration" herein.

THE CONSTRUCTION CONTRACT AND THE GENERAL CONTRACTOR

The Developer, acting as agent for the Borrower, expects to enter into a guaranteed maximum price construction contract (the "Construction Contract") with Benchmark Contractors, Inc., a California corporation ("Benchmark"), as the general contractor for the Series 2018 Project (the "General Contractor"), prior to the issuance of the Series 2018 Bonds. The General Contractor will enter into a guaranteed maximum price contract in an amount that will not cause the total amount of the Construction Fund to exceed $133,930,000. The guaranteed maximum price is subject to adjustment as provided in the Construction Contract. The Construction Contract requires the General Contractor to maintain or require the Borrower to maintain builder's risk insurance and a payment and performance bond on the construction portion of the Series 2018 Project. The Borrower and The Regents (as the Ground Lessor) are required to be named as additional insured on such policies. In accordance with the Construction Contract, construction is scheduled to commence in December 2018. The Construction Contract provides for completion of the Series 2018 Project in time for occupancy in Fall 2020 and for the payment of liquidated damages by the General Contractor for late completion of the Series 2018 Project, subject to the terms and conditions of the Construction Contract.

The General Contractor has been licensed in the State since 1984. The General Contractor is a wholly-owned subsidiary of Morley Builders, which commenced business in 1947. Morley Builders has been consistently ranked nationally in *Engineering New-Record*'s Top 400 Contractors. The firm's revenues were approximately $357 million in its fiscal year that ended on December 31, 2017. The firm estimates revenues in excess of approximately $410 million for its current fiscal year. Student housing and multi-family housing living units have been the General Contractor's core focus. The General Contractor has completed over approximately 13,000 residential units, including several projects at the University of California, Irvine. The General Contractor currently has over 1,600 living units under construction and over 1,800 living units in preconstruction.

THE ARCHITECT

Prior to the issuance of the Series 2018 Bonds, the Developer expects to enter into an agreement (the "Architect's Agreement") with Solomon Cordwell Buenz & Associates, Inc. (the "Architect") relating to the Series 2018 Project, pursuant to which the Architect will provide certain architectural and engineering services in connection with construction of the Series 2018 Project. The Architect is an 87-year-old, nation-wide architecture, planning, and interior design firm that specializes in the design of multi-family and higher education facilities with offices in Chicago and San Francisco. The Architect has completed approximately 55,000 units of multi-family residential across the United States and throughout the world and approximately 35,000 beds of student housing in the United States. In 2017, the Architect was ranked #44 by *Architectural Record* in their annual ranking of the Top 300 Architecture Firms. The Architect is licensed in the State.

INVESTMENT CONSIDERATIONS

In making investment decisions, investors must rely on their own investigations and evaluation of the merits of a particular investment; however, each investment has particular factors an investor should review and evaluate. The following is a summary, which does not purport to be comprehensive or definitive, of some of the factors an investor may want to consider before purchasing the Series 2018 Bonds. The following is intended only as a summary of certain risk factors attendant to an investment in the Series 2018 Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement, including, with respect to the Dining Facility Usage Fees payable by The Regents, APPENDIX C—"THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018." Investors should read APPENDIX C in its entirety. Inclusion of certain factors below is not intended to signify that there are not other investment considerations or risks attendant to the Series 2018 Bonds that are as material to an investment decision with respect to the Series 2018 Bonds that are otherwise described or referred to elsewhere herein.

Limited Security; Non-Recourse Obligations

THE SERIES 2018 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE, CALIFORNIA BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE SERIES 2018 BONDS ARE A LIMITED OBLIGATION OF THE ISSUER. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2018 BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE INDENTURE AND THE LOAN AGREEMENT AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE ISSUER) OR THE

UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2018 BONDS. THE ISSUANCE OF THE SERIES 2018 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR THE UNIVERSITY OR THE REGENTS OR THE CITY OF RIVERSIDE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

Neither the Foundation nor any limited liability company established by the Foundation (other than the Borrower) will have any obligation with respect to the Series 2018 Bonds or under the Loan Agreement or any of the other Bond Documents. The Borrower's obligations with respect to the Series 2018 Bonds are non-recourse. See "NO RECOURSE AGAINST BORROWER'S MEMBER AND OFFICERS" herein. The Borrower's ability to pay the principal of and interest on the Series 2018 Bonds may be adversely affected by its contractual obligations with respect to the Series 2018 Bonds and the Series 2018 Project, including requirements for payment by the Borrower pursuant to indemnity obligations under certain of the Bond Documents (as defined in the Indenture).

Reliance on The Regents' Payment of Dining Facility Usage Fees

Payments of the Dining Facility Usage Fee under the Dining Facility Agreement will constitute the security for the payment of a significant portion (approximately thirty-eight percent (38%)) of the principal of and interest on the Series 2018 Bonds. Payment of such amounts will be dependent upon the financial condition of The Regents. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Dining Facility Usage Fees" and "THE DINING FACILITY AGREEMENT" herein. For information related to The Regents, see "THE UNIVERSITY OF CALIFORNIA AND THE REGENTS," APPENDIX B—"THE UNIVERSITY OF CALIFORNIA" and APPENDIX C—"THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018." The Regents' financial information should be reviewed and carefully considered by prospective purchasers of the Series 2018 Bonds as a principal source for repayment of the Series 2018 Bonds.

If The Regents fails to make the required payments under the Dining Facility Agreement, such failure will have a material adverse effect on payment of principal and interest on the Series 2018 Bonds. It is highly unlikely that payment in full of the debt service on the Series 2018 Bonds will be made if The Regents fails to make such payments.

Competing Facilities and Rental Market Considerations

The Bond Documents do not contain any restrictions on the ability of The Regents or the Borrower to develop, operate or own facilities that could compete with the Series 2018 Housing Project for tenants. Any competing facilities, if so constructed, could materially adversely affect the occupancy and revenues of the Series 2018 Housing Project and, as a result, the ability of the Borrower to pay principal of and interest on the Series 2018 Bonds when due.

Additionally, the economic feasibility of the Series 2018 Housing Project depends in large part upon the ability of the Manager to attract sufficient numbers of residents to the Series 2018 Housing Project to achieve, and then, maintain, substantial occupancy throughout the entire term of the Series 2018 Bonds. The ability of the Manager to achieve, and then maintain, substantial occupancy for the entire term of the Series 2018 Bonds depends to some extent on factors outside of its control. Such factors include, but are not limited to, the following: competition (both from other on-campus housing and from off-campus rental units, whether now existing or constructed in the future), changes in enrollment at UC Riverside, changes in rates of commuting or telecommuting by students at UC Riverside, and perceived desirability of the Series 2018 Housing Project to prospective residents.

Moreover, the Series 2018 Housing Project will be subject to numerous University policies, such as the University Fair Wage Plan and the University Seismic Safety Policy, that may increase the operating costs with respect to the Series 2018 Housing Project and, as a result, hamper its ability to compete with other student housing facilities. See also "Prevailing Wage Coverage" below.

Reliance on Third-Parties by Borrower

The ability of the Borrower to generate sufficient revenues to meet its operating expenses, working capital needs and obligations on the Series 2018 Bonds is subject to many factors, including the capabilities of the Manager, the operation of the University (in particular UC Riverside) by The Regents and the performance by The Regents of its obligations under the Marketing and Licensing Agreement, the status of the Series 2018 Housing Project as official student housing facilities at UC Riverside, the demand for student housing facilities such as the Series 2018 Housing Project, demographic changes in the service area of the Series 2018 Housing Project, competition from other housing facilities (including student housing facilities developed, operated and owned by The Regents or the Borrower on the UC Riverside campus), rates and charges for rentals of facilities such as those of the Series 2018 Housing Project, available insurance coverage, inflation, litigation and future economic and other concerns which are not determinable or quantifiable at this time.

No assurance can be given that the Manager will be able to successfully manage the Series 2018 Housing Project, that The Regents will perform its obligations under the Marketing and Licensing Agreement or that the Borrower will be able to successfully manage (or cause to be managed) the Series 2018 Housing Project if the Manager is terminated or resigns. Moreover, no assurance can be given that The Regents will continue to operate UC Riverside and, in particular, the student housing system at UC Riverside as contemplated in this Official Statement or that The Regents will not provide incentives in the future for students at UC Riverside to elect to live in student housing facilities owned by The Regents rather than in the Series 2018 Housing Project. See also "Competing Facilities and Rental Market Considerations" above.

If the Manager fails to perform as contemplated in the Management Agreement, the Regents fails to perform its obligations under the Marketing and Licensing Agreement or The Regents or private developers, including the Borrower or its affiliates, take actions that alter the student housing market at UC Riverside, the ability of the Borrower to make timely payment of debt service may be materially adversely affected. Neither the Developer nor the Manager has any obligation to pay debt service on the Series 2018 Bonds.

Commingling of Project Gross Revenues and Dining Receipts

Rental payments and other Project Gross Revenues with respect to the Series 2018 Project will be collected by the Manager together with Allocable Dining Receipts (as defined herein) that are payable to The Regents, and all such funds will be deposited by the Manager into a temporary deposit account, in which such commingled funds will be held in trust for the Borrower and The Regents. The Management Agreement requires the Manager (on behalf of the Borrower) to transfer such Project Gross Revenues from such commingled account to the Revenue Fund on either a weekly basis or, (1) during any period that the deposits in the temporary deposit account exceed $100,000 or (2) if the Bond Trustee has notified the Manager that an Event of Default has occurred under the Loan Agreement and shall be continuing, a daily basis. Such Project Gross Revenues will not be deposited in a segregated account with a perfected security interest for the benefit of the Bond Trustee until such funds are transferred by the Manager to the Revenue Fund (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Project Gross Revenues; Revenue Fund" herein). In the event of an insolvency of the Borrower or a failure by the Manager to comply with its obligation under the Management Agreement to transfer Project Gross Revenues as described above, disputes over the security interest in the account in which the funds are initially held by the Borrower, including comingling of those funds with funds payable to The Regents, could impair the ability of the Bond Trustee to collect any funds remaining in such initial account in order to apply such funds toward payment of debt service on the Series 2018 Bonds. In addition, this flow of funds could lead to potential recovery of funds transferred to the Revenue Fund as preferential under bankruptcy law. In the case of either such event, various factual and legal defenses could be asserted, but there can be no certainty as to the outcome of any such disputes and payments with respect to the Series 2018 Bonds could be materially adversely affected.

Risks of Construction and Delays in Completion of the Series 2018 Project

Although, pursuant to the Development Agreement, the Series 2018 Project is scheduled to be completed in time for occupancy for Fall 2020, no assurance can be provided that the Series 2018 Project will be completed by such date. The construction of the Series 2018 Project is subject to the risks of cost overruns and delays due to a variety of factors including, among others, site difficulties, escalating labor costs and labor disputes, delays in delivery and shortages of materials, weather conditions, fire and casualty and escalating construction costs. In addition, changes in the current legal and regulatory structure applicable to construction projects in the State, such as the Series 2018 Project, as well as University policies such as the University Seismic Safety Policy and the University Fair Wage Plan, may increase the cost of the Series 2018 Project or delay its completion. The University Seismic Safety Policy requires peer review with an Independent Seismic Peer Reviewer of the plans and specifications for the Series 2018 Project. This peer review will not be completed by the closing date of the Series 2018 Bonds, and any revisions to the plans and specifications resulting from such peer review may increase the cost of the Series 2018 Project or delay its completion. If the General Contractor does not deliver on schedule the number of student rooms contemplated in the Construction Documents, the Developer will be liable, pursuant to and subject to the Development Agreement, to provide alternative housing and transportation to students who have executed leases with respect to the Series 2018 Project but are unable to occupy such rooms due to non-completion of the Series 2018 Project up to a maximum amount equal to the Development Fee of $3,770,000 but the Developer has no obligation to pay debt service on the Series 2018 Bonds. If completion of the Series 2018 Housing Project, in particular, is delayed beyond the estimated construction period, receipt of revenues projected from the operation of the Series 2018 Housing Project will be delayed and the ability of the Borrower to make the required payments could in such case be adversely affected.

Limitations Regarding Operational Information Available Regarding Existing On-Campus Housing

The information set forth in "UNIVERSITY OF CALIFORNIA, RIVERSIDE" and in Appendix A includes, among other things, certain operational information (such as rental rates and occupancy rates) relating to the existing on-campus student housing at UC Riverside. Some of the information presented relates to student housing facilities owned and maintained by The Regents. The Series 2018 Housing Project will not be owned or maintained by The Regents (though The Regents will have certain operational obligations with respect to the Series 2018 Project pursuant to the Marketing and Licensing Agreement, as described herein). In addition, the information available with respect to the existing non-University-owned student housing may itself be of limited value due to the inability of The Regents to verify independently some of that information. No assurances can be given that results with respect to the operation of the Series 2018 Housing Project will not differ materially from the operational information presented in Appendix A relating to the existing on-campus housing at UC Riverside.

Liquidity Account Available to Secure Other FTA-Secured Bonds; Financing Trust Agreement Subject to Amendment

As security for the payment of the Series 2018 Bonds and any other FTA-Secured Bonds issued in the future, the UCR Bonds Pooling Subaccount and the UCR Bonds Redemption Subaccount and all amounts on deposit therein, and the UCR Bonds Liquidity Account Loan Payments will be pledged for the equal and pro rata benefit of all such FTA-Secured Bonds, in the manner and to the extent provided in, and subject to the terms and conditions of the Financing Trust Agreement. Upon receipt of notice from the Bond Trustee, or any other bond trustee of other FTA-Secured Bonds, of a deficiency in the Debt Service Account relating to a series of FTA-Secured Bonds, the Financing Trust Agreement provides that the Master Trustee will, if funds on deposit in the Series Pooling Subaccount with respect to such series are insufficient, transfer funds on deposit in all other Series Pooling Subaccounts, pro rata as provided in the Financing Trust Agreement, to pay debt service on such other series of FTA-Secured Bonds. Pursuant to the Financing Trust Agreement, the Borrower is obligated to replenish the UCR Bonds Pooling Subaccount if the funds in such subaccount are less than the Liquidity Account Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge and Assignment of Financing Trust Estate" and "—Liquidity Account and Subaccounts" herein.

Currently, the UCR Series 2018 Bonds Pooling Subaccount is the only Series Pooling Subaccount established within the Liquidity Account under the Financing Trust Agreement; however, The Regents expects to issue FTA-Secured Bonds in connection with the financing of the North District Phase I Project described under "THE UNIVERSITY OF CALIFORNIA, RIVERSIDE" herein

Any use of funds on deposit in the UCR Bonds Pooling Subaccount pursuant to the Financing Trust Agreement to pay debt service on FTA-Secured Bonds other than the Series 2018 Bonds would result in decreased amounts available under the Financing Trust Agreement to secure payment of the Bonds and would require increased additional payments to be made by the Borrower to replenish the UCR Bonds Pooling Subaccount to the extent necessary to meet the Liquidity Account Requirement. Any such use could materially adversely affect the ability of the Borrower to utilize funds held under the Financing Trust Agreement to pay principal of and interest on the Series 2018 Bonds when due and could cause the Borrower to fail to comply with the required Fixed Charges Coverage Ratio.

Moreover, the Financing Trust Agreement permits the provisions described above, and any and all other provisions of the Financing Trust Agreement, to be amended by a written instrument of the Master Trustee and any Borrower (as defined in the Financing Trust Agreement and including, but not limited to, the Borrower (as defined herein)), upon approval of The Regents, if the Master Trustee receives written confirmation from the Rating Agency that the amendment will not result in the downgrade of its credit rating on any Series of Bonds (including, but not limited to, the Series 2018 Bonds) to less than an Investment Grade Rating (generally defined as a rating of "Baa3" or higher from Moody's). Any such amendment or amendments could alter the provisions of the Financing Trust Agreement described in this Official Statement and the Borrower's rights and obligations thereunder and could, as a result, materially adversely affect the Borrower's ability to pay principal of and interest on the Series 2018 Bonds when due.

Prevailing Wage Coverage

As of the date hereof, no prevailing wage determination has been requested from the California Department of Industrial Relations with respect to the Series 2018 Project. The current Series 2018 Project budget does not contemplate payment of prevailing wages with respect to the design or construction of the Series 2018 Project. If a prevailing wage determination were to be requested with respect to the Series 2018 Project and a final judgment entered pursuant to a coverage determination with respect to any portion of the Series 2018 Project were to require payment of such prevailing wages, and if amounts available for such purpose were insufficient to cover the additional expenses, such expenses could materially adversely affect the ability of the Borrower to pay principal of and interest on the Series 2018 Bonds.

General Risks of Real Estate Investment

There are many diverse risks attending any investment in real estate not within the Borrower's control, which may have a substantial bearing on the profitability and financial feasibility of the Series 2018 Project and, in particular, the Series 2018 Housing Project. Such risks include the risk of adverse changes in general economic and local conditions, adverse weather delays, over-supply or similar facilities in the area, population decreases, uninsured losses, operating deficits and mortgage foreclosure, adverse changes in neighborhood values and adverse changes in zoning laws, other laws and regulations and real property tax rates. Such losses also include the possibility of fire or other casualty or condemnation. If the Series 2018 Housing Project, or any part of the Series 2018 Housing Project, were uninhabitable during restoration after damage or destruction, it could materially adversely affect the ability of the Series 2018 Housing Project to generate sufficient revenues to enable the Borrower, when combined with the Dining Facility Usage Fees to be paid by The Regents with respect to the Series 2018 Dining Project, to pay principal of and interest on the Series 2018 Bonds when due.

Property and Possessory Interest Tax Risk

In the event any property interest in the Project becomes subject to property taxes or possessory interest taxes at any time, the amount of such taxes (which could be significant), would constitute an expense of the Series 2018 Housing Project. Increased expenses relating to property taxes or possessory interest taxes could result in material increases in rental rates with respect to the Series 2018 Housing Project, possibly materially adversely affecting the marketability of the Series 2018 Housing Project to students.

Environmental Risks

There are potential risks relating to liabilities for environmental conditions with respect to the ownership of real property. For example, if hazardous substances are found to be located on property, owners of such property may be held liable for costs and other liabilities related to the presence, migration or removal of such substances, which costs and liabilities could exceed the value of the property.

The Regents is not aware of any pending or threatened claim, investigation or enforcement action regarding environmental issues relating to the Series 2018 Project, which, if determined adversely, would have material adverse consequences to the operations or financial condition of the Series 2018 Project. There can be no assurance given, however, that the Borrower will not encounter environmental risks in the future.

Seismic Risks and Other Disasters

The Series 2018 Project is located in a seismically active region of southern California. The Series 2018 Project was designed to meet current, applicable seismic standards; however, the occurrence of severe seismic activity in the area could result in substantial damage to the Series 2018 Project. The Loan Agreement requires that earth movement/earthquake insurance in the amount of twenty-five million dollars ($25,000,000) with the lowest commercially available deductible provisions, but in any case with a deductible not to exceed 5% of value at risk, be maintained on the Series 2018 Project during the construction of the Series 2018 Project. Other than during construction, the Loan Agreement does not require earthquake insurance to be maintained with respect to the Series 2018 Project, and neither the Borrower nor The Regents has obtained or plans to obtain or maintain such coverage for any completed portion of the Series 2018 Project. The Series 2018 Project is also subject to other natural and man-made disasters or "acts of God" that could significantly damage the facilities. For a description of the insurance required to be maintained with respect to certain of such disasters, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Insurance Coverage" herein. In the event of a severe earthquake or other disaster, available funds may be insufficient to restore the Series 2018 Project and, as a result, such a disaster could materially adversely affect the Borrower's ability to pay principal of and interest on the Series 2018 Bonds.

Information Not Verified

Information with regard to the Series 2018 Project has been obtained from the Developer. Much of that information involves predictions with regard to future events, such as the time required to complete construction of the Series 2018 Project and the initial operating expenses of the Series 2018 Housing Project; such information is, by its nature, not subject to verification. None of the Issuer, The Regents or the Borrower has independently verified the information provided by the Developer regarding the Series 2018 Project. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular set of facts or circumstances, and prospective purchasers of the Series 2018 Bonds are cautioned not to place undue reliance upon the results projected. If actual results are less favorable than the results projected, the ability of the Borrower to make timely payment of debt service on the Series 2018 Bonds may be materially adversely affected.

No Requirement in Indenture to Provide Credit Facility or Bond Insurance

The Indenture does not require payment of the principal of, redemption premium, if any, and interest on the Series 2018 Bonds to be supported by a credit facility or a municipal bond insurance policy. The Loan Agreement contains no covenants requiring the Borrower to maintain any specified level of liquidity or credit rating. See "Enforceability of Remedies; Effect of Bankruptcy" below. Moreover, the Borrower's obligations with respect to the Series 2018 Bonds are non-recourse. See "NO RECOURSE AGAINST BORROWER'S MEMBER AND OFFICERS" herein.

Notwithstanding the foregoing, concurrently with the issuance of the Series 2018 Bonds, BAM will issue the Policy for the Insured Bonds, which Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix I to this Official Statement. See "BOND INSURANCE" herein. See also "Certain Rights of the Insurer" below.

Certain Rights of the Insurer

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Insured Series 2018 Bonds Security Documents (as defined in the Indenture). For example, the prior written consent of the Insurer is required, subject to certain exceptions, in connection with any amendment or supplement to the Insured Series 2018 Bonds Security Documents. In addition, upon the occurrence and continuation of a default or an event of default, subject to the terms of the

Indenture, the Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Bonds or the Bond Trustee or the paying agent (as defined in the Indenture) for the benefit of the holders of the Insured Bonds under the Insured Series 2018 Bonds Security Documents, and no default or event of default may be waived without the Insurer's written consent. For additional information with respect to the Insurer's rights in connection with the Policy under the Insured Series 2018 Bonds Security Documents, see APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE INDENTURE—Provisions Relating to the Insured Series 2018 Bonds."

Limitation on Acceleration

Although the Indenture provides that, on the happening and continuance of any Event of Default (as defined in the Indenture), the Bond Trustee may, and at the written request of the Requisite Number of Bondholders (as defined in the Indenture) shall, by notice in writing to the Issuer, the Borrower, and the Bond Trustee, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, the Indenture also provides that, as long as The Regents is obligated to pay Dining Facility Usage Fees (see "THE DINING FACILITY AGREEMENT" herein), there shall be no acceleration of the Series 2018 Bonds upon the occurrence of such an Event of Default without the prior written consent of The Regents. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS—THE INDENTURE—Events of Default," "—Acceleration of Maturities" and "—Terms Relating to The Regents." This right of prior written consent applies even if The Regents is in default under the Dining Facility Agreement, including a default relating to failure to pay to the Bond Trustee amounts required thereunder. Under such circumstances, the limitation on the Bond Trustee's and the Bondholders' respective rights to declare such Bonds to be due and payable immediately could materially adversely affect such parties' ability to enforce their respective rights under the Indenture and, as a result, could materially adversely affect payment of principal of and interest on the Series 2018 Bonds.

Enforceability of Remedies; Effect of Bankruptcy

The remedies available to the Bond Trustee, the Issuer and the Bondholders upon an event of default under the Indenture, the Loan Agreement, the Dining Facility Agreement or the Leasehold Deed of Trust are dependent upon judicial actions which are, in turn, often subject to discretion and delay. Under existing constitutional and statutory laws and judicial decisions, including specifically, Title 11 of the United States Code, the Federal Bankruptcy Code, a particular remedy specified by the Bond Documents may not be enforceable or available, or its enforceability or availability may be limited or subject to substantial delay. The various legal opinions to be delivered concurrently with the issuance and delivery of the Series 2018 Bonds will be qualified as to the enforceability of the various legal instruments and the rights and remedies thereunder by limitations imposed by the valid exercise of constitutional powers of the State and the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by principles of equity and by bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the rights of creditors generally.

Limited Scope of Deed of Trust Lien; Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws)

The Leasehold Deed of Trust does not include a lien on the Series 2018 Dining Project or the dining component of the Series 2018 Project Site, and the Bond Trustee will have no right to enforce any obligations of The Regents under the 2018 Ground Lease as it relates to that component of the leased premises. In addition, because the Deed of Trust encumbers only a portion of the leasehold estate (i.e., the housing component of the Series 2018 Project Site) a foreclosure may create a situation where the Bond Trustee, or purchaser at the foreclosure sale, would become in effect a co-tenant of the Borrower (or whomever is the tenant with respect to the Dining component of the Series 2018 Project Site) under the 2018 Ground Lease, with unclear lines of responsibility and rights with respect to the leasehold property, which situation could adversely affect both the market value of such leasehold interest and the ability to operate the housing component of the Series 2018 Project Site specifically and the leased premises generally.

Further, several statutes applicable in the State limit the remedies of a beneficiary under a deed of trust such as the Leasehold Deed of Trust. Under one statute, if the beneficiary exercises its power of sale (i.e., accomplishes the foreclosure by means of a nonjudicial trustee's sale), the beneficiary may not obtain a deficiency judgment for the difference between the amount of the debt and the amount realized at the sale. Another statute commonly known as the "one-form-of-action" rule, requires the beneficiary to exhaust the security under the deed of trust by foreclosure and prohibits any personal action against the trustor on the debt other than a deficiency judgment following a judicial foreclosure. A third statutory provision limits any deficiency judgment obtained by the beneficiary following judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of sale as determined by the court, thereby preventing a beneficiary from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale. Thus the choice of method of foreclosure (nonjudicial trustee's sale versus judicial foreclosure) could affect the amount that may be realized from the sale of the Series 2018 Housing Project and the Borrower following a default. Additionally, if the Bond Trustee were to take direct action on the debt or exercise other rights against the Borrower rather than foreclosing the deed of trust, the benefit of the real property security would be lost under the "one-form-of-action" rule.

Tax-Exempt Status

THE SERIES 2018 BONDS ARE NOT SUBJECT TO MANDATORY REDEMPTION, AND THE RESPECTIVE RATES OF INTEREST ON THE BONDS ARE NOT SUBJECT TO ADJUSTMENT, IF THE INTEREST ON THE SERIES 2018 BONDS, OR ANY PORTION THEREOF, IS DETERMINED TO BE INCLUDED IN GROSS INCOME FOR THE PURPOSES OF FEDERAL INCOME TAXATION. See "TAX MATTERS" herein and APPENDIX E—"PROPOSED FORM OF BOND COUNSEL OPINION."

Tax-Exempt Status of Interest on the Series 2018 Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2018 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of the Series 2018 Bond proceeds, limitations on the investment earnings of the Series 2018 Bond proceeds prior to expenditure, a requirement that certain investment earnings on the Series 2018 Bond proceeds be paid periodically to the United States and a requirement that issuers file an information return with the Internal Revenue Service (the "IRS"). The Issuer, The Regents, the Borrower and the Foundation have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by The Regents, the Borrower or the Foundation to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2018 Bonds as taxable, retroactively to the date of original issuance of the Series 2018 Bonds.

The IRS Tax Exempt and Government Entities Division (the "TE/GE Division") has a subdivision that is specifically devoted to tax-exempt bond compliance and that has been active in auditing tax-exempt bond transactions such as the Series 2018 Bonds. The Borrower has not sought to obtain a private letter ruling from the IRS with respect to the Series 2018 Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that an IRS examination of the Series 2018 Bonds will not adversely affect the market value of all or any portion of the Series 2018 Bonds. See "TAX MATTERS" herein.

Tax-Exempt Status of the Foundation. The Borrower, as a limited liability company with the Foundation as its sole member, and organized for the purpose of assisting UC Riverside to provide housing and dining facilities for its students, is disregarded for federal income tax purposes. The tax-exempt status of interest on the Series 2018 Bonds presently depends upon the maintenance by the Foundation of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of the Foundation's status as such an organization is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals.

As a result of on-going IRS audit programs, tax-exempt organizations are increasingly subjected to a high level of scrutiny. One penalty available to the IRS under the Code with respect to a tax-exempt charity engaged in unlawful, private benefit or political activity is the revocation of tax-exempt status. Loss of tax-exempt status of the Foundation would most likely result in loss of tax exemption of interest on the Series 2018 Bonds and of the Foundation's other tax-exempt debt. Loss of tax-exempt status of the Foundation would also have material adverse consequences on the financial condition of the Foundation.

In December 2000, the Foundation received a letter from the IRS stating that its Form 990 for the tax years ended June 30, 1998 and June 30, 1999 had been selected for examination. The examination was subsequently expanded to cover the tax year ended June 30, 2000. Upon conclusion of the examination, the examining agent issued a Technical Advice Request that concluded that the audit disclosed that the Foundation's activities were substantially as described in its application for tax-exempt status, but questioning whether the IRS had incorrectly applied the law when it granted the Foundation its exemption under Section 501(c)(3). In response, the Foundation amended its Articles of Incorporation and Bylaws to address the concerns of the IRS. The Foundation received a letter from a Manager, Exempt Organizations Technical of the IRS in December 2002 concluding that such amendments were sufficient to correct any organizational defects previously identified and that, as a result, the Foundation's tax-exempt status would continue to be recognized retroactively to the date of incorporation of the Foundation. The Foundation's case was then returned to the Examination Division of the IRS to permit completion of the audit, with a recommendation that the examination be closed without any change to the Foundation's tax-exempt status. In December 2002, a Director, Exempt Organization Examination of the IRS notified the Foundation that, as a result of its examination for the subject periods, the IRS would continue to recognize the Foundation as exempt. The examination was subsequently closed without any adverse determination regarding the Foundation's tax-exempt status.

Unrelated Business Income. In recent years, the IRS, the State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). Borrower and the Foundation do not expect to participate in activities that will generate UBTI. However, if the Borrower or the Foundation were to participate in activities that generated UBTI, an investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Borrower or the Foundation as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2018 Bonds and other present and future tax-exempt debt of the Borrower or the Foundation, if any.

The Foundation believes it has properly complied with the above-described tax laws. Nevertheless, because of the complexity of such tax laws and the presence of issues about which reasonable persons can differ, further audits could result in additional taxes, interest and penalties being incurred by the Foundation. Such an audit ultimately could affect the tax-exempt status of the Foundation as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2018 Bonds and other present and future tax-exempt debt of the Foundation, if any. See "TAX MATTERS" herein.

PROSPECTIVE EVALUATION OF STUDENT HOUSING MARKET

UC Riverside retained MGT Consulting Group (formerly Anderson Stickler, LLC) ("MGT") to examine the market for student housing in the area of the Series 2018 Housing Project, in order to evaluate the market potential for development of the Series 2018 Housing Project. MGT prepared a final Student Housing Market Study with respect to its student housing demand analysis, dated May 25, 2018 (the "Market Study") of its findings and conclusions. MGT's projections and evaluations in the Market Study are based on various factors, including analysis of the existing and anticipated rental housing market, demographics, the economy and housing demand. The Market Study considered past, present and future student enrollment trends in the area of the Series 2018 Housing Project, the impact of such trends on student housing alternatives, current rental housing alternatives, the need and market support for additional student housing and proposed additions to the area's housing rental base.

The Market Study is attached as Appendix H hereto and should be read in its entirety.

The Market Study is based on certain assumptions significant to the operation of the Series 2018 Housing Project, as described therein, and sets forth information as of its date. The forecasts, projections and evaluations contained in the Market Study are subject to uncertainties. Inevitably, some underlying assumed events, circumstances and other assumptions used to develop the forecasts, projections and evaluations will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved in the marketing, operation and occupancy of the Series 2018 Housing Project will vary from such forecasts, projections and evaluations, and the variations may be material. These variations must be considered in evaluating the findings of the Market Study.

None of the Issuer, the Borrower, the Underwriters, the Bond Trustee, the University, The Regents, the State, the City of Riverside, the Developer or the Manager or any counsel rendering approving or other opinions with respect to the transactions described herein, makes or will make any representations or warranties based on the information, assumptions, forecasts, projections or evaluations contained in the

Market Study. None of the aforementioned parties has undertaken an independent investigation of the assumptions, conclusions or other matters stated in the Market Study. The Borrower, The Regents and other parties have relied on MGT's expertise in the matters covered in the Market Study. Further, potential investors should review the entire Official Statement in order to make an informed investment decision.

THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH ASSUMPTIONS MADE AND NO REPRESENTATION CAN BE MADE THAT THE FORECASTS IN THE MARKET STUDY WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED GROSS REVENUES, EMPLOYEE RELATIONS, TAXES, DEMOGRAPHIC AND ENROLLMENT TRENDS AND GENERAL ECONOMIC CONDITIONS. SEE "FORWARD-LOOKING STATEMENTS" HEREIN.

LITIGATION

The Issuer

To the knowledge of the Issuer, there is no material litigation pending or threatened against the Issuer concerning the validity of the Series 2018 Bonds or any proceedings of the Issuer taken with respect to the issuance thereof.

The Borrower

There is no litigation now pending or threatened against the Borrower, of which the Borrower has knowledge, that in any manner questions the right of the Borrower to enter into or perform its obligations under the Loan Agreement, the Leasehold Deed of Trust, the Financing Trust Agreement or the Assignment of Documents or that individually or in the aggregate would adversely affect the operations of the Borrower, financial or otherwise.

The Regents

There is no litigation of any nature pending or, to the knowledge of the Office of General Counsel, threatened, against The Regents to restrain or enjoin issuance, sale, execution or delivery of the Series 2018 Bonds or in any way contesting or affecting the validity of the Series 2018 Bonds or the security thereof.

At all times, including the date of this Official Statement, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of The Regents' activities. Such matters could, if determined adversely to The Regents, affect expenditures by The Regents, and in some cases, its revenues. University management and the Office of General Counsel are of the opinion that no pending actions are likely to have a material adverse effect on the Series 2018 Project or The Regents' ability to pay any amounts due by it under the Dining Facility Agreement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E attached hereto.

To the extent the issue price of any maturity of the Series 2018 Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2018 Bonds which is excluded from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2018 Bonds is the first price at which a substantial amount of such maturity of the Series 2018 Bonds is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2018 Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Series 2018 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Series 2018 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2018 Bonds. The Issuer, The Regents and the Borrower have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2018 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2018 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2018 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or other matters coming to Bond Counsel's attention after the date of issuance of the Series 2018 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2018 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Hand Arendall Harrison Sale LLC, Counsel to the Borrower and the Foundation, regarding the status of the Foundation as an organization described in Section 501(c)(3) of the Code and the intended operation of the facilities to be financed by the Series 2018 Bonds as substantially related to the Foundation's charitable purpose under Section 513(a) of the Code. Such opinion is subject to a number of qualifications and limitations. Furthermore, Counsel to the Borrower cannot give and has not given any opinion or assurance about the future activities of the Borrower or the Foundation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service. Failure of the Foundation to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or of the Borrower to operate the facilities financed by the Series 2018 Bonds in a manner that is substantially related to the Foundation's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2018 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2018 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes and is exempt from State personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2018 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2018 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2018 Bonds. Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2018 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer, The Regents, the Borrower or the Foundation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer, The Regents and the Borrower have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2018 Bonds ends with the issuance of the Series 2018 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Borrower or the Beneficial Owners regarding the tax-exempt status of the Series 2018 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer, the Borrower and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer or the Borrower legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2018 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2018 Bonds, and may cause the Issuer, the Borrower or the Beneficial Owners to incur significant expense.

UNDERWRITING

The Issuer is offering the Series 2018 Bonds through Jefferies LLC, as representative (the "Representative") of the underwriters listed on the cover page of this Official Statement (collectively, the "Underwriters"), pursuant to a bond purchase agreement (the "Bond Purchase Agreement") among the Issuer, the Borrower and the Representative, on behalf of the Underwriters, relating to the Series 2018 Bonds. The Underwriters have agreed to purchase the Series 2018 Bonds at a purchase price of $156,264,832.71 (representing the aggregate principal amount of the Series 2018 Bonds, plus a net original issue premium of $11,041,289.00, less the Underwriters' discount of $626,456.29). The Underwriters are purchasing the Series 2018 Bonds and intend to offer the Series 2018 Bonds to the original purchasers thereof at the offering prices set forth on the inside cover page of this Official Statement, which offering price may subsequently be changed without any requirement of prior notice. The Underwriters may offer and sell the Series 2018 Bonds to certain dealers and others at a price lower than the initial offering price. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2018 Bonds if any are purchased and that the obligation to make such purchases is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including a requirement (as a condition precedent to the effectiveness of the Bond Purchase Agreement) that the City of Riverside, California approve the Series 2018 Bonds. The City of Riverside gave such approval on November 13, 2018.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer, Borrower and/or The Regents. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer, Borrower and/or The Regents.

Jefferies LLC, the Representative, has entered into an agreement (the “Agreement”) with E*TRADE Securities LLC (“E*TRADE”) for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies LLC may sell a portion of the Series 2018 Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2018 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Series 2018 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2018 Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2018 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2018 Bonds.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A—“THE SERIES 2018 PROJECT” and APPENDIX H—“STUDENT HOUSING MARKET STUDY.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE BORROWER DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH FORWARD-LOOKING STATEMENTS ARE BASED OCCUR.

MUNICIPAL ADVISOR

Swap Financial Group, LLC (“SFG”) is serving as municipal advisor to the University with respect to the pricing and sale of the Series 2018 Bonds. In its role as municipal advisor, SFG has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement and the appendices hereto. SFG is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing tax-exempt securities or other public securities.

RATINGS

The Insured Bonds are expected to be assigned a rating of “AA” by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”), at or prior to the issuance of the Series 2018 Bonds with the understanding that, upon delivery of the Insured Bonds, the Policy will be issued by BAM.

The Series 2018 Bonds have been assigned a long-term rating of “Baa3” by Moody’s Investors Service (“Moody’s”).

These ratings express only the views of the rating agencies providing such ratings. An explanation of the significance of such ratings may be obtained from Moody's or S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Borrower has furnished to Moody's information, including information not included in this Official Statement, about the Borrower, the Series 2018 Project and the Series 2018 Bonds. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. Those circumstances may include, among other things, changes in or unavailability of information relating to the Borrower, the Series 2018 Project, the Series 2018 Bonds or, with respect to the Insured Bonds, the Insurer. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Series 2018 Bonds.

LEGAL MATTERS

Legal matters incidental to the authorization and issuance of the Series 2018 Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, the form of which is included as Appendix E attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The legal fees to be paid Bond Counsel at the time the Series 2018 Bonds are delivered, for services rendered in connection with the issuance of the Series 2018 Bonds, are contingent upon the sale and delivery of the Series 2018 Bonds.

Certain legal matters will be passed upon by Jones Hall, counsel to the Issuer; Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP, special counsels to The Regents; the Office of General Counsel, counsel to The Regents; Hand Arendall Harrison Sale LLC, counsel to the Borrower; Morgan, Lewis & Bockius counsel to the Developer and the Manager; and O'Melveny & Myers LLP, counsel to the Underwriters.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Series 2018 Bonds or to any decision to purchase, hold or sell Series 2018 Bonds and the Issuer will not provide any such information. The Issuer shall have no liability to the holders of the Series 2018 Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

The Borrower will agree in a continuing disclosure agreement (the "Borrower Continuing Disclosure Agreement"), for the benefit of the Owners and Beneficial Owners of the Series 2018 Bonds, to provide certain Periodic Reports and Annual Reports (each as defined in the Borrower Continuing Disclosure Agreement) and to provide notice of the occurrence of enumerated events to enable the Underwriters to comply with the continuing disclosure requirements of the Rule. Each Periodic Report, Annual Report and notices of such enumerated events will be filed with the Municipal Securities Rule Making Board through the Electronic Municipal Market Access ("EMMA") System. The Master Trustee will covenant in the Financing Trust Agreement to cooperate with the Borrower, The Regents and the Bond Trustee, as the Borrower's dissemination agent, with respect to the Series 2018 Bonds to provide such information as they may reasonably request in order to meet the Borrower's continuing disclosure obligations under the Continuing Disclosure Agreement. The specific nature of the information to be contained in each Periodic Report, each Annual Report and in any notice of an enumerated event is summarized in APPENDIX F—"FORMS OF CONTINUING DISCLOSURE AGREEMENTS—The Borrower."

In addition, in connection with its obligations under the Dining Facility Agreement, The Regents will agree in a continuing disclosure agreement ("The Regents Continuing Disclosure Agreement"), for the benefit of the Owners and Beneficial Owners of the Series 2018 Bonds, to provide Annual Reports (as defined in The Regents Continuing Disclosure Agreement) to enable the Underwriters to comply with the continuing disclosure requirements of the Rule. Each Annual Report will be filed with the Municipal Securities Rule Making Board through the EMMA System. The specific nature of the information to be contained in each Annual Report is summarized in APPENDIX F—"FORMS OF CONTINUING DISCLOSURE AGREEMENTS—The Regents."

SOURCES OF INFORMATION

Information about the Issuer in this Official Statement under the headings "SUMMARY STATEMENT – The Issuer," "THE ISSUER" and "LITIGATION—The Issuer" has been obtained from the Issuer. None of the other information in this Official Statement has been supplied or verified by the Issuer and the Issuer makes no representation or warranty regarding such information. See "THE ISSUER" herein.

Information about the Developer, the Manager and ACC in this Official Statement has been obtained from the Developer, the Manager and ACC. ACC files annual, quarterly and certain other reports with the SEC. Such reports are available on the SEC's website (www.sec.gov) and upon request from the Office of Public Reference of the SEC, 450 5th Street, NW, Room 1300, Washington, D.C. 20549-0102 (phone: (202) 942-8090; fax: (202) 628-9001; email: publicinfo@sec.gov). No such report is a part of or incorporated into this Official Statement.

Information about The Regents, the University and UC Riverside (including information regarding existing student housing at UC Riverside) in this Official Statement has been obtained from The Regents and the University.

Information about the Series 2018 Project has been obtained from the Developer.

The information referred to in this section has been provided by the identified sources and neither the Borrower nor any other parties have independently verified such information. No warranty that such information is accurate or complete should be inferred.

MISCELLANEOUS

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Owners or the beneficial owners of the Series 2018 Bonds.

The Borrower has duly authorized the execution, delivery and distribution of this Official Statement in connection with the offering of the Series 2018 Bonds.

CHF–RIVERSIDE I, L.L.C.,
an Alabama limited liability company

By: **COLLEGIATE HOUSING FOUNDATION**,
an Alabama non-profit corporation,
its sole member

By: /s/ William B. Givhan
William B. Givhan
President

APPENDIX A

THE SERIES 2018 PROJECT

Description of the Series 2018 Project

The project, to be known as the "Dundee Residence Hall" and "Glasgow Dining Facility," will consist, approximately, of an 820-bed student housing facility (the "Series 2018 Housing Project") and an 830-seat dining facility (the "Series 2018 Dining Project" and, together with the Series 2018 Housing Project, the "Series 2018 Project") with related amenities and improvements. The site for the construction of the Series 2018 Project (the "Series 2018 Project Site") is on approximately 3.55 acres on the campus of UC Riverside. The Series 2018 Housing Project is intended primarily for freshmen students. Construction of the Series 2018 Project is scheduled to begin in December 2018. The Developer and UC Riverside anticipate that the Series 2018 Project will be complete in time for occupancy or use, as applicable, for Fall 2020.

The Series 2018 Housing Project will consist of an approximately 174,000 gross square foot two building, seven-story undergraduate residential student housing community, including community space and support facilities. The approximately 13,000 gross square foot community space will include an academic center with study and meeting rooms, laundry facilities, multi-purpose rooms, community bathrooms, a fitness center, leasing offices, lounges and a mail center. Outdoor recreation spaces will include seating, ping pong tables, bike storage, and green space for student use.

The Series 2018 Housing Project will include approximately 398 undergraduate units, consisting of, approximately, 24 single-occupancy one-bedroom units (195 net rentable square feet), 300 double-occupancy units (220 net rentable square feet), 60 lofted triple-occupancy units (220 net rentable square feet), 12 single-occupancy resident assistant units (220 net rentable square feet) and 2 double-occupancy, two bath resident director apartments (951 net rentable square feet).

All Series 2018 Housing Project units will include individual air conditioning, be fully furnished and have connections for high-speed Internet access. Each student will have his or her own wardrobe, full or twin sized bed, desk, desk chair and stackable dresser.

Rental rates for the Series 2018 Housing Project are anticipated to range from approximately $10,818 to $12,785 per student for nine-month Academic Year 2020-21 leases, excluding meal plan charges (which will be required of each student and are expected to cost at least $5,000 per student and will vary depending on the meal plan selected). Rental rates for particular units will differ based on square footage and whether any shared occupancy is required.

The Series 2018 Project also includes the Series 2018 Dining Project, which is expected to be an approximately 51,000 gross square foot two-story stand-alone dining facility that will seat approximately 830 students.

Design of the Series 2018 Project

Dundee Residence Hall. The Series 2018 Housing Project is conceived as part of a comprehensive live-learn environment, along with its counterpart Glasgow Dining Facility, and will be integrated into a larger undergraduate housing community for UC Riverside students. The Series 2018 Housing Project will be comprised of two seven-story towers and organized around a courtyard setting that is designed to be dynamic yet idyllic, oriented to optimize shade and sun as UC Riverside's unique climate varies between very warm months and cooler, foggy months. The ground floor of the Series 2018 Housing Project will afford students access to fitness, recreation, resident services, large group study areas, classrooms and a multi-purpose room that integrates indoor and outdoor spaces. Upper floors include small group study, relaxing lounges and outdoor terraces. The building aesthetic is designed to acknowledge the campus context of mid-century modernism, including use of brick, cast-in-place concrete, cement plaster and strategic overhangs, yet be updated with distinct and contemporary massing and lines. The buildings will include several environmentally conscientious features, most visible of which will be deep overhangs and exterior window shading devices that are intended to celebrate and acknowledge the generally warm, sunny climate at UC Riverside. The Series 2018 Housing Project is designed with a goal toward achieving LEED Silver certification.

Glasgow Dining Facility. The Series 2018 Dining Project is intended to be a marquee food and community gathering space located at the crossroads of the UC Riverside undergraduate community. Designed to be a visually stunning beacon with its predominantly glass north and east facing facades, the Series 2018 Dining Project will be oriented to provide panoramic views of the campus and the nearby Box Spring Mountains. The main building is designed to be anchored in the campus aesthetic with the use of UC Riverside Norman brick, deep overhangs and expressive roof lines. Patrons of the facility will benefit from its state-of-the-art kitchen, which will allow UC Riverside to serve a modern slate of healthy, high quality food options at signature food platforms, a demonstration kitchen, and an exhibition bakery. Students will be able to enjoy their meals in a variety of settings including an outdoor terrace with fire pit and shade structure, intimate private dining rooms and patio and community tables. The Series 2018 Dining Project is designed with a goal toward achieving LEED Silver certification.

Existing On-Campus Student Housing

Included below is an overview of the University-owned student housing that existed on the campus of UC Riverside for Academic Year 2017-18:

Table 1

UNDERGRADUATE RESIDENCE HALL COMMUNITIES

Facility	No. of Beds	2017 Occupancy(1)	Cost/Academic Year(2)	Students Housed	Year Built
Aberdeen-Inverness	1,000	98%	$11,070	Undergraduate	1959
Lothian	1,030	99%	$11,070	Undergraduate	1963;1990
Pentland Hills	1,390	97%	$11,970	Undergraduate	2000;2002
Total	3,420				

(1) Academic Year 2017-18; rounded to nearest percentage.
(2) Rates are for 9-month leases for Academic Year 2017-18, per student, assuming double occupancy. Excludes meal plan, which costs an additional $4,995 (for minimum meal plan selection) and is required of each student.

Table 2

APARTMENT COMMUNITIES FOR SINGLE STUDENTS

Facility	No. of Beds	2017 Occupancy(1)	Cost/Month(2)	Students Housed(3)	Year Built(4)
Bannockburn	393	98%	$345 to $1,210	UG/Graduate	1969
Falkirk	536	99%	$405 to $1,220	UG/Graduate	1984
Glen Mor	1,312	99%	$1,120	UG	2007;2014
Plaza	183	99%	$375 to $1,150	UG/Graduate	1986
Total	2,424				

(1) Academic Year 2017-18; rounded to nearest percentage.
(2) Rates are for Academic Year 2017-18, per month per bed. 10-month lease with 2 summer months free with renewal.
(3) "UG" means Undergraduate.
(4) Bannockburn, Falkirk and Plaza were built by private developers and purchased by the University. Glen Mor was built by the University.

Table 3

APARTMENT COMMUNITIES FOR STUDENTS WITH FAMILIES

Facility	No. of Units	2017 Occupancy(1)	Cost/Month(2)	Students Housed(3)	Year Built
Oban	134(4)	98%	$925 or $950	UG/Graduate	1984

(1) Academic Year 2017-18; rounded to nearest percentage.
(2) Rates are for 12-month leases for Academic Year 2017-18, per month per unit.
(3) "UG" means Undergraduate.
(4) Unit occupants include, approximately, 134 students with 246 dependents, spouses or partners.

In addition to the University-owned housing described above, there are two privately-owned and privately managed (non-UC Riverside) apartment complexes. Each complex operates in partnership with UC Riverside, while maintaining its own staff, programs and buildings. Each of these two communities operates under a ground lease between the individual project owner and UC Riverside.

Table 4

NON-UNIVERSITY-OWNED ON CAMPUS HOUSING

Facility	No. of Beds	2017 Occupancy(1)	Cost/Month(2)	Students Housed	Year Built
Stonehaven	486	N/A	$1,240	Undergraduate/Graduate	2000
International Village	100(3)	N/A	$1,220	Graduate	2000
Total	586				

(1) UC Riverside does not track occupancy for public-private partnership apartment complexes.
(2) Rates are for Academic Year 2017-18, per month, per bed. 10-month lease with 2 summer months free with renewal.
(3) 100 units are allotted to regularly enrolled UC Riverside students. The rest of this complex is used for international programs associated with University extension programs.

Series 2018 Project Pro Forma

Set forth below is pro-forma, projected financial information with respect to the Series 2018 Project for the first five fiscal years ending June 30 after commencement of rental operations at the Series 2018 Project.

The Series 2018 Project pro-forma provided below has been prepared by, and is the responsibility of, the University's management and the Developer. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the Series 2018 Project pro-forma and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in this document relates to the University's previously issued financial statements. It does not extend to the Series 2018 Project pro-forma and should not be read to do so.

Table 5

SERIES 2018 PROJECT PRO-FORMA[1]

	FISCAL YEAR ENDING				
	06/30/21	**06/30/22**	**06/30/23**	**06/30/24**	**06/30/25**
Series 2018 Housing Project:					
Revenue	\$8,856,826	\$9,527,441	\$9,813,265	\$10,107,662	\$10,410,892
Less: Expenses	(2,785,606)	(2,770,401)	(2,849,601)	(2,931,128)	(3,015,065)
Revenues Less Expenses	\$6,071,220	\$6,757,040	\$6,963,664	\$7,176,534	\$7,395,827
Less: Deposits for Repairs and Replacements	(143,500)	(147,805)	(152,239)	(156,806)	(161,511)
Revenue Available for Fixed Charges	\$5,927,720	\$6,609,235	\$6,811,425	\$7,019,728	\$7,234,317
Fixed Charges[2]	\$(880,929)	\$(5,465,600)	\$(5,581,600)	\$(5,583,850)	\$(5,582,600)
Fixed Charges Coverage Ratio	6.73x	1.21x	1.22x	1.26x	1.30x
Series 2018 Dining Project:					
Dining Facility Usage Fee	\$549,841	\$3,404,900	\$3,483,400	\$3,486,150	\$3,481,650
Allocable Debt Service[2]	\$(549,841)	\$(3,404,900)	\$(3,483,400)	\$(3,486,150)	\$(3,481,650)
Coverage Ratio	1.00x	1.00x	1.00x	1.00x	1.00x

(1) Assumes 95% occupancy for the academic year and 0% occupancy during the summer months.
(2) Includes Series 2018 debt service allocable to the Series 2018 Housing Project or the Series 2018 Dining Project, as applicable. Debt service is net of capitalized interest.

APPENDIX B

THE UNIVERSITY OF CALIFORNIA

GENERAL

Payments of the Facility Usage Fee under the Dining Facility Agreement will constitute the security for the payment of only a portion (approximately 38%) of the principal of and interest on the Bonds. Payment of such amounts will be dependent upon the financial condition of The Regents. The Regents' financial information should be reviewed and carefully considered by prospective purchasers of the Series 2018 Bonds as a partial source for repayment of the Series 2018 Bonds. No assurance can be given that payment in full of the debt service on the Series 2018 Bonds will be made if The Regents fails to make the required payment under the Dining Facility Agreement. If The Regents fails to make the required payments, such failure may have a material adverse effect on payment of principal and interest on the Series 2018 Bonds.

The University of California (the "University") is the public institution of higher education designated by the State of California (the "State") in its Master Plan for Higher Education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. Since it was chartered in 1868, the University has conferred approximately 2,460,000 higher education degrees, as of June 30, 2017. The University's administrative offices are located in Oakland, California.

The University is governed by a 26-member Board of Regents, 18 of whom are appointed by the Governor and approved by a majority vote of the State Senate (currently for a 12-year term), one student Regent, who is appointed by the board to a one-year term, and seven ex officio Regents who are members of the board by virtue of their elective or appointed positions. The ex officio Regents are the Governor of the State, Lieutenant Governor of the State, Speaker of the Assembly, State Superintendent of Public Instruction, President of the Alumni Associations of the University, Vice President of the Alumni Associations of the University, and the President of the University.

Classes began at Berkeley in 1873 and the University currently operates general campuses located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, Santa Barbara and Santa Cruz; a health science campus located in San Francisco; and laboratories, research stations and institutes, affiliated schools, activity locations, and a statewide Division of Agriculture and Natural Resources. The University operates a cooperative extension program reaching into nearly every area of the State and numerous public service programs. The Education Abroad Program of the University is offered at many different host institutions around the world.

The University is engaged in numerous sponsored research projects, in addition to operating one major national laboratory and being a member in two joint ventures that manage two other national laboratories for the United States Department of Energy, which conduct broad and diverse basic and applied research in nuclear science, energy production, national defense, and in environmental and health areas. The University has six medical schools. In connection with five of the University's medical schools and other health science disciplines, the University operates five academic medical centers (and UCSF Benioff Children's Hospital Oakland, which is affiliated with the University of California, San Francisco Medical Center) with a total of 3,910 licensed beds and 3,618 available beds as of June 30, 2018.

The University has a pre-eminent ladder-rank and equivalent faculty[(1)] of approximately 11,000 members as of April 2018. Sixty-four researchers affiliated with the University have been awarded 65 Nobel Prizes, the pinnacle of achievement for groundbreaking research. The University's faculty and affiliated researchers also include MacArthur "Genius" grant winners, Pulitzer Prize winners, Fulbright award recipients, National Medal of Science winners, and Guggenheim fellowship recipients.

As of April 2018, in addition to the teaching faculty, the University employed, on a full-time and part-time basis, approximately 58,000 other academic personnel and approximately 160,000 staff and management personnel.

During the year ended June 30, 2018, the University provided instruction to approximately 272,000 full time equivalent undergraduate and graduate students. The following table shows full year (including summer) full-time equivalent enrollments by campus for general campus and health sciences students for Fiscal Years 2014 to 2018. Further information on University enrollment can be found at http://www.ucop.edu/operating-budget/fees-and-enrollments/fte-student-enrollments/index.html. The information contained in such website is not incorporated by reference herein.

UNIVERSITY OF CALIFORNIA
FULL-TIME EQUIVALENT ENROLLMENTS[(1)] FOR FISCAL YEARS 2014 TO 2018

	2013-14	2014-15	2015-16	2016-17	2017-18
Berkeley	36,755	38,151	37,926	38,596	40,073
Davis	33,005	34,183	34,549	35,683	36,718
Irvine	30,432	31,549	31,714	33,836	36,009
Los Angeles	40,967	41,352	41,483	42,730	43,100
Merced	5,931	6,413	6,850	7,440	8,016
Riverside	20,501	20,930	21,122	22,376	22,488
San Diego	30,560	31,602	33,768	35,652	36,390
San Francisco	4,259	4,309	4,514	4,516	4,598
Santa Barbara	22,635	23,332	23,549	24,305	25,091
Santa Cruz	17,201	17,966	18,014	18,823	19,621
Total University	**242,246**	**249,787**	**253,489**	**263,957**	**272,104**

(1) Does not include students in self-supporting programs. Includes undergraduate, graduate and health sciences students, and summer enrollment (summer enrollment in 2017-18 was 16,020).
Source: University of California Office of the President ("UCOP"), Budget Analysis and Planning

(1) Does not include lecturers and other faculty who are counted here as "other academic personnel." These "other academic personnel" include clinical faculty, in-residence faculty, adjunct faculty, lecturers, other academic employees, postdoctoral scholars, medical interns/residents, and student teaching/research assistants.

INDEBTEDNESS OF THE REGENTS

The Regents of the University of California ("The Regents") has outstanding various revenue bonds, as listed in the following table, maturing from 2018 through 2058 (excluding the final maturity of 2112 for the General Revenue Bonds, 2012 Series AD and the final maturity of 2115 for the General Revenue Bonds, 2015 Series AQ). These revenue bonds are secured by and payable from revenues of the facilities financed, investment income, student fees, rental payments, a portion of the annual General Fund support appropriation the University receives from the State and other revenues. The following table lists the public indebtedness issued by The Regents outstanding as of October 31, 2018.

REVENUE BONDS ISSUED AND OUTSTANDING[1]
As of October 31, 2018 (dollars in thousands)

General Revenue Bonds	Amount Issued	Amount Outstanding
2008 Series N	$ 3,990	$ 395
2009 Series O	732,630	9,140
2009 Series Q	300,620	5,570
2009 Series R	1,022,275	758,320
2010 Series S	75,395	28,865
2010 Series T	10,100	8,565
2010 Series U	144,025	81,240
2011 Series W	3,725	2,115
2010 Series X	48,700	48,700
2011 Series Z[2]	150,000	150,000
2011 Series AB	354,875	193,555
2011 Series AC	44,840	31,530
2012 Series AD	860,000	860,000
2012 Series AE	2,385	990
2013 Series AF	805,905	507,115
2013 Series AG	501,170	399,485
2013 Series AH	286,515	286,515
2013 Series AI	546,235	546,235
2013 Series AJ	712,315	561,930
2013 Series AK[3]	600,000	600,000
2013 Series AL[2]	600,000	600,000
2014 Series AM	559,150	558,145
2014 Series AN	411,210	349,320
2015 Series AO	797,020	708,195
2015 Series AP	381,785	372,360
2015 Series AQ	500,000	500,000
2016 Series AR	410,255	409,370
2016 Series AS	182,330	163,535
2016 Series AT[3]	132,300	132,300
2016 Series AU	88,200	88,200
2017 Series AV	449,685	449,195
2017 Series AW	185,915	178,440
2017 Series AX	500,000	500,000
2017 Series AY	625,500	625,500
2018 Series AZ	945,810	945,810
2018 Series BA	281,895	281,895
SUBTOTAL	**$ 14,256,755**	**$ 11,942,530**

Limited Project Revenue Bonds		
2010 Series E	$ 195,675	$ 99,685
2010 Series F	486,130	486,130
2012 Series G	899,275	567,300
2012 Series H	100,420	100,420
2015 Series I	1,235,030	1,141,165
2015 Series J	436,455	432,845
2016 Series K	434,165	420,365
2016 Series L	97,905	83,425
2017 Series M	733,450	732,935
2017 Series N	126,935	124,220
2018 Series O	736,215	736,215
2018 Series P	95,080	95,080
SUBTOTAL	**$ 5,576,555**	**$ 5,019,785**
Medical Center Pooled Revenue Bonds		
2007 Series B(4)	$ 96,155	$ 64,075
2007 Series C-2(4)	189,775	149,025
2009 Series F	429,150	429,150
2010 Series G	48,140	12,200
2010 Series H	700,000	700,000
2010 Series I	9,175	5,115
2013 Series J	618,630	372,295
2013 Series K(4)	31,300	31,300
2016 Series L	872,795	824,885
2016 Series M	173,360	158,175
SUBTOTAL	**$ 3,168,480**	**$ 2,746,220**
Total	**$23,001,790**	**$19,708,535**

(1) Does not include commercial paper notes, capital leases, bank loans and indebtedness issued by conduit public entities.

(2) The 2011 Series Z Bonds bear interest at a Weekly Rate and mature on July 1, 2041. The 2013 Series AL Bonds bear interest at a Daily Rate and mature on May 15, 2048. In connection with the issuance of the 2013 Series AL Bonds, The Regents entered into several interest rate swaps in a total notional amount equal to the outstanding principal amount of the 2013 Series AL Bonds with a scheduled termination date of October 1, 2023.

(3) The 2013 Series AK Bonds bear interest at a Term Rate and the initial Term Rate Period for the 2013 Series AK Bonds ends on May 14, 2023. The 2016 Series AT Bonds bear interest at a Term Rate and the initial Term Rate Period for the 2016 Series AT Bonds ends on May 14, 2021.

(4) The 2007 Series B Bonds bear interest at a Daily Rate and mature on May 15, 2032. The 2007 Series C-2 Bonds bear interest at a floating rate and mature on May 15, 2047. The 2013 Series K Bonds bear interest at a Daily Rate and mature on May 15, 2047. In connection with the issuance of the 2007 Series B Bonds, the 2007 Series C-2 Bonds and the 2013 Series K Bonds, The Regents entered into interest rate swaps in notional amounts equal to all of the outstanding principal amount of the 2007 Series B Bonds and the 2007 Series C-2 Bonds and a portion of the outstanding principal amount of the 2013 Series K Bonds. For additional information concerning interest rate swaps, see "APPENDIX C - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018—Note 4."

Source: UCOP, Capital Markets Finance

In addition to revenue bonds, there are also outstanding commercial paper notes, capital leases, bank loans, and indebtedness issued by conduit public entities. These other obligations are described below.

Commercial Paper. The Regents has established a commercial paper program in an authorized amount of up to $2 billion. As of October 31, 2018, approximately $480,750,000 of commercial paper was outstanding.

Bank Loans and Credit Agreements. The Regents has entered into loan agreements, including revolving credit agreements, with various financial institutions. As of October 31, 2018, commitments under the agreements totaled $1,100,000,000 (all of which is secured by a pledge of General Revenues on a parity with the pledge securing The Regents' General Revenue Bonds, including $700,000,000 providing hybrid liquidity for obligations of The Regents) and outstanding principal amounts, including advances under the revolving credit agreements, totaled $150,000,000. From time to time, The Regents may enter into additional loan and revolving credit agreements.

Conduit Issuer Bonds. The California Infrastructure and Economic Development Bank (the "Infrastructure Bank") has issued bonds to finance capital improvements for the University. These bonds include revenue bonds issued in the aggregate principal amount of $207,670,000 (all of which is outstanding as of October 31, 2018) to finance the costs of Neurosciences Building 19A and revenue bonds issued in the aggregate principal amount of $170,980,000 (all of which is outstanding as of October 31, 2018) to finance the costs of a facility for psychiatry services at 2130 Third Street, for the San Francisco campus. Through a capital lease, The Regents is required to make base rent payments that equal the debt service on those bonds. In addition, the Infrastructure Bank issued revenue bonds in the aggregate principal amount of $62,000,000 to finance the costs of a stem cell research facility for a consortium of institutions conducting stem cell research. The San Diego campus is one of the three institutions in the consortium. These bonds were subsequently refunded in their entirety by revenue bonds, and $52,020,000 is outstanding as of October 31, 2018. Through a debt service payment agreement, The Regents is required to pay any debt service shortfall on these bonds.

The California Statewide Communities Development Authority ("CSCDA") has issued bonds to finance and refinance the costs of certain student housing projects for the Irvine campus, such bonds which are outstanding in the aggregate principal amount of $501,325,000 as of October 31, 2018. The Regents leased the site on which the student housing projects are situated to a special purpose, limited liability company that owns the projects and applies project revenues to repay these revenue bonds.

In addition, it is expected that the California Municipal Finance Authority will issue bonds in the approximate aggregate principal amount of $525,000,000 to finance the costs of certain student housing projects for the Davis campus in December 2018. It is expected that The Regents will lease the site on which the student housing projects are situated to a special purpose, limited liability company that owns the projects and applies project revenues to repay these revenue bonds. In addition, The Regents is required to pay any debt service deficiency on these bonds through the final construction completion date of the project funded by the bonds.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

The Constitution of the State of California provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government subject only to such legislative control as may be necessary to ensure compliance with the terms of the endowments of the University and the security of its funds and such competitive bidding procedures as may be applicable to the University by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods and services. The Regents has a board composed of both seven ex officio members and 18 members appointed by the Governor and confirmed by the Senate, and one student Regent, who is appointed by the board, each of whom is a voting member of the board.

The members of the Board of Regents and the Officers of The Regents as of April 30, 2018 are listed below. Under the Bylaws of The Regents, nine Regents constitute a quorum for transaction of business at regular meetings of the Board, twelve Regents constitute a quorum for the transaction of business at special meetings of the Board, and a majority of such quorums are sufficient to approve most actions. As of October 31, 2018, there was one vacancy on the Board. Vacancies with respect to such appointed members must be filled by appointment by the Governor and approved by a majority vote of the State Senate, but such appointed members may serve for up to 365 days prior to Senate confirmation. Additional information and a current list of Regents can be obtained at http://regents.universityofcalifornia.edu/index.html. The foregoing website is not incorporated by reference herein.

Appointed Regents:

Maria Anguiano	Richard Leib
Richard C. Blum	Hadi Makarechian
Laphonza Butler	Eloy Ortiz Oakley
Michael Cohen	Lark Park
Gareth Elliott	John A. Pérez
Cecilia Estolano	Richard Sherman
Howard "Peter" Guber	Ellen Tauscher
George Kieffer	Charlene Zettel
Sherry L. Lansing	Devon Graves[(1)]

[(1)] Student Regent appointed by the Board of Regents.

Ex Officio Regents: [1]

Jerry Brown
Governor of California

Gavin Newsom
Lieutenant Governor

Anthony Rendon
Speaker of the Assembly

Tom Torlakson
State Superintendent of
Public Instruction

Janet Napolitano
President of the
University of California

Darin Anderson
Alumni Regent
(President of the
Alumni Associations of the
University of California)

Jason Morimoto
Alumni Regent
(Vice President of the
Alumni Associations of the
University of California)

Board Leadership:

President
Jerry Brown
Governor of California

Chair
George Kieffer

Vice Chair
John A. Pérez

Officers of The Regents:

Chief Investment Officer
Jagdeep Bachher

General Counsel
Charles F. Robinson

Secretary and Chief of Staff
Anne L. Shaw

Chief Compliance and Audit Officer
Alexander Bustamente

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(1) On November 6, 2018, Gavin Newsom, Eleni Kounalakis and Marshall Tuck were elected Governor, Lieutenant Governor and State Superintendent of Public Instruction, respectively.

FINANCIAL INFORMATION

Financial information for the University is set forth in the University's Annual Financial Report for the fiscal year ended June 30, 2018. See "APPENDIX C - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018."

INVESTMENTS

As of June 30, 2018, the market values and investment returns for the University's investment pools for the fiscal year were as follows:

	Market Value (in 000's)	Investment Return
Short Term Investment Pool(1)	$13,999,891	1.63%
Total Return Investment Pool(2)	9,221,872	4.48%
General Endowment Pool(3)	12,012,891	8.89%
University of California Retirement Plan(4)	66,405,599	7.77%

(1) Includes: (a) approximately $3.0 billion internal receivable from campuses and medical centers for funds transferred to the Retirement Plan, (b) approximately $2.6 billion held on behalf of the Retirement Plan, (c) approximately $606.5 million held on behalf of the General Endowment Pool, (d) approximately $515.7 million held on behalf of the UC Retirement Savings Program, (e) approximately $510.8 million receivable from certain eligible University employees who have received loans under the University's Mortgage Origination Program, and (f) approximately $343.8 million held on behalf of the Total Return Investment Pool.
(2) Includes approximately $343.8 million invested in the Short Term Investment Pool.
(3) Includes approximately $606.5 million invested in the Short Term Investment Pool.
(4) Includes approximately $2.6 billion invested in the Short Term Investment Pool.
Source: UCOP.

For additional information concerning the investments of the University, see "APPENDIX C - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018—Note 2."

AUDITS AND COMPLIANCE REVIEWS

At all times, there are audits and compliance reviews that arise in the normal course of the University's activities. Such audits and compliance reviews may relate to any activity at the University, and may be conducted by persons within or outside the University, including but not limited to the Senior Vice President—Chief Compliance and Audit Officer of the University, the California State Auditor and a variety of other federal and State governmental agencies. Such reviews could identify improper actions by University personnel or others affecting expenditures by The Regents, and in some cases, its revenues. University management is not aware of any pending audit or review concerning matters that are likely to have a material adverse effect on The Regents' ability to make the Facility Usage Fee payments under the Dining Use Agreement when due.

BUDGETARY PROCESS

The following is a description of the budgetary process for the University. Because the process for developing, negotiating and allocating the capital budget differs from the operating budget, the capital budget is described below under "—Capital Budget."

Budget Consultation: Administrators from the Office of the President meet regularly with faculty and student groups to keep them informed of budget developments and seek their input on budget issues. Further, there are budget discussions at meetings of the Council of Chancellors, meetings of the Council of Executive Vice Chancellors, meetings of campus Vice Chancellors for Planning and Budget, and with various other groups within the University.

The Regents' Budget: The Regents' Budget is the annual budget statement for the ten-campus system. It provides a description of the existing budget, including income and expenditures from all fund sources, and serves as the budget request to the State for the next fiscal year, describing in some detail the need for additional funds from State appropriations. The budget is presented to the Board of Regents each year for approval.

State Budget: The Governor's proposed budget is released each year around the 10th of January and then revised in early May. Each February, the Legislative Analyst's Office publishes an analysis of, and recommendations for legislative actions on, the Governor's proposed budget. The Governor's proposed budget is debated during legislative hearings and subsequently the Legislature sends its own recommended budget back to the Governor. Following the Governor's approval of the Legislature's recommended budget, it becomes final as the "State Budget Act."

For the most part, the State Budget Act appropriates funds for the operating budget of the University in a lump sum. Operating funds received from the State are allocated by the President of the University to the campuses according to a formula intended to achieve equitable State dollars provided per weighted student.

Capital Budget: Annually, the University prepares a multi-year State and non-State funded capital plan titled, "Capital Financial Plan." After compilation and review of campus submittals by the Office of the President, discussions are held with campus representatives regarding project need, justification, priority, and likelihood of funding. With regard to non-State funds, the University uses external financing, gift funds, certain fees and reserves, and other funds available to The Regents for capital projects. State funds for capital projects may take the form of (1) proceeds of State-issued general obligation bonds, (2) the pledge or use of a portion of the University's annual State general fund support appropriation to (A) secure or make debt service payments for capital expenditures funded by the University's General Revenue Bonds or commercial paper associated with the University's General Revenue Bond program or (B) secure or make availability payments, lease payments, installment payments, and other similar or related payments for capital expenditures, and (3) the use of a portion of the University's annual State general fund support appropriation to fund pay-as-you-go capital outlay projects. With respect to State funds for capital projects that take the form of proceeds of State-issued general obligation bonds, a line-item capital budget request is submitted annually to the State for approval, along with the Capital Financial Plan for context. Major capital projects that are State funded are approved by the State on a line-item basis; any funds requested for minor capital projects are approved on a lump-sum basis.

The process with respect to the use of a portion of the University's annual State general fund support appropriation to (1) make debt service payments for capital expenditures funded by the University's General Revenue Bonds or commercial paper associated with the University's General Revenue Bond program, (2) make availability payments, lease payments, installment payments, and other similar or related payments for capital expenditures, and (3) fund pay-as-you-go capital outlay projects is as follows. The University may apply a portion of its annual State general fund support appropriation so long as it, among other things, receives approval under the following process: 1) the University submits on or before the September 1 prior to such subsequent fiscal year, a report detailing the scope and funding plan for the proposed capital expenditures and capital outlay projects to the committees in each house of the Legislature that consider the annual State budget, the budget subcommittees in each house of the Legislature that consider appropriations for the University, and the Department of Finance, 2) the Department of Finance reviews the report and submits, by February 1, a list of preliminarily approved capital expenditures and capital outlay projects to the committees in each house of the Legislature that consider the annual State budget and the budget subcommittees in each house of the Legislature that consider appropriations for the University, and 3) the Department of Finance submits a final list of approved projects to the University no earlier than the following April 1.

Recent State Support for the University: The following table sets forth State appropriations for Fiscal Year 2014-15 through Fiscal Year 2018-19.

STATE APPROPRIATIONS

Fiscal Year	State Appropriations To University[1]
2014-15	2.991 billion[2]
2015-16	3.163 billion[3]
2016-17	3.370 billion[4]
2017-18	3.374 billion[5]
2018-19	3.724 billion[6]

(1) Includes appropriations for lease purchase payments, general obligation debt service, State grants and direct payments to the Retirement Plan for pledges from 1990.
(2) Includes budget augmentations of $142.2 million for a 5% base budget adjustment and $4 million in one-time funds for various programs across the University. Of the amount shown, $193.2 million was used for general obligation bond debt service.
(3) Includes budget augmentations of $148.5 million comprised of $119.5 million for a 4% base budget adjustment, $25 million for the enrollment of 5,000 additional undergraduate resident students above 2014-15 levels by 2016-17, and $4 million for certain labor centers. Also includes $25 million in one-time funds for deferred maintenance and $2.855 million in one-time funds for various programs across the University. Of the amount shown, $203.7 million was used for general obligation bond debt service.
(4) Includes budget augmentations of $143.9 million comprised of $125.4 million for a 4% base budget adjustment and $18.5 million associated with the enrollment of 2,500 additional undergraduate resident students above 2016-17 levels by 2017-18. Also includes $35 million in one-time funds for deferred maintenance, as well as other one-time funds totaling approximately $55.6 million for various programs across the University. Of the amount shown, $217.1 million was used for general obligation bond debt service.
(5) Includes a 4% base budget adjustment of $131.2 million and one-time funds of $6.6 million for various programs across the University. The updated figure includes a $50 million reduction in State General Fund support, which was offset by an equivalent increase in Proposition 56 funding, $5 million for graduate enrollment, $1.9 million for SJV PRIME and $0.3 million for Summer Institute of emerging leaders. Of the amount shown, $296.4 million and $52.4 million was used to fund the University of California Office of the President and UCPath, respectively, and $175.2 million was used for general obligation debt service.
(6) Includes a 3% base budget adjustment of $92.1 million and $16 million in additional permanent funding. Also includes one-time funds of $248.8 million for various programs across the University, including $70 million for the buy-out of tuition and student services fee, $40 million to restore funding related to the replacement of $50 million permanent State General Fund support with Proposition 56 funds for graduate medical education in 2017-18, and $35 million for deferred maintenance. Of the amount shown, $215.2 million, $72.6 million and $52.4 million will be used to fund the University of California Office of the President, the University of California Division of Agriculture and Natural Resources and UCPath, respectively, and $174.9 million will be used for general obligation debt service.

State Budget for the University for 2016-17. The Governor signed the 2016-17 State Budget Act and Assembly Bill 1602 on June 27, 2016. State funds allocated to the University totaled $3.370 billion, which included a 4% base budget adjustment of $125.4 million, with the understanding that the University would again agree to keep tuition and fees flat in 2016-17. However, beginning with 2017-18, the University may increase tuition at a rate pegged generally to the rate of inflation. In addition, the State proposed an $18.5 million augmentation to the University's base budget for enrollment growth, to be funded on an ongoing basis starting in 2016-17, if the University met two conditions by May 1, 2017. First, the University had to have demonstrated that it would enroll 2,500 more resident undergraduates in academic year 2017-18 than it enrolled in 2016-17. Second, the University had to have demonstrated that it would adopt a policy that specifies a limit on the number of nonresident students enrolled. Both conditions were met.

The $3.370 billion State General Fund allocation provided one-time support in the amount of $35 million for funding for deferred maintenance for campus buildings and infrastructure, as well as other one-time State General Fund support totaling approximately $55.6 million for various programs across the University. Of the total State funds allocated to the University, $217.7 million was used for general obligation debt service. In addition to the State General Fund support appropriation of $3.370 billion, the 2016-17 State Budget Act also included a second allocation of Proposition 2 funds in the amount of $171 million toward the unfunded liability associated with the University of California Retirement Plan as discussed below under "Retirement Plan Funds."

State Budget for the University for 2017-18. The Governor signed the 2017-18 State Budget Act on June 27, 2017. State funds allocated to the University totaled $3.374 billion, which included a 4% base budget increase of approximately $131.2 million. Included in the base budget was $18.5 million in permanent funding for enrollment growth as discussed above under "State Budget for the University for 2016-17." In addition to the base budget increase, the $3.374 billion included $5 million in permanent funding to support enrollment growth of 500 graduate students in 2017-18 and $2.2 million in permanent funding for other programs across the University. The 2017-18 State Budget Act also replaced $50 million of permanent State General Fund support with $50 million of revenue from the Tobacco Tax Act of 2016 (Proposition 56) to be used for graduate medical education on a one-time basis.

The 2017-18 State Budget Act included an expectation that the University would enroll at least 1,500 more resident undergraduate students in 2018-19 compared to 2017-18. The 2017-18 State Budget Act acknowledged that the State and University should share the cost of enrollment growth. As part of that cost-sharing, the 2017-18 State Budget Act requested that the University, the Legislature, and the Department of Finance identify funds to support enrollment growth from funds that the University currently expends on systemwide programs or at the University of California Office of the President.

The State General Fund allocation included $6.6 million in one-time support for various programs across the University. Of the total State funds allocated to the University, $175.2 million was used for general obligation debt service. In addition, the 2017-18 State Budget Act included the third and final increment of Proposition 2 funds in the amount of $169 million toward the unfunded liability associated with the University of California Retirement Plan, as discussed below under "Retirement Plan Funds."

The 2017-18 State Budget Act conditioned $50 million of the University's State General Fund appropriation upon the University demonstrating to the Department of Finance that it had made a good faith effort to satisfy several conditions, which generally relate to certain academic and budgeting programs and policies. The conditions included the University implementing the recommendations identified by the California State Auditor to be completed by April 2018 in its report on the University of California Office of the President's budget and administrative expenditures, which was released in April 2017. The University accepted and believed that it had implemented the recommendations, which were largely about transparency and best practices. The Department of Finance released the $50 million to the University late in the 2017-18 fiscal year.

Finally, the 2017-18 State Budget Act created two separate line-item appropriations from the $3.374 billion of $296.4 million and $52.4 million to fund the University of California Office of the President and UCPath, a systemwide human resources and payroll system, respectively, which otherwise would have been funded through campus assessments.

State Budget for the University for 2018-19. The Governor signed the 2018-19 State Budget Act on June 26, 2018. State funds allocated to the University total $3.724 billion, which includes a 3% base budget adjustment for the University totaling $92.1 million. In addition to the base budget increase, the $3.724 billion includes the following in permanent funding: $10 million to partially restore permanent funding related to the replacement of $50 million of permanent State General Fund support with Proposition 56 funds in 2017-18, which is offset by a $10 million decrease in Proposition 56 funds for graduate medical education; $5 million to support the enrollment of 500 new California undergraduates above 2017-18 levels in 2018-19; and $1 million for the Institute of Global Conflict and Cooperation. The 2018-19 State Budget Act redirects $8.55 million from University of California Office of the President to campuses to support a portion of 2018-19 enrollment growth, consistent with the University's proposal in response to provisions of the 2017-18 Budget Act.

The State General Fund allocation includes $248.8 million in one-time funding for various programs across the University, including $70 million for the buy-out of tuition and student services fees, $40 million to restore funding related to the replacement of $50 million permanent State General Funds with Proposition 56 funds in 2017-18, and $35 million for deferred maintenance. Of the total State funds allocated to the University, a projected $174.9 million will be used for general obligation debt service.

Finally, the 2018-19 State Budget Act continues to fund the University of California Office of the President and UCPath as separate line item appropriations and adds a third line item for the University of California Division of Agriculture and Natural Resources. Of the total $3.724 billion State General Fund allocation, $215.2 million, $72.6 million and $52.4 million will be used to fund the University of California Office of the President, University of California Division of Agriculture and Natural Resources, and UCPath, respectively. The 2018-19 State Budget Act also allows UCPath to assess campuses for up to $15.3 million in additional expenditures, consistent with projected operating cost increases as UCPath is deployed to more campuses in 2018-19.

EMPLOYER–EMPLOYEE RELATIONS

The Higher Education Employee Relations Act (HEERA), the law that provides for collective bargaining in higher education, became effective July 1, 1979. Currently, the University negotiates with eight unions representing thirteen systemwide bargaining units and with nine unions representing fourteen local bargaining units over terms and conditions of employment for approximately 77,500 of the University's employees, excluding student academic employees who are primarily employed during the academic year.

The following table shows the membership of each systemwide employee bargaining unit as of October 2017 and the expiration dates of the applicable current labor contracts as of November 7, 2018:

University of California
Systemwide Employee Organizations[(1)]

Union	Bargaining Unit	Head Count	Contract Expiration
International Brotherhood of Teamsters 2010	CX - Clerical & Allied Services	11,363	3/31/22
UAPD Union of American Physicians & Dentists	DX –Student Health Center Physicians and Dentists	136	6/30/19
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	EX - Patient Care Technical	15,404	12/31/17[(2)]
UPTE University Professional & Technical Employees, CWA, Local 9119	HX - Residual Health Care Professionals	4,482	10/31/17[(2)]
UC-AFT American Federation of Teachers	IX – Non Senate Instructional	3,509	1/31/20
UC – AFT American Federation of Teachers	LX – Professional Librarians	353	9/30/18[(2)]
CNA California Nurses Association	NX – Registered Nurses	14,599	10/31/22[(3)]
FUPOA Federated University Police Officers Association	PA – Police Officers	267	12/31/20
UAW Local 5810 International Union, United Automobile, Aerospace and Agricultural Implement Workers of America	PX – Post Doctoral Scholars	5,963	9/30/20
UPTE University Professional & Technical Employees, CWA, Local 9119	RX – Research Support Professionals	4,961	9/30/17[(2)]
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	SX – Service	9,575	6/30/17[(2)]
UPTE University Professional & Technical Employees, CWA, Local 9119	TX – Technical	3,418	9/30/17[(2)]

(1) Excludes the collective bargaining unit for student employees. The number of student employees varies greatly during the academic calendar year.

(2) Contract negotiations are currently in progress. When a contract has expired, the no strikes provision in such contract is no longer in effect, which raises the possibility of a systemwide strike when the collective bargaining process breaks down. Following a breakdown in negotiations, AFSCME conducted a three day strike between May 7, 2018 and May 9, 2018 by Service unit employees and employees in the following units struck in sympathy: Patient Care Technical; Research Support Professionals; Registered Nurses; Technical; and Residual Health Care Professionals. Following a breakdown in negotiations, AFSCME conducted another three day strike between October 23, 2018 and October 25, 2018 by Patient Care Technical unit employees and employees in the following units struck in sympathy: Research Support Professionals, Service, and Technical. Until the University enters into contracts for each of these bargaining units, the possibility of strikes will persist.

(3) Either the University or the union can reopen the contract on the issues of retirement benefits or wages in spring 2020. If the contract is reopened and the parties exhaust the bargaining process, the no strikes provision will no longer be in effect for the duration of the bargaining process.

Source: University of California Office of Labor Relations

It is always difficult to determine with assurance the future course of employer–employee relations. Nevertheless, at the present time, The Regents does not anticipate that the future labor relations climate within the University will have a material adverse impact upon the ability of The Regents' ability to make the Facility Usage Fee payments under the Dining Use Agreement when due.

RETIREMENT PLAN FUNDS

Administration: The Regents maintains the University of California Retirement Plan (the "Retirement Plan"), a governmental defined benefit pension plan, which provides lifetime retirement income, disability protection, death benefits, and pre-retirement survivor benefits to eligible employees of the University. The Retirement Plan includes four distinct member classes ("Member Classes"). The first and largest Member Class is for members whose benefits are coordinated with Social Security. It was created in 1976 for existing employees who elected to be covered by Social Security and includes almost all new hires. The second Member Class is for members with benefits not coordinated with Social Security, including those members who did not opt-in in 1976 and certain members not eligible for Social Security coverage for other reasons, such as immigration status. The third Member Class, referred to as Tier Two, was established for a group with an alternative member contribution program. It was closed to new members in 1990. The fourth Member Class is for safety members (police and firefighters) whose benefits are not coordinated with Social Security. The first two Member Classes currently have four benefit tiers within each class: the 1976 Tier, the 2013 Tier, the Modified 2013 Tier and the 2016 Tier. Each tier bases benefits on the same components: age factor, service credit and highest average plan compensation, although the formulas relating to benefits are different.

The Regents is the trustee of the Retirement Plan, and the President of the University is the Administrator of the Retirement Plan. The University of California Human Resources and Benefits Department is responsible for the day-to-day management and operation of the Retirement Plan.

Membership: The following table shows the membership in the Retirement Plan for each Fiscal Year from July 1, 2014 through July 1, 2018:

RETIREMENT PLAN MEMBERSHIP

July 1	Active Vested Members	Active Nonvested Members	Terminated Vested Members[1]	Retired Members	Ratio of Retirees to Actives
2014	75,948	44,620	78,229	64,191	0.53
2015	75,158	48,610	75,165	67,321	0.54
2016	75,298	53,215	81,595	70,077	0.55
2017	76,064	53,318	87,052	72,995	0.56
2018	76,933	52,946	92,617	75,924	0.58

(1) Inactive members entitled to, but not yet receiving, benefits.

The 2013 Tier of pension benefits applies to employees hired on or after July 1, 2013, which increased the early retirement age from 50 to 55 along with shifting the corresponding age factors by five years, but retained many of the prior features of the Retirement Plan. The 2013 Tier does not offer lump sum cash outs, inactive member Cost of Living Adjustments or subsidized survivor annuities for spouses and domestic partners. These changes were subject to collective bargaining for union-represented employees and the University agreed to some variations of the 2013 Tier (the Modified 2013 Tier) while keeping the University's costs fixed.(1)

Effective July 1, 2016, the Retirement Plan was amended to provide a new tier of pension benefits under the Retirement Choice Program. The new program tier provides eligible University employees hired (or becoming eligible) on or after July 1, 2016 (and certain eligible rehires who return to work after a tier break in service) a choice between two primary retirement benefits options: (1) "Pension Choice," which is the UCRP pension benefit with covered compensation for new hires capped at the California Public Employees' Pension Reform Act (PEPRA) covered compensation limit, referred to below as the ("PEPRA Cap") ($121,388 for calendar year 2018). In addition, the University contributes 5.0% to a supplemental defined contribution plan for eligible faculty on all pension eligible earnings up to the Internal Revenue Service ("IRS") annual compensation limit ($275,000 for calendar year 2018). For staff subject to the PEPRA Cap, the University contributes an additional 3.0% to the supplemental defined contribution plan for pension eligible earnings between the PEPRA Cap up to the above referenced IRS limit; or (2) "Savings Choice," which is a defined contribution plan-only option for any pension eligible earnings up to such IRS limit, with the University contribution rate set at 8.0% for all employees (whether they are faculty or staff). Retirement benefit changes for union-represented employees will be effective upon completion of the collective bargaining process.

Funding Policy: The Retirement Plan's independent actuary annually prepares an actuarial valuation of the Retirement Plan. The purpose of the annual actuarial valuation is to disclose the Retirement Plan's funded position as of the beginning of the current fiscal year, analyze the preceding fiscal year's experience and determine the total funding policy contribution rates for the following fiscal year. The actuarial valuation includes economic assumptions based on the experience of the Retirement Plan. As of July 1, 2018, these economic assumptions include a long-term investment earnings assumption of 7.25% per year, projected salary increases ranging from 3.75-6.15% per year, cost-of-living adjustments of 2% per year and inflation of 3% per year.

The independent actuary annually determines the total funding policy contribution rate based upon methods selected by the University as follows:

First, the normal cost (the "Normal Cost") is established for the Retirement Plan. The Normal Cost represents the portion of the actuarial present value of the benefits that the Retirement Plan will be expected to fund that is attributable to the current year's employment. The Retirement Plan uses the entry age actuarial cost method, which is an actuarial method of

(1) Generally, these pension benefit tiers use the same age factors as the current 1976 Tier and allow lump sum cash outs, but have higher member contribution rates for all active members.

calculating the anticipated cost of pension liabilities, designed to fund benefits as a level percentage of compensation over the working lifetime of the Retirement Plan's active members.

Second, the contribution calculation takes into account the amortization of a portion of the amount by which the actuarial value of the Retirement Plan liabilities exceeds the actuarial value of the Retirement Plan assets (the "UAAL").

There are a number of assumptions and calculation methods that impact the UAAL. The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in UAAL due to actuarial experience gains or losses after July 1, 2010 are separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions will be separately amortized over a fixed (closed) 15-year period. Any changes in UAAL due to actuarial experience gains or losses or a change in actuarial assumptions after July 1, 2014 are separately amortized over a fixed (closed) 20-year period. The market value of assets less unrecognized returns in each of the last five years is used to calculate the actuarial value of the retirement plan assets. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.

While the independent actuary annually determines total funding policy contributions, the University is not required to contribute an amount equal to its total funding policy contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

Funding Status: The unfunded liability for the campuses and medical centers as of the July 1, 2018 and 2017 actuarial valuation was $10.0 and $10.4 billion, respectively, or 85.2% and 83.6% funded, respectively, on an actuarial value of assets basis. This increase in funded ratio is mainly a result of the contributions funding the total funding policy contribution as well as the investment gain on the actuarial value of assets.

The total funding policy contributions related to campuses and medical centers in the July 1, 2016 actuarial valuation (effective for Fiscal Year 2017-18) and the July 1, 2015 actuarial valuation (effective for Fiscal Year 2016-17) was $3.0 billion and $2.8 billion, respectively. In Fiscal Year 2017-18, University contributions were approximately $2.2 billion and member contributions were approximately $0.9 billion for the campuses and medical centers. In Fiscal Year 2016-17, University contributions were approximately $2.2 billion and member contributions were approximately $0.9 billion. The total funding policy contributions in the July 1, 2017 and July 1, 2016 actuarial valuations represent 27.0% and 28.0% of covered compensation, respectively.

Effective July 1, 2014, member and employer contributions increased to 8.0% (for most members) and 14.0%, respectively. Member contributions for the employees in the new benefit tiers (2013 Tier, Modified 2013 Tier and 2016 Tier) described above are 7.0%-9.0%, and the employer rate is uniform at 14.0%[(1)] across all members in the campus and medical center segment.[(2)] These contribution rates are below the Retirement Plan's total funding policy requirements. The 2015-16 State Budget provided $436 million in one-time Proposition 2 funds for pension funding, and the Retirement Plan received $96 million in 2015-16, $171 million in 2016-17, and $169 million in 2017-18.

The Regents has delegated to the President of the University the authority and discretion to fully fund the unfunded portion of the Normal Cost and interest on the UAAL (the "modified ARC") through a combination of transfers from the Short Term Investment Pool, sale of long-term debt and restructuring of existing debt. In March 2011, The Regents approved a $2.1 billion funding plan for the Retirement Plan and in April 2011, $1.1 billion from the Short Term Investment Pool was transferred to the Retirement Plan. On July 27, 2011, The Regents issued $1.2 billion of General Revenue Bonds, 2011 Series Y, 2011 Series Z and 2011 Series AA and approximately $935 million of the proceeds of those bonds were applied to fund a portion of the annual required contribution (the "ARC"). In July 2014, The Regents authorized additional contributions of $700 million to the Retirement Plan to improve the Plan's funded status, and the contributions were made to the Retirement Plan from the University's Short Term Investment Pool on August 1, 2014. In November 2015, The Regents authorized additional contributions up to $563.6 million in Fiscal Year 2015-16, $481 million in Fiscal Year 2016-17, and $391.8 million in Fiscal Year 2017-18, to bring the total annual contribution up to the total ARC for each of those years based on certain conditions, including, but not limited to, maintaining a minimum balance in the Short Term Investment Pool of $5 billion and the receipt of Proposition 2 funds from the State as described in the paragraph above. Contributions of $563.5 million were transferred to the Retirement Plan from the University's Short Term Investment Pool on December 1, 2015. Contributions of $481 million were transferred to the Retirement Plan from the University's Short Term Investment Pool between July 1, 2016 and December 1, 2016. Contributions of $391.8 million were transferred to the Retirement Plan from the University's Short Term Investment Pool between July 1, 2017 and January 1, 2018. In July 2017, The Regents authorized additional contributions up to $500 million in Fiscal Year 2018-19, $500 million in Fiscal Year 2019-20, $600 million in Fiscal Year 2020-21, and $700 million in Fiscal Year 2021-22 to bring the total annual contribution up to the total ARC for each of those years, based on certain conditions, including, but not limited to, maintaining a minimum balance of liquid fixed income investments in the Short Term Investment Pool and Total Return Investment Pool of $5 billion.

The national laboratory "segments" of the Retirement Plan are accounted for and evaluated separately from those of the campus and medical center segment.[(3)] Recognizing that the Lawrence Berkeley National Laboratory ("LBNL") segment is significantly higher funded than the campus and medical center segment, effective October 2015, the contribution rate for

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[(1)] In March 2018, The Regents rescinded a previously approved increase in the employer contribution rate to 15.0% across all members which would have been effective July 1, 2018.
[(2)] To continue to pay down the unfunded liability for the Retirement Plan, the University maintains a 6.0% contribution rate on pension eligible earnings up to the IRS annual compensation limit with respect to employees who elect Savings Choice (employees who elect Savings Choice are not Retirement Plan participants).
[(3)] There are four separate and distinct "segments" that comprise the Retirement Plan as a whole: the campus/medical center segment, the Lawrence Berkeley National Laboratory segment, the Lawrence Livermore National Laboratory segment, and the Los Alamos National Laboratory segment.

the LBNL was set at a rate based on the funded ratio of the LBNL segment, determined on an actuarial value of assets basis as of the previous valuation date (July 1, 2014 for the October 1, 2015 rate). Prior to October 2015, the LBNL employer contribution rate was set at the same rate as the campus and medical center segment.

The U.S. Department of Energy is contractually required to make contributions to the Retirement Plan on behalf of Los Alamos National Laboratory ("LANL") and Lawrence Livermore National Laboratory ("LLNL") retirees as determined by the annual actuarial valuation of each national laboratory segment.

The table below shows the fair market value of assets held in trust for payment of pension benefits; the actuarial value of assets held in trust adjusted according to the Retirement Plan's actuarial methods as summarized above; the actuarial accrued liability of the Retirement Plan; the actuarial (deficit) surplus, the funded ratio on an actuarial and market value basis; the annual covered member payroll and the unfunded actuarial accrued liability or surplus as a percentage of covered payroll as of July 1, 2014 through July 1, 2018.

Retirement Plan Funding[(1)]
(dollars in millions)

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial (Deficit) Surplus	Funded Ratio (Actuarial Basis)	Funded Ratio (Market Basis)	Annual Covered Payroll	Actuarial (Deficit) Surplus of Annual Covered Payroll
July 1, 2014	$52,783.9	$48,328.0	$60,417.2	$(12,089.2)	80.0%	87.4%	$9,299.8	(130.0%)
July 1, 2015	55,055.4	53,762.3	65,841.3	(12,079.0)	81.7%	83.6%	9,927.8	(121.7%)
July 1, 2016	54,164.5	57,228.5	69,305.4	(12,076.9)	82.6%	78.2%	10,607.6	(113.9%)
July 1, 2017	62,114.3	61,884.5	72,965.3	(11,080.7)	84.8%	85.1%	11,095.9	(99.9%)
July 1, 2018	66,773.6	66,577.4	76,881.1	(10,303.7)	86.6%	86.9%	11,596.2	(88.9%)

(1) Includes campuses, medical centers and laboratories.

Source: UCOP, University of California Retirement Plan Annual Financial Report and the University of California Retirement Plan Actuarial Valuation Report

Asset Management Plan: The Regents, as the governing board and as trustee, is responsible for the oversight of the Retirement Plan's investments and establishes investment policy, which is carried out by the Office of the Chief Investment Officer of The Regents. The Office of the Chief Investment Officer has primary responsibility for investing the Retirement Plan's assets consistent with the policies established by The Regents.

Over the past ten years, the Retirement Plan's asset allocation targets have been adjusted periodically to diversify the assets over multiple asset classes, investment styles and strategies. The result has been a movement away from a single, concentrated source of risk (primarily U.S. equities) toward a balanced and diversified portfolio across global assets and risk factors that are less correlated with markets. Currently, the assets of the Retirement Plan are invested across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Retirement Plan also holds international equities, global sovereign and corporate debt, global public and private real estate, and an array of alternative investments including private equity, venture capital, real estate, and real assets.

Net Pension Liability: The University follows GASB Statement No. 68, which requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. As of June 30, 2018, the University reported a net pension liability to the Retirement Plan of $9.8 billion. As of June 30, 2017, the University reported a net pension liability to the Retirement Plan of $10.7 billion. The decrease in net pension liability for Fiscal Year 2017-18 was primarily due to the 7.8% return on the market value of assets which was more than the assumed return of 7.25%. For a further description of the University's pension accounting practices, see "APPENDIX C - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018", including – "Management's Discussion and Analysis – The University of California Retirement System (UCRS)" and – "Required Supplementary Information."

For more information on the University's pension plan funds, see "APPENDIX C - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018", including – "Management's Discussion and Analysis – The University of California Retirement System (UCRS)" and – "Required Supplementary Information."

RETIREE HEALTH PLAN FUNDS

Description**:** The University administers the Retiree Health Benefit Program (the "Retiree Health Plan"). The Retiree Health Plan is a single-employer health and welfare plan to provide health and welfare benefits (primarily medical, dental and vision) to eligible retirees and their families and survivors of the University and its affiliates. Membership in the Retirement Plan or participation in the defined contribution plan (Savings Choice described above) is required to become eligible for retiree health benefits. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service. Retirees employed by the University on or after July 1, 2013 are subject to graduated eligibility provisions based on both a member's age and years of Retirement Plan service credit upon retirement(1). Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's maximum contribution.

Funding Policy: The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are based

(1) In addition, members of the HX, NX, RX, EX, SX and TX bargaining units negotiated the effective date of revised eligibility rules for Retiree Health Plan benefits as part of contract negotiations. Generally, new employees hired after the negotiated effective date of revised eligibility rules must retire at 65 and have worked at least 20 years in order to receive the maximum employer contribution to the retiree health premium.

upon projected pay-as-you-go financing. Contributions toward medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees.

On July 1, 2007, The Regents established the University of California Retiree Health Benefit Trust (the "Trust"). While the University does not currently pre-fund retiree health benefits, if pre-funding occurs in the future, the Trust will be used as the funding vehicle. As of June 30, 2018, the balance in the Trust was $133.6 million.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which the University implemented in Fiscal Year 2016-17. This Statement revised existing standards for measuring and reporting retiree health benefits provided by the University to its employees. This Statement required recognition of a liability equal to the net retiree health benefit liability, which is measured as the total retiree health benefit liability, less the amount of the Trust's fiduciary net position. The total retiree health benefit liability is determined based upon discounting projected benefit payments based on claims costs, the benefit terms and legal agreements existing at the Trust's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. The Statement required that most changes in the net retiree health benefit liability be included in retiree health benefit expense in the period of change.

The actuarial methods and assumptions used in determining the total retiree health benefit liability as of July 1, 2018 include the entry age normal level percentage of pay actuarial cost method; a 3.87% discount rate (index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher); health care cost trend rate ranging from 5.8% to 9.3% for non-Medicare and 5.0% to 7.3% for Medicare initially, depending on the type of plan, reduced by increments to an ultimate rate of 5.0% over 15 years.

Net Other Post-Employment Benefit (OPEB) Liability: The table below shows the OPEB net position held in trust for payment of pension benefits; the total OPEB liability; the net OPEB liability; the ratio of the OPEB net position to total OPEB liability; the annual covered member payroll and the unfunded actuarial accrued liability or surplus as a percentage of covered payroll as of June 30, 2015 through June 30, 2018.

Net Other Post-Employment Benefit (OPEB) Liability

Actuarial Valuation Date	OPEB Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio (Actuarial Basis)	Annual Covered Payroll	Actuarial (Deficit) Surplus of Annual Covered Payroll
June30, 2015	$50.6	$18,095.6	$18,044.9	0.3%	$9,758.8	184.9%
June 30, 2016	72.5	21,168.7	21,096.2	0.3%	10,396.8	202.9%
June 30, 2017	106.7	18,786.1	18,679.4	0.6%	11,196.5	166.8%
June30, 2018	133.6	18,388.0	18,254.4	0.7%	12,087.0	151.0%

For more information on the Retiree Health Plan and Trust, see "APPENDIX C - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-18 – Management's Discussion and Analysis – The University of California Retiree Health Benefit Trust (UCRHBT)."

APPENDIX C

THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2017-2018

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UNIVERSITY OF CALIFORNIA

Annual Financial Report

17/18

For 150 years, the University of California has educated the brightest minds and helped California become a beacon of innovation. UC is a national leader in developing new knowledge and moving our discoveries into the market so they can benefit our society, our economy and our planet.

UNIVERSITY OF CALIFORNIA

17/18 Annual Financial Report

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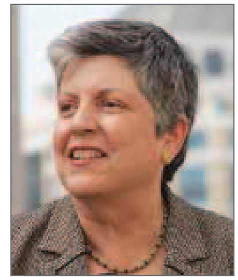
Letter from the President



Over the past year, the University of California reaffirmed its commitment to working with state leaders to boost educational opportunity for students across California. Our campuses have added more than 15,000 California resident undergraduate students since 2014 and, in the fall of 2018, a record number of California resident transfer students enrolled at our campuses. UC's groundbreaking research also continues to make a great impact on the nation, state, and world.

As UC increased enrollment, we maintained our commitment to accessibility and affordability: 56 percent of our undergraduates had their tuition and fees covered thanks to financial aid. We also continued to enroll and graduate large numbers of first-generation and low-income students. Approximately 42 percent of our undergraduates are first-generation students, and 38 percent are Pell Grant recipients, which means they come from low-income families. UC campuses were named in the top five spots in an annual New York Times survey that ranks U.S. colleges that did the most for low-income students. Indeed, UC's role in promoting social mobility impacts not only our students and their families, but the entire State of California.

This year's State budget included an increase of $346.9 million in funding for the University. In addition to a three-percent increase in our base budget, the State provided one-time funds in lieu of a tuition increase, supporting our efforts to keep a UC education affordable for California residents. The budget increase also included one-time funds to support the record-high numbers of California students currently enrolled at the University, as well as to fund some enrollment growth in 2018-19. While we are grateful for the enhanced support from the State for 2019, we must continue to pursue ongoing funding to maintain access, affordability, and academic quality.

Meanwhile, the University was awarded more funding from the National Institutes of Health and the National Science Foundation than any other institution in the country. UC receives close to $5 billion in research awards annually, and the University's research has contributed to California's emergence as the intellectual and economic powerhouse it is today. Many of California's leading industries — including biotechnology, telecommunications, digital media, computers and semiconductors, and new environmental technologies — grew out of UC-based research. Since 1976, more than 1,000 startup companies have been founded around UC inventions, with 85 percent of the companies based in California. By sustaining the quality, access, and affordability of a UC education, we strive to further our mission of teaching, research, and public service, and to ensure that California remains at the forefront of innovation.

JANET NAPOLITANO
PRESIDENT, UNIVERSITY OF CALIFORNIA

Letter from the Executive Vice President, CFO

This has been another record-breaking year for the University of California. Demand from students grew across all our campuses, which continue to rank among the best in the world. We successfully went live at two of our campuses (Riverside and Merced) with UC Path, our priority program to implement a single payroll, benefits, human resources, and academic personnel solution for all University employees. Our aim to further diversify our revenues was aided by strong returns across our investment portfolio. We also made significant progress in expanding the number of new, affordable, student housing beds and by opening the first buildings in the Merced 2020 Project.

In the 13th straight year of record-breaking highs for applications, more than 221,000 students applied for undergraduate admission to the University for fall 2018, an overall jump of 5.7 percent. In this year's application cycle, over 181,000 freshmen students and over 40,000 transfer students applied to at least one campus. All nine undergraduate campuses saw gains in total applications, ranging from a 4.6 percent increase at Berkeley to a 12.4 percent increase at Riverside. Our rankings also continued to be strong, as Los Angeles and Berkeley were ranked as the top two public universities in the nation, and a total of six of our campuses were among the top 12 public universities in the nation, according to *U.S. News and World Report's 2019 Top Public Schools* rankings.

One of our overarching initiatives is to diversify our revenue sources so that the University is more resilient and less dependent on any one source. The strong performance of the Office of the CIO in the past year, with an 8.9 percent return on the endowment and a 7.8 percent return on the pension, strengthens our financial position and reduces burdens on the operating budget.

The cost of housing continues to be a major driver in a student's overall cost of attendance, so we have a multi-year initiative to add new beds at all of our campuses. To date we have delivered over 5,000 beds since the initiative launched in January 2016, and we are on track to deliver over 15,000 beds by fall of 2020. I am also proud to report that we opened our first buildings under the Merced 2020 Project, an ambitious $1.3 billion public-private partnership that will add approximately 1.2 million gross square feet of teaching, research, residential, and student-support facilities to our newest campus by 2020.

Tuition is another major driver in the overall cost of attendance, and this year we developed and passed a budget plan that provided a modest ($60) reduction in tuition for the first time in almost 20 years. While this was greeted with great enthusiasm by many of our students, we must continue to work with the State to create a long-term funding framework to ensure stable tuition for current and future students. While the last fiscal year was positive in many ways, we must continue to be diligent in managing our liabilities and addressing our capital needs with a focus on UC's long-term financial stability.

NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT, CFO
UNIVERSITY OF CALIFORNIA

Facts in Brief *(Unaudited)*

	2018	2017	2016	2015	2014*
STUDENTS					
Undergraduate fall enrollment	216,904	210,369	199,127	195,078	191,369
Graduate fall enrollment	62,092	59,743	58,311	57,185	52,757
Total fall enrollment	**278,996**	**270,112**	**257,438**	**252,263**	**244,126**
University Extension course enrollments	348,645	346,365	371,240	374,442	367,355
FACULTY AND STAFF *(full-time equivalents)*	**158,877**	**154,522**	**149,312**	**144,765**	**139,208**

SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for retirement plan information)*

	2018	2017	2016	2015	2014*
UNIVERSITY OF CALIFORNIA					
PRIMARY REVENUE SOURCES					
Student tuition and fees, net[1]	$4,838,764	$4,477,213	$4,132,352	$3,784,046	$3,585,859
Grants and contracts, net	5,709,180	5,440,977	5,272,595	5,204,761	5,117,736
Medical centers, educational activities and auxiliary enterprises, net	17,419,902	16,153,092	14,638,715	13,611,153	12,108,409
State educational, financing and capital appropriations	3,386,151	3,279,520	3,067,677	2,812,634	2,683,315
Federal Pell Grants	421,693	381,650	376,264	376,186	316,064
Private gifts, net	1,315,092	1,161,658	1,088,076	971,245	890,614
Capital gifts and grants, net	420,658	255,559	248,705	186,836	473,464
Department of Energy laboratories	1,062,428	1,147,233	1,278,186	1,234,509	1,250,820
OPERATING EXPENSES BY FUNCTION					
Instruction	6,939,892	6,966,479	6,814,684	6,200,694	5,477,857
Research	4,744,416	4,579,067	4,618,459	4,366,909	3,837,361
Public service	712,062	670,757	639,022	580,693	581,069
Academic support	2,742,160	2,416,824	2,460,694	2,022,401	1,835,476
Student services	1,206,080	1,168,883	1,099,934	1,012,422	923,284
Institutional support	1,437,887	1,443,208	1,583,783	1,597,486	1,463,248
Operation and maintenance of plant	657,883	677,034	656,635	590,602	618,030
Student financial aid[2]	752,261	721,538	649,258	553,340	580,807
Medical centers	10,749,409	10,451,455	10,004,181	8,513,134	7,965,944
Auxiliary enterprises	1,324,309	1,300,590	1,265,535	1,187,777	1,104,050
Depreciation and amortization	2,027,341	1,909,870	1,804,046	1,661,033	1,709,672
Impairment of capital assets	10,360	7,354	10,127	11,219	11,201
Department of Energy laboratories	1,054,475	1,139,232	1,271,260	1,234,958	1,244,335
Other	88,326	66,936	71,573	72,200	81,061
INCREASE (DECREASE) IN NET POSITION	1,812,445	1,061,191	(2,699,804)	(233,459)	1,381,385
FINANCIAL POSITION					
Investments, at fair value	27,368,997	24,478,362	22,208,767	22,492,804	21,748,774
Capital assets, at net book value	32,325,107	30,669,753	29,688,815	28,642,779	27,645,157
Other assets and deferred outflows	13,008,104	13,441,465	18,288,878	12,596,994	11,652,661
Outstanding debt, including capital leases	(23,658,777)	(20,502,876)	(19,951,287)	(19,020,755)	(18,030,749)
Obligations for pension and retiree health benefits	(28,637,382)	(30,029,779)	(36,920,138)	(29,331,031)	(16,165,378)
Other liabilities and deferred inflows	(16,239,128)	(15,702,449)	(12,021,750)	(11,359,071)	(15,137,452)
Net position	4,166,921	2,354,476	1,293,285	4,021,720	11,713,013

[1] Scholarship allowances, including both financial aid and fee waivers that are not paid directly to students, are recorded primarily as a reduction of student tuition and fees in the statement of revenues, expenses and changes in net position.

[2] Includes only financial aid paid directly to students. The state-administered California grant awards are not included as expenses since the government determines grantees. College work study expenses are shown in the programs in which the student worked.

**Amounts have not been restated to report the entire net retiree health benefits liability.*

	2018	2017	2016	2015	2014
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for retirement plan information)*					
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts	$1,340,158	$864,411	$789,267	$765,445	$789,573
PRIMARY EXPENSES					
Grants to campuses	1,100,287	939,784	889,163	827,467	958,873
INCREASE (DECREASE) IN NET POSITION	1,337,620	1,050,233	(3,498)	455,416	849,091
FINANCIAL POSITION					
Investments, at fair value	9,239,580	8,206,990	7,115,278	7,084,587	6,496,649
Pledges receivable, net	1,006,183	865,979	842,423	822,530	861,005
Net position	9,803,392	8,465,772	7,415,540	7,550,329	7,094,913
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	298,420	289,429	280,185	266,254	262,988
Retirees and beneficiaries currently receiving payments	75,924	72,995	70,077	67,321	64,191
PRIMARY REVENUE SOURCES					
Contributions[1]	4,759,740	4,779,464	4,551,152	4,458,802	3,215,712
Interest, dividends and other investment income, net	1,555,260	1,435,299	1,316,116	1,323,449	1,344,731
Net appreciation (depreciation) in the fair value of investments	5,098,540	8,616,400	(2,300,033)	1,320,388	9,137,618
PRIMARY EXPENSES					
Benefit payments	3,438,840	3,185,062	2,974,331	2,803,627	2,583,223
Participant and member withdrawals	1,373,405	1,514,990	1,367,528	1,730,362	1,369,641
INCREASE (DECREASE) IN NET POSITION	6,563,074	10,079,633	(831,668)	2,515,920	9,701,107
FINANCIAL POSITION					
Investments, at fair value	90,872,718	82,574,019	73,196,935	71,595,607	68,747,604
Members' defined pension plan benefits	66,838,838	62,179,236	54,225,589	55,122,875	52,853,829
Participants' defined contribution plan benefits	24,386,104	22,482,632	20,356,646	20,291,028	20,044,154
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	61,884,530	57,228,542	53,762,286	48,327,981	43,572,353
Actuarial accrued liability	72,965,272	69,305,423	65,841,255	60,417,177	57,380,961
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	169,655	164,089	161,072	157,221	154,930
Retirees and beneficiaries currently receiving payments	42,325	41,157	39,774	38,488	37,207
PRIMARY REVENUE SOURCES					
Contributions	338,436	328,057	310,320	315,586	343,395
Interest, dividends and other investment income, net	1,634	606	155	41	13
PRIMARY EXPENSES					
Insurance premiums	309,344	290,234	284,836	327,019	318,490
INCREASE (DECREASE) IN NET POSITION	26,867	34,173	21,896	(14,539)	20,884
FINANCIAL POSITION					
Investments, at fair value	128,091	97,801	53,604	24,250	37,125
Net position for retiree health benefits	133,581	106,714	72,541	50,645	65,184
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	106,714	72,541	50,645	65,184	44,300
Actuarial accrued liability	18,786,201	21,168,812	17,320,301	14,093,786	13,253,215

[1] *Total contributions to the University of California Retirement Plan and the University of California Retirement Savings Plan.*

Campus Facts in Brief *(Unaudited)*

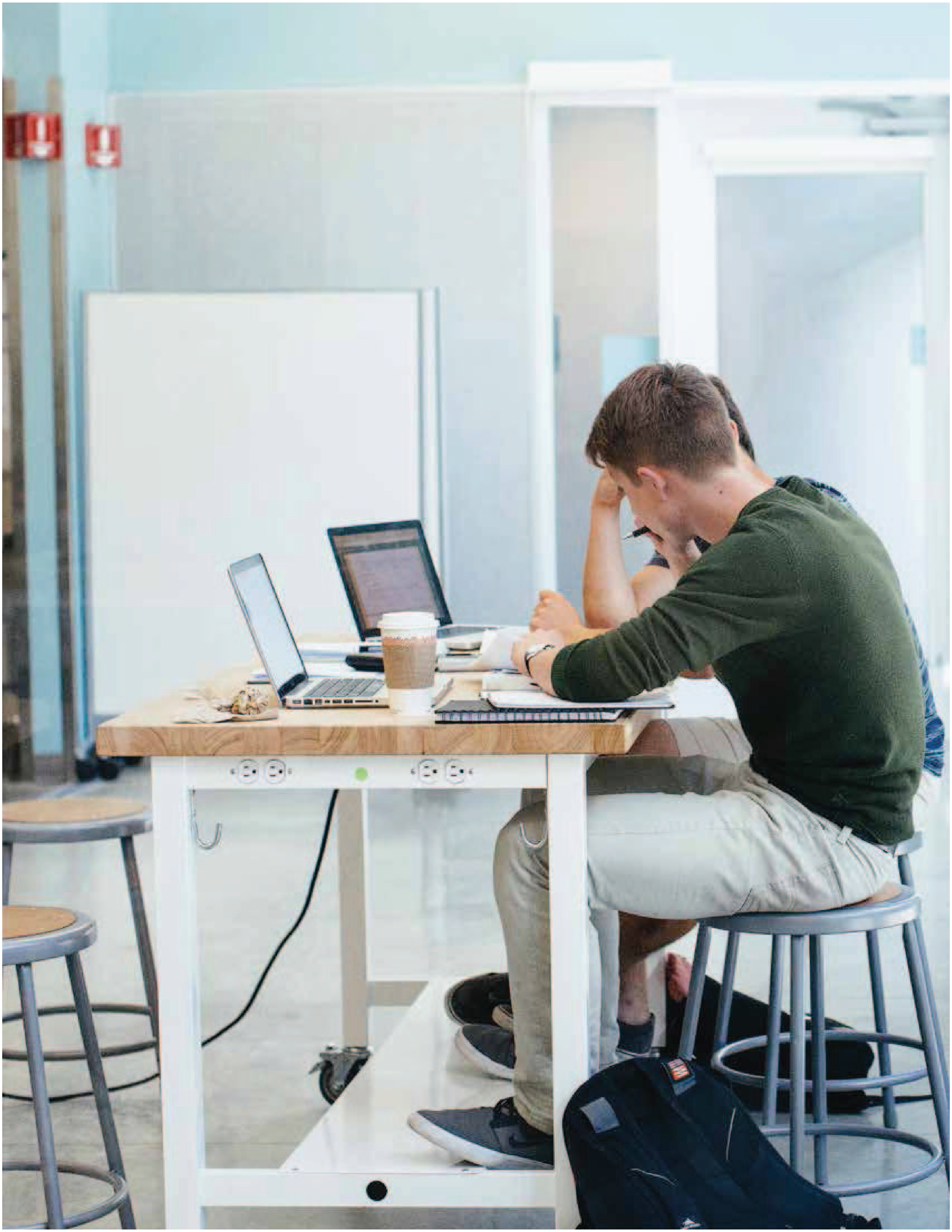
	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED
STUDENTS					
Undergraduate fall enrollment	30,574	30,212	29,307	31,002	7,375
Graduate fall enrollment	11,336	8,157	6,651	14,426	592
Total fall enrollment	**41,910**	**38,369**	**35,958**	**45,428**	**7,967**
University Extension course enrollments[1]	46,415	65,831	25,972	99,226	195
DEGREES CONFERRED[2]					
Bachelor	7,906	7,855	7,148	8,471	1,295
Advanced	3,791	2,020	2,016	4,754	72
Cumulative	649,540	286,788	201,677	577,998	7,641
FACULTY AND STAFF *(full-time equivalents)*	13,950	24,245	14,777	36,587	1,989
LIBRARY COLLECTIONS[3] *(volumes)*	12,816,655	4,767,632	3,792,290	10,539,265	1,658,198
CAMPUS LAND AREA *(in acres)*	8,163	7,331	1,527	467	8,195

CAMPUS FINANCIAL FACTS[4] *(in thousands of dollars)*	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED
OPERATING EXPENSES BY FUNCTION					
Instruction	$801,114	$922,473	$722,946	$2,307,750	$69,261
Research	564,659	575,320	282,903	837,225	28,834
Public service	79,104	92,182	8,628	152,838	6,206
Academic support	119,521	270,105	200,349	731,861	25,553
Student services	232,364	156,546	124,040	185,237	28,966
Institutional support	257,320	167,791	65,266	192,284	61,513
Operation and maintenance of plant	86,722	102,808	56,849	86,976	18,570
Student financial aid	168,802	99,574	93,265	93,838	17,754
Medical centers		1,918,701	947,281	2,128,078	
Auxiliary enterprises	134,438	121,664	139,458	397,896	31,887
Depreciation and amortization	224,036	242,642	206,189	388,870	30,676
Impairment of capital assets	4,863	1,628	651	456	
Other[5]	15,759	3,208	15,275	33,688	6,453
Total	**$2,688,702**	**$4,674,642**	**$2,863,100**	**$7,536,997**	**$325,673**
GRANTS AND CONTRACTS REVENUE					
Federal government	$367,780	$402,968	$210,962	$601,936	$19,183
State government	93,563	145,391	34,857	80,420	3,207
Local government	13,368	14,412	2,964	61,540	198
Private	212,358	147,279	80,216	272,502	3,386
Total	**$687,069**	**$710,050**	**$328,999**	**$1,016,398**	**$25,974**
UNIVERSITY ENDOWMENTS					
Nonspendable endowments	$391,450	$121,600	$9,814	$297,959	$16,840
Other endowments	2,248,095	824,613	477,912	2,138,036	22,513
Annual income distribution	92,235	27,514	14,275	46,282	1,831
CAMPUS FOUNDATIONS' ENDOWMENTS					
Nonspendable endowments and gifts	1,158,752	260,849	316,583	1,191,701	8,412
Other endowments	840,304	181,766	135,658	934,051	3,491
CAPITAL ASSETS					
Capital assets, at net book value	3,957,810	3,354,231	2,900,805	6,237,447	1,209,104
Capital expenditures	356,403	316,455	374,866	455,104	542,510

[1]Total courses enrolled in by University Extension Students for academic year 2017-18.
[2]As of academic year 2016-17.
[3]As of June 30, 2017.
[4]Excludes DOE laboratories.
[5]Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.

	RIVERSIDE	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[6]
STUDENTS						
Undergraduate fall enrollment	20,074	28,587		22,196	17,577	
Graduate fall enrollment	3,230	8,034	4,925	2,861	1,880	
Total fall enrollment	**23,304**	**36,621**	**4,925**	**25,057**	**19,457**	
University Extension course enrollments[1]	23,056	69,717		4,081	14,152	
DEGREES CONFERRED[2]						
Bachelor	4,480	7,207		5,373	3,982	
Advanced	988	2,319	926	841	533	
Cumulative	119,150	204,469	54,538	236,682	119,123	
FACULTY AND STAFF *(full-time equivalents)*	5,699	24,288	23,272	6,463	4,646	2,961
LIBRARY COLLECTIONS[3] *(volumes)*	4,153,168	4,484,768	1,195,444	3,267,331	2,514,274	
CAMPUS LAND AREA *(in acres)*	2,050	2,162	196	1,127	6,088	27
CAMPUS FINANCIAL FACTS[4] *(in thousands of dollars)*						
OPERATING EXPENSES BY FUNCTION						
Instruction	$329,024	$798,322	$340,431	$303,603	$200,564	$144,404
Research	117,594	819,650	1,112,948	167,369	93,917	143,997
Public service	5,764	18,561	146,746	12,945	49,564	139,524
Academic support	46,573	740,012	340,044	63,088	39,728	165,326
Student services	93,505	141,582	24,919	99,322	97,187	22,412
Institutional support	69,214	137,885	200,076	66,114	42,729	177,695
Operation and maintenance of plant	52,731	85,404	76,405	45,670	38,406	7,342
Student financial aid	59,139	50,408	23,454	98,065	44,913	3,049
Medical centers		1,705,886	3,894,229			155,234
Auxiliary enterprises	72,131	163,218	34,484	106,631	109,793	12,709
Depreciation and amortization	69,392	292,000	349,096	85,064	64,157	75,219
Impairment of capital assets		1,609	799		354	
Other[5]	2,469	3,400	4,140	7,058	1,715	(4,839)
Total	**$917,536**	**$4,957,937**	**$6,547,771**	**$1,054,929**	**$783,027**	**$1,042,072**
GRANTS AND CONTRACTS REVENUE						
Federal government	$85,184	$672,874	$723,667	$118,452	$71,298	$28,142
State government	10,890	37,631	90,538	12,663	7,324	51,048
Local government	2,276	16,977	194,411	2,367	656	6,255
Private	29,391	262,324	430,953	51,118	26,681	7,570
Total	**$127,741**	**$989,806**	**$1,439,569**	**$184,600**	**$105,959**	**$93,015**
UNIVERSITY ENDOWMENTS						
Nonspendable endowments	$9,987	$43,428	$115,413	$29,332	$10,646	$102,230
Other endowments	65,703	809,289	1,664,650	114,550	85,012	1,229,896
Annual income distribution	2,420	27,280	44,404	5,147	3,488	50,245
CAMPUS FOUNDATIONS' ENDOWMENTS						
Nonspendable endowments and gifts	105,007	454,343	720,293	133,919	46,284	
Other endowments	67,103	291,347	712,506	80,087	57,602	
CAPITAL ASSETS						
Capital assets, at net book value	1,198,014	5,070,518	4,865,602	1,537,166	1,223,147	771,263
Capital expenditures	138,020	612,507	666,753	62,586	73,636	107,892

[1] Total courses enrolled in by University Extension Students for academic year 2017-18.
[2] As of academic year 2016-17.
[3] As of June 30, 2017.
[4] Excludes DOE laboratories.
[5] Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.
[6] Includes expenses for systemwide and research programs, systemwide support services and administration. Full-time equivalents count, as of fall 2016, includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.



Management's Discussion and Analysis *(Unaudited)*

The objective of Management's Discussion and Analysis is to help readers of the University of California's financial statements better understand the financial position and operating activities for the year ended June 30, 2018, with selected comparative information for the years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2016, 2017 and 2018, etc.) in this discussion refer to the fiscal years ended June 30.

The University of California's financial report communicates financial information for the University of California (the "University"), the University of California campus foundations ("campus foundations"), the University of California Retirement System ("UCRS") and the University of California Retiree Health Benefit Trust ("UCRHBT") through five primary financial statements and notes to the financial statements. Three of the primary statements, the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows, present the financial position, changes in financial position and cash flows for the University and the affiliated campus foundations. The financial statements for the campus foundations are presented discretely from the University. Two of the primary statements, the statements of plans' and trust's fiduciary net position and the statements of changes in plans' and trust's fiduciary net position, present the financial position and operating activities for UCRS and UCRHBT. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

THE UNIVERSITY OF CALIFORNIA

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University has annual resources of nearly $35.7 billion and encompasses ten campuses, five medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy ("DOE").

Campuses. The ten campuses are located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz. All of the campuses, except San Francisco, offer undergraduate, graduate and professional education; the San Francisco campus is devoted exclusively to graduate and professional education in health sciences.

Health sciences. The University operates one of the nation's largest health science and medical training programs. The instructional program is conducted in 16 health professional schools on six campuses. Our health programs include five medical centers, two dental schools, three nursing schools, two public health schools and two pharmacy schools, in addition to a school of optometry and a school of veterinary medicine. The University's medical schools play a leading role in the development of health services and advancement of medical science and research.

Law schools. The University has law schools at Berkeley, Davis, Irvine and Los Angeles. Also, the Hastings College of the Law in San Francisco is affiliated with the University, although not included in the financial reporting entity.

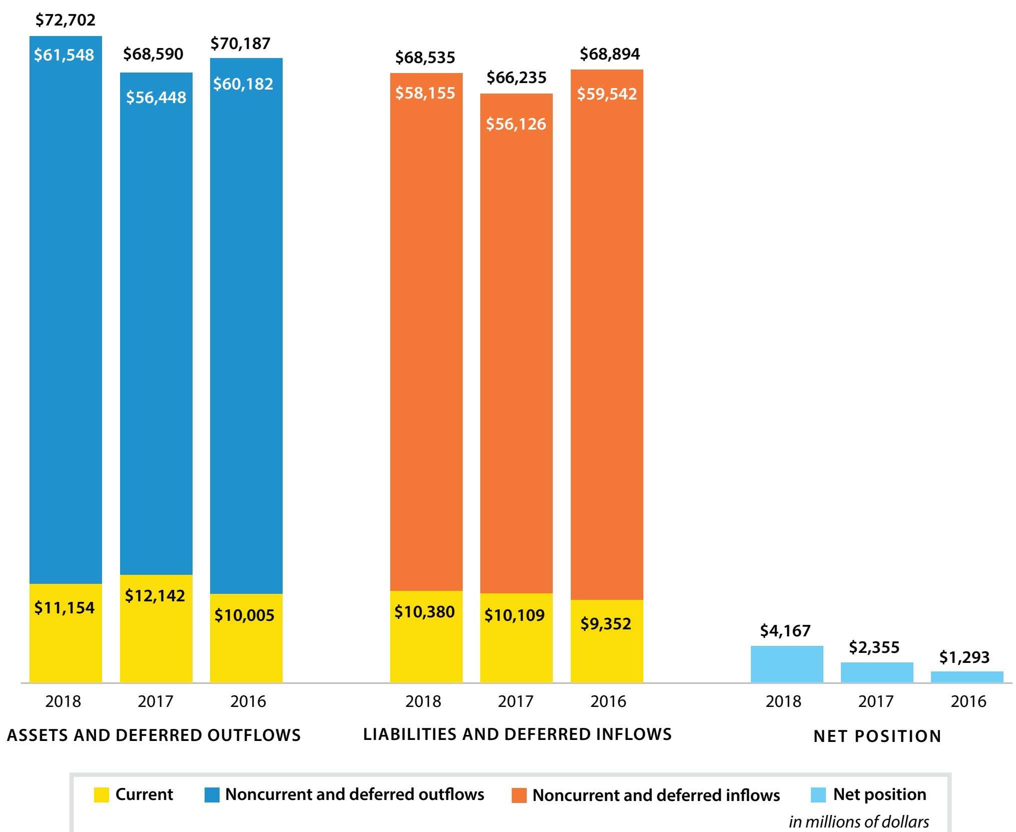
Agriculture and Natural Resources. The Division of Agriculture and Natural Resources is a statewide research and public service organization that serves a large and diverse agricultural community. The division collaborates on research with all campuses, and conducts studies at nine research and extension centers and on private land in cooperation with California producers. In addition, research and educational programs are conducted in each of the state's 58 counties.

University Extension. The foremost continuing education program of its kind in size, scope and quality of instruction, University Extension offers almost 20,000 self-supporting courses statewide and in several foreign countries.

National laboratories. Under contract with the DOE, the University operates and manages the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL) in California. The University is also a member in two separate joint ventures, Los Alamos National Security, LLC (LANS) and Lawrence Livermore National Security, LLC (LLNS) that operate and manage the Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE. The laboratories conduct broad and diverse basic and applied research in nuclear science, energy production, national defense and environmental and health areas.

THE UNIVERSITY'S FINANCIAL POSITION

The University implemented new accounting policies for irrevocable split-interest agreements. These changes in accounting policies provide recognition and measurement guidance for agreements in which the University is a beneficiary. Financial information for 2017 and 2016 has been restated to retroactively apply these new accounting policies.



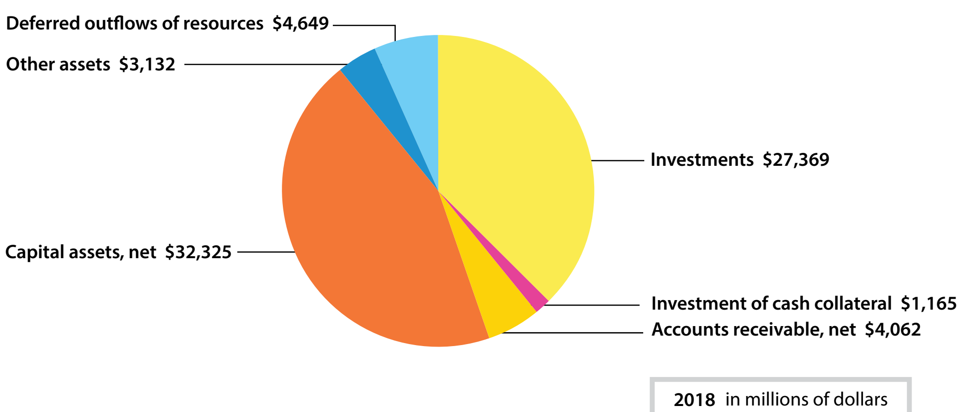
The statement of net position presents the financial position of the University at the end of each year. It displays all of the University's assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position.

The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2018, 2017 and 2016 are as follows:

(in millions of dollars)

	2018	2017	2016
ASSETS			
Investments	$27,369	$24,478	$22,209
Investment of cash collateral	1,165	1,080	825
Accounts receivable, net	4,062	3,947	3,320
Capital assets, net	32,325	30,670	29,689
Other assets	3,132	2,865	3,974
Total assets	**68,053**	**63,040**	**60,017**
DEFERRED OUTFLOWS OF RESOURCES	**4,649**	**5,550**	**10,170**
LIABILITIES			
Debt, including commercial paper	23,659	20,503	19,951
Securities lending collateral	1,164	1,079	825
Net pension liability	9,775	10,739	15,125
Net retiree health benefits liability	18,862	19,290	21,795
Other liabilities	8,465	8,252	7,648
Total liabilities	**61,925**	**59,863**	**65,344**
DEFERRED INFLOWS OF RESOURCES	**6,610**	**6,372**	**3,550**
NET POSITION			
Net investment in capital assets	13,578	13,343	12,815
Restricted:			
Nonexpendable	1,183	1,156	1,130
Expendable	8,272	7,153	6,538
Unrestricted	(18,866)	(19,297)	(19,190)
Total net position	**$4,167**	**$2,355**	**$1,293**

The University's Assets and Deferred Outflows



The University's total assets and deferred outflows of resources have increased to $72.7 billion in 2018, compared to $68.6 billion in 2017 and $70.2 billion in 2016. Capital assets have increased due to continued investments in facilities in excess of depreciation. Investments increased due to positive financial market returns. Deferred outflows fluctuate primarily due to changes in the University's net pension and retiree health benefits liabilities.

Investments

Investments held by the University are principally carried in three investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP) and the General Endowment Pool (GEP). Cash for operations and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to maximize the return on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP seeks to maximize to a total return objective and is intended to supplement STIP. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California ("The Regents") utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had a positive return of 8.9 percent in 2018, a positive return of 15.1 percent in 2017 and a negative return of 3.5 percent in 2016. TRIP had positive returns of 4.5 percent, 7.7 percent and 0.3 percent in 2018, 2017 and 2016, respectively. STIP had positive returns of 1.6 percent, 1.3 percent and 1.3 percent in 2018, 2017 and 2016, respectively.

Investment of cash collateral

The University participates in a securities lending program incorporating securities owned by both the University and UCRS as a means to augment income. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities based on the University's asset allocation mix.

Accounts receivable, net

Accounts receivable include amounts due from state and federal governments on contracts and grants, patient receivables for medical centers and professional fees, investment income, proceeds from security sales and amounts due for private grants and contracts. Receivables fluctuate based on the timing of collections and investment sales activity.

Capital assets, net

The University's enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continues at a brisk pace in order to provide the facilities necessary to support the University's teaching, research and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, parking structures and infrastructure projects at all ten campuses and five medical centers. The University has a goal to increase affordable campus housing for more students given escalating living costs in many of the surrounding campus communities. In 2018, the largest portion of the capital asset additions were related to constructing housing facilities at several campuses. Additionally, construction continues to expand the Merced campus by 2020. The largest project in 2017 was the Jacobs Medical Center in San Diego. Total additions of capital assets were $3.7 billion in 2018 as compared to $3.0 billion in 2017 and $3.0 billion in 2016.

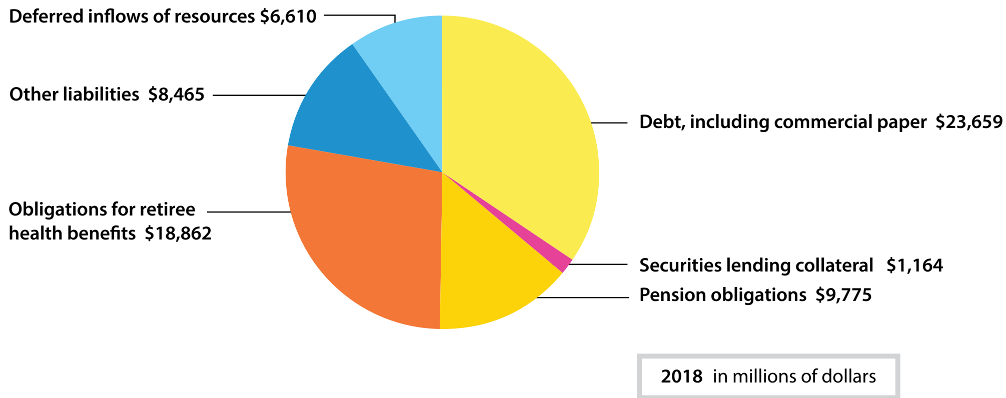
Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, inventories and receivables from the DOE. The noncurrent receivable from the DOE, which fluctuates with the net pension and retiree health benefits liabilities due to the DOE's continuing responsibility to contribute for retired and terminated vested members of LLNS and LANL, decreased by $284.3 million in 2018 as compared to 2017 and decreased by $337.8 million in 2017 as compared to 2016. Investments held by trustees decreased by $0.7 billion in 2017 due to the transfer of self-insurance reserves to the University's wholly owned captive insurance company. Since the captive insurance company is blended with the University, the captive's investments are included with the University's investments.

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2018 and 2017, deferred outflows decreased due to higher than expected investment returns in the University of California Retirement Plan (UCRP) portfolio and an increase in the discount rate for the retiree health benefit liability.

The University's Liabilities and Deferred Inflows



The University's liabilities and deferred inflows of resources increased to $68.5 billion in 2018 as compared to $66.2 billion in 2017 and $68.9 billion in 2016. The changes in both 2018 and 2017 were primarily related to the issuance of additional debt to finance capital projects offset by decreases in the liabilities for pension and retiree health benefits.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including University equity contributions, state support, gifts, revenue bonds, bank loans and leases or structures that involve separate legal entities. Commercial paper and bank loans provide interim financing for capital assets during the construction period.

Outstanding debt increased by $3.2 billion and $551.6 million in 2018 and 2017, respectively. A summary of the activity follows:

(in millions of dollars)

	2018	2017
ADDITIONS TO OUTSTANDING DEBT		
General Revenue Bonds	$1,853	$1,136
Medical Center Pooled Revenue Bonds		1,046
Limited Project Revenue Bonds	1,692	
Capital leases	47	55
Other borrowings	285	126
Blended Component Unit Revenue Bonds	320	54
Bond premium, net	494	223
Additions to outstanding debt	**4,691**	**2,640**
REDUCTIONS TO OUTSTANDING DEBT		
Refinancing and prepayments	(1,014)	(1,321)
Scheduled principal payments	(392)	(400)
Payments on other borrowings	(7)	(64)
Commercial paper, net	(31)	(225)
Amortization of bond premium	(91)	(78)
Reductions to outstanding debt	**(1,535)**	**(2,088)**
Net increase in outstanding debt	**$3,156**	**$552**

The University's debt, which is used to primarily finance capital assets, includes $781.8 million, $812.7 million and $1.0 billion of commercial paper outstanding at the end of 2018, 2017 and 2016, respectively. Total debt outstanding was $23.7 billion at the end of 2018 compared to $20.5 billion and $20.0 billion at the end of 2017 and 2016, respectively.

To take advantage of favorable interest rates for tax-exempt bonds, the University financed several projects in 2018 that were approved for construction or had recently started construction. The University also refinanced debt in December 2017 in advance of tax reform changes that were effective as of January 1, 2018. In 2018, $3.5 billion of debt was issued, including General Revenue Bonds totaling $1.9 billion and Limited Project Revenue Bonds totaling $1.7 billion to finance and refinance certain facilities and projects. Reductions to outstanding debt in 2018 were $1.5 billion, including $1.0 billion for one-time principal payments for the refinancing or refunding of previously outstanding debt. The refinancing and refunding of previously outstanding debt resulted in an economic gain of $83.2 million.

In 2017, $2.2 billion of debt was issued, including General Revenue Bonds totaling $1.1 billion and Medical Center Pooled Revenue Bonds totaling $1.0 billion to finance and refinance certain facilities and projects. Reductions to outstanding debt in 2017 were $2.1 billion, including $1.3 billion for one-time principal payments for the refinancing or refunding of previously outstanding debt. The refinancing and refunding of previously outstanding debt resulted in an economic gain of $151.2 million.

In August 2016, the University entered into an agreement with a developer to design, construct, finance, operate and maintain certain auxiliary, administrative, academic and research facilities at the Merced campus by 2020, for which the University will finance $600 million of the total costs. Other borrowings at June 2018 and 2017 include $296.9 million and $43.7 million, respectively, for the present value of the payments expected to be made over the term of the agreement through 2055 for the repayment of the private debt incurred by the developer during construction. In the event the agreement with the developer is terminated, the outstanding portion of the private debt incurred by the developer for construction phase will become an obligation of the University.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks.

Commercial paper borrowings decreased $30.9 million in 2018 as compared to 2017, and decreased by $225.2 million in 2017 compared to 2016. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling $1.1 billion with major financial institutions for the purpose of providing additional liquidity for certain variable-rate demand bonds, commercial paper and for other liquidity needs.

Securities lending collateral

Under the securities lending program, the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of the securities lent. The amount of the securities lending collateral liability fluctuates directly with securities lending opportunities and the investment of cash collateral.

Net pension liability and retiree health benefits

The University has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. The University's net pension liability was $9.8 billion, $10.7 billion and $15.1 billion in 2018, 2017 and 2016, respectively. The changes in net pension liability for 2018 and 2017 were primarily driven by higher than expected investment returns on the UCRP investment portfolio. UCRP's total investment rate of return was positive 7.8 percent in 2018, positive 14.5 percent in 2017 and negative 2.0 percent in 2016. The discount rate used to estimate the net pension liability was 7.25 percent in 2018, 2017 and 2016.

LBNL participates in the University's defined benefit pension plan, although the DOE has an ongoing financial responsibility to reimburse the University for LBNL's share of the obligation to UCRP. In addition, under certain circumstances, the University makes contributions to UCRP for LANL and LLNL retirees and, based upon contractual arrangements with the DOE, is reimbursed by the DOE. The University recorded receivables from the DOE of $316.7 million, $615.1 million and $974.7 million for 2018, 2017 and 2016, respectively, representing the DOE's share of the net pension liability.

The University's net retiree health benefits liability was $18.9 billion, $19.3 billion and $21.8 billion, in 2018, 2017 and 2016, respectively.

The University funds the retiree health benefits through UCRHBT based on a projection of benefits on a pay-as-you-go basis and the assets in the trust are not sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligations municipal-bond index rate is used to discount the retiree health benefits liabilities. The changes in net retiree health benefits liability have been primarily driven by the changes in discount rates used to estimate the retiree health benefits liability. The discount rates as of June 30, 2018, 2017 and 2016 were 3.87 percent, 3.58 percent and 2.85 percent, respectively. Additionally, health care cost increases in 2018 were lower than expected.

LBNL participates in the University's retiree health benefits plans and, based on contractual arrangements with the DOE, the University is reimbursed for retiree health benefits costs associated with retirees who previously worked at LBNL. The University recorded receivables from the DOE of $656.9 million, $642.8 million and $621.1 million for 2018, 2017 and 2016, respectively, representing the DOE's share of the net retiree health benefits liability.

Other liabilities

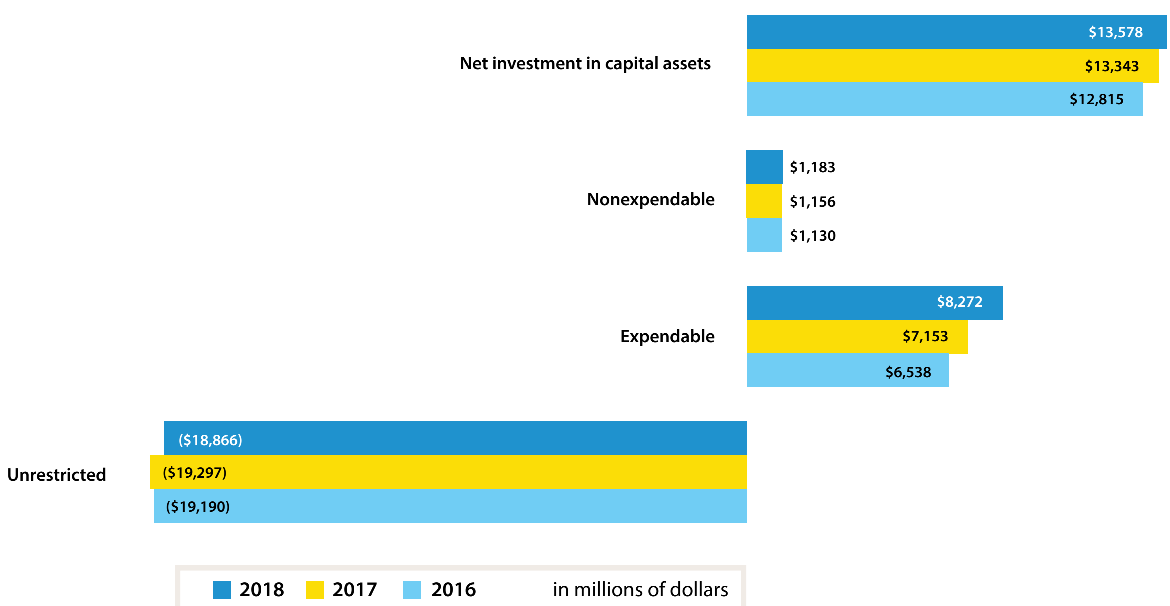
Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, funds held for others, DOE laboratories' liabilities, federal refundable loans, self-insurance liabilities and obligations under split-interest agreements held by the University.

Deferred inflows of resources

Deferred inflows of resources are related to the University's service concession arrangements, gains on debt refundings, sales of certain future patent royalty revenues, changes in the estimated future value of irrevocable split-interest agreements and certain changes in the net pension and net retiree health benefits liabilities. Deferred inflows of resources increased in 2018 and 2017 primarily due to the decrease in the discount rate for estimating the net retiree health benefits liability.

The University's Net Position

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. Net position was restated for 2017 and 2016 as a result of adopting new accounting rules for split-interest agreements. The University's net position was $4.2 billion in 2018 compared to $2.4 billion in 2017 and $1.3 billion in 2016. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.



Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, was $13.6 billion in 2018 compared to $13.3 billion in 2017 and $12.8 billion in 2016. The University continues to invest in its physical facilities, which are, in part, financed by debt, to support growth.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of the University's permanent endowments. In 2018 and 2017, the increase in restricted nonexpendable net position was principally due to the receipt of new gifts.

Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital projects and trustee-held investments. The increases or decreases in restricted, expendable funds are principally due to the timing of spending restricted gifts and endowment income and gains.

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding University assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the University's reserves are allocated for academic and research initiatives or programs, for capital projects or other purposes.

THE UNIVERSITY'S RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results and indicates whether the financial condition has improved or deteriorated. In accordance with the Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. Results of operations for 2017 and 2016 have been restated as a result of adopting new accounting policies for irrevocable split-interest agreements. A summarized comparison of the operating results for 2018, 2017 and 2016, arranged in a format that matches the revenue supporting the core activities of the University with the expenses associated with core activities, is as follows:

(in millions of dollars)

	2018			2017			2016		
	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES									
Student tuition and fees, net	$4,839		$4,839	$4,477		$4,477	$4,132		$4,132
State educational appropriations		$3,386	3,386		$3,278	3,278		$3,048	3,048
Federal Pell Grants		422	422		382	382		376	376
Grants and contracts, net	5,709		5,709	5,441		5,441	5,273		5,273
Medical centers, net	12,065	22	12,087	11,241	13	11,254	10,236	15	10,251
Educational activities, net	3,670		3,670	3,333		3,333	2,973		2,973
Auxiliary enterprises, net	1,685		1,685	1,579		1,579	1,430		1,430
Department of Energy laboratories	1,062		1,062	1,147		1,147	1,278		1,278
Private gifts, net		1,315	1,315		1,162	1,162		1,088	1,088
Investment income, net		413	413		299	299		311	311
Other revenues	971	128	1,099	939	68	1,007	962	51	1,013
Revenues supporting core activities	**30,001**	**5,686**	**35,687**	**28,157**	**5,202**	**33,359**	**26,284**	**4,889**	**31,173**
EXPENSES									
Salaries and wages	15,953		15,953	15,160		15,160	14,021		14,021
Pension benefits	1,339		1,339	1,888		1,888	2,687		2,687
Retiree health benefits	1,295		1,295	1,576		1,576	1,875		1,875
Other employee benefits	3,246		3,246	2,938		2,938	2,838		2,838
Scholarships and fellowships	767		767	729		729	652		652
Utilities	304		304	292		292	283		283
Supplies and materials	3,610		3,610	3,240		3,240	3,109		3,109
Depreciation and amortization	2,027		2,027	1,910		1,910	1,804		1,804
Department of Energy laboratories	1,055		1,055	1,139		1,139	1,271		1,271
Interest expense		746	746		721	721		693	693
Other expenses	4,851		4,851	4,648	60	4,708	4,411	47	4,458
Expenses associated with core activities	**34,447**	**746**	**35,193**	**33,520**	**781**	**34,301**	**32,951**	**740**	**33,691**
Income (loss) from core activities	**($4,446)**	**$4,940**	**$494**	**($5,363)**	**$4,421**	**($942)**	**($6,667)**	**$4,149**	**($2,518)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			890			1,722			(472)
Income (loss) before other changes in net position			1,384			780			(2,990)
OTHER CHANGES IN NET POSITION									
State capital appropriations						2			4
Capital gifts and grants, net			403			256			249
Permanent endowments			25			24			34
Increase (decrease) in net position			**1,812**			**1,062**			**(2,703)**
NET POSITION									
Beginning of year, as previously reported			2,355			1,293			4,022
Cumulative effect of accounting changes									(26)
Beginning of year, restated			2,355			1,293			3,996
End of year			**$4,167**			**$2,355**			**$1,293**

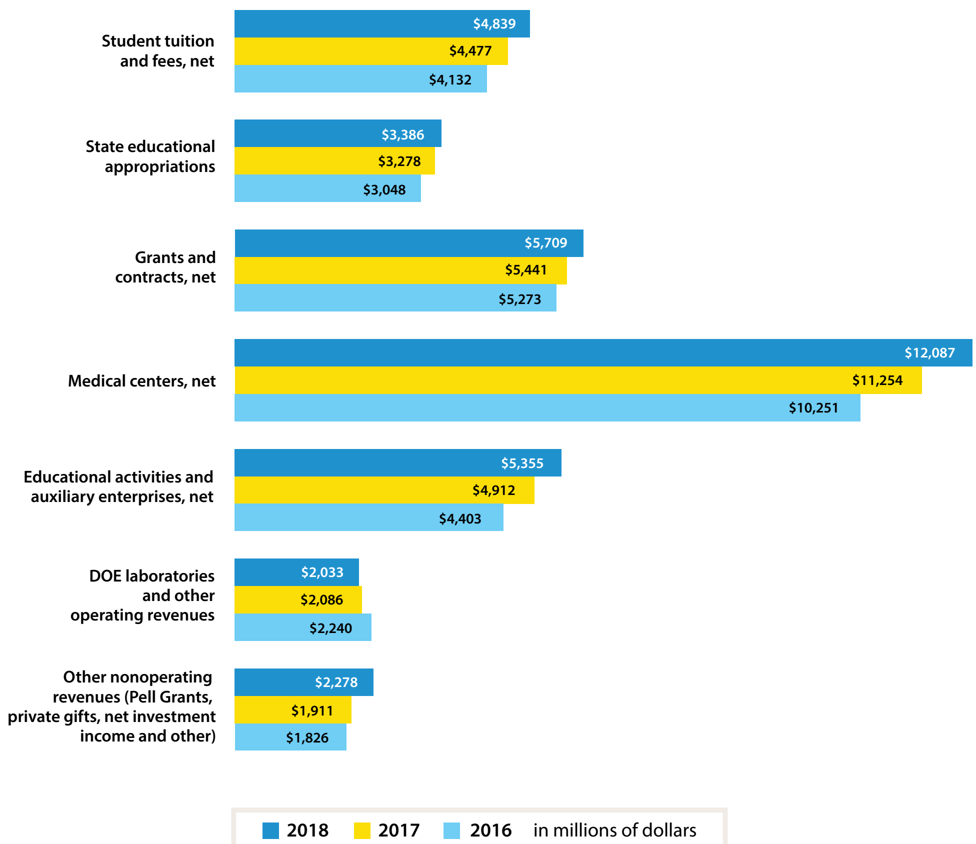
Revenues supporting core activities

Revenues to support the University's core activities, including those classified as nonoperating revenues, were $35.7 billion, $33.4 billion and $31.2 billion in 2018, 2017 and 2016, respectively. These diversified sources of revenue increased by $2.3 billion in 2018 and $2.2 billion in 2017.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

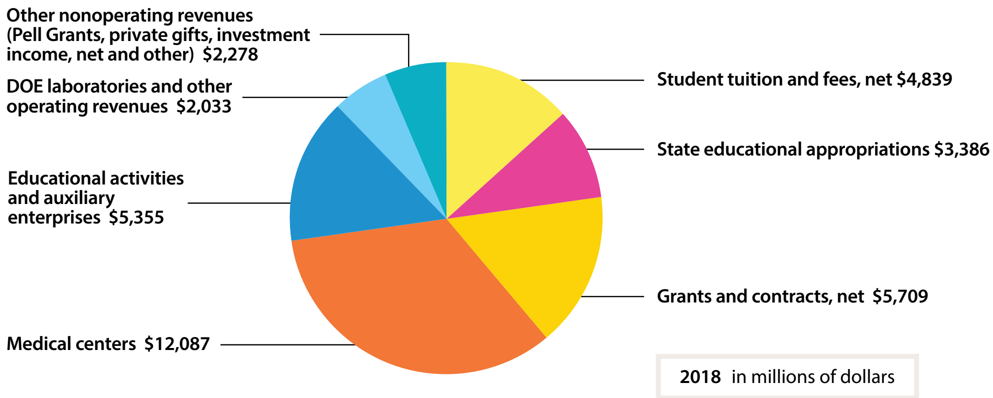
Gifts to the University allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from medical centers, educational activities and auxiliary enterprises such as student housing, food service operations and parking.

Revenues in the various categories have changed as follows:



A major financial strength of the University is its diverse source of revenues, including those from student fees, federally sponsored grants and contracts, medical centers, the state of California, private support and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years.

Categories of both operating and nonoperating revenue that supported the University's core activities in 2018 are as follows:



Student tuition and fees, net

Net student tuition and fees were $4.8 billion, $4.5 billion and $4.1 billion in 2018, 2017 and 2016, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances, netted against student tuition and fees, were $1.3 billion, $1.1 billion and $1.1 billion in 2018, 2017 and 2016, respectively. Student tuition and fees, net of scholarship allowances, increased by $361.6 million and $344.9 million in 2018 and 2017, respectively, due to enrollment growth.

In 2018, enrollment grew by 3.3 percent and in 2017 enrollment grew by 4.9 percent. Mandatory tuition for resident undergraduates increased 2.5 percent in 2018 and did not change in 2017. Certain nonresident undergraduates and resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline; certain increases were approved for 2018 and 2017.

State educational appropriations

Educational appropriations from the state of California were $3.4 billion, $3.3 billion and $3.0 billion in 2018, 2017 and 2016, respectively. State educational appropriations increased in 2018 and 2017 by $108.3 million and $229.4 million, respectively.

The budget framework agreed to with the governor in 2016 provided the University with base budget adjustments of four percent annually for 2016 through 2019. Additionally, the University also received $169.0 million, $171.0 million and $96.0 million in 2018, 2017 and 2016, respectively, in one-time funds for UCRP. The final budget approved for 2019 included a base budget adjustment of three percent and $248.8 million in one-time funds.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts — including an overall facilities and administration cost recovery of $1.1 billion, $1.1 billion and $1.0 billion in 2018, 2017 and 2016, respectively — were $5.7 billion, $5.4 billion and $5.3 billion in 2018, 2017 and 2016, respectively.

In 2018, federal grants and contracts revenue increased $43.0 million, or 1.3%, as compared to 2017. In 2017, federal grants and contracts revenue increased $14.0 million, or 0.4%, as compared to 2016. Federal grants and contracts include federal facilities and administrative cost recovery of $782.0 million, $764.0 million and $745.6 million in 2018, 2017 and 2016, respectively. Changes in the federal budget impact the University's growth in federal grants and contracts. Grants and contracts revenue is from a variety of federal agencies as indicated below:

(in millions of dollars)

	2018	2017	2016
Department of Health and Human Services	$2,035	$1,987	$1,917
National Science Foundation	464	465	469
Department of Education	78	57	83
Department of Defense	261	275	258
National Aeronautics and Space Administration	86	95	135
Department of Energy (excluding national laboratories)	108	107	104
Other federal agencies	270	273	279
Federal grants and contracts net revenue	**$3,302**	**$3,259**	**$3,245**

Medical centers, net

Medical center revenues, net of allowances, increased $0.8 billion, or 7.4 percent, in 2018 and increased $1.0 billion, or 9.8 percent, in 2017. Revenues increased in 2018 due to a full year of operations for the new UCSD Jacobs Medical Center which opened in November 2016. Additionally, revenues increased in 2018 due to higher inpatient and outpatient utilization and supplemental revenues. Revenues increased in 2017 due to the opening of the Jacobs Medical Center mid-year, and higher supplemental revenues and utilization.

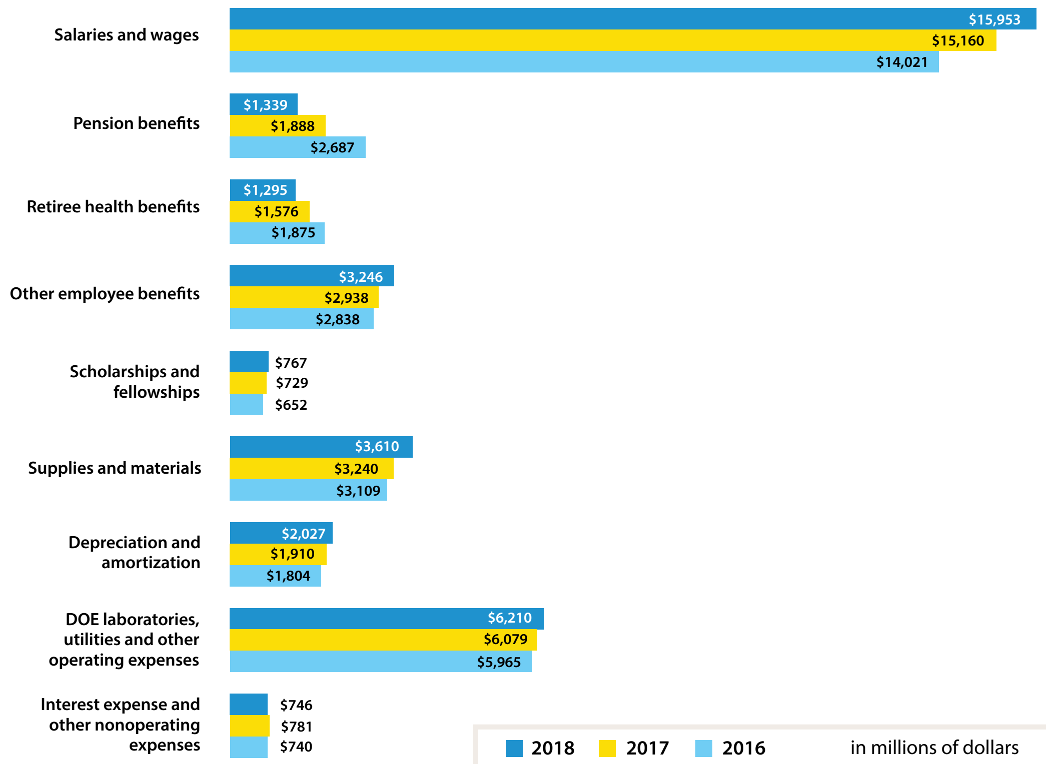
Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, grew by $337.9 million, or 10.1 percent, in 2018 and $359.8 million, or 12.1 percent, in 2017. The growth is generally associated with an expanded patient base and improved collections.

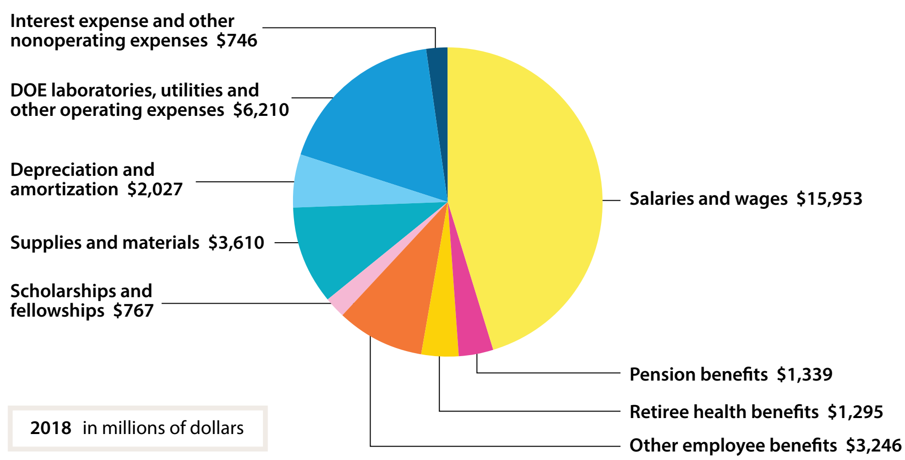
Auxiliary enterprises include housing, food service, parking, bookstores, student centers, unions and child care centers. Revenue from auxiliary enterprises, net of allowances, grew by $105.6 million, or 6.7 percent, in 2018 and $149.2 million, or 10.4 percent in 2017. Auxiliary revenues increased consistent with enrollment and the University's initiative to expand the supply of campus housing for students.

Expenses associated with core activities

Expenses associated with the University's core activities, including those classified as nonoperating expenses, were $35.2 billion, $34.3 billion and $33.7 billion in 2018, 2017 and 2016, respectively. Expenses increased in 2018 by $0.9 billion and in 2017 by $0.6 billion, primarily due to growth in the University's operations, principally at the medical centers. Pension expenses decreased in 2018 and 2017 as a result of higher actual investment returns as compared to expected earnings on the UCRP portfolio. Retiree health benefits expenses also decreased in 2018 and 2017 as a result of increases in the discount rate used to estimate the retiree health liabilities. Expenses in the various categories are as follows:



Categories of both operating and nonoperating expenses related to the University's core activities in 2018 are as follows:



Salaries and benefits

Approximately 62.1 percent of the University's expenses were related to salaries and benefits. There were 158,900 full-time equivalent (FTE) employees in 2018, excluding employees who were associated with LBNL, whose salaries and benefits were included as laboratory expenses, as compared to 154,500 FTEs in 2017.

Salaries and benefits increased by 1.3 percent in 2018. In 2018, salaries increased by 5.2 percent, 2.8 percent due to an increase in the number of FTEs and 2.3 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by $307.8 million, or 10.5 percent, in 2018 due to higher health insurance costs. Pension expense decreased by $548.1 million, or 29.0 percent, due to better than expected investment returns. Retiree health expense decreased by $280.8 million or 17.8 percent due to the higher discount rate in 2018.

Salaries and benefits increased by 0.7 percent in 2017. In 2017, salaries increased by 8.1 percent, 3.5 percent due to an increase in the number of FTEs and 4.5 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by $100.5 million, or 3.5 percent in 2017, due to higher health insurance costs. Pension expense decreased by $0.8 billion or 29.7 percent due to better than expected investment returns. Retiree health expense decreased by $298.8 million or 15.9 percent due to the higher discount rate in 2017.

Scholarships and fellowships

The University places a high priority on student financial aid as part of its commitment to affordability. Scholarship allowances, representing financial aid and fee waivers awarded by the University, were $2.3 billion, $2.1 billion and $2.0 billion in 2018, 2017 and 2016, respectively. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense were $766.9 million, $728.6 million and $651.6 million in 2018, 2017 and 2016, respectively. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms increased by $180.8 million, or 8.7 percent, in 2018 as compared to 2017, and by $55.7 million, or 2.8 percent, in 2017 compared to 2016.

Supplies and materials

During 2018 and 2017, supplies and materials costs increased by $370.6 million, or 11.4 percent and $130.7 million, or 4.2 percent, respectively. The largest increases occurred at the medical centers due to higher patient volumes. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded medical patient volumes. The University continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

Operating losses

In accordance with the GASB's reporting standards, operating losses were $4.4 billion, $5.4 billion and $6.7 billion in 2018, 2017 and 2016, respectively. The operating losses in 2018, 2017 and 2016 were offset by $4.9 billion, $4.4 billion and $4.1 billion, respectively, of net nonoperating revenue that supports core operating activities of the University. Revenues exceeded expenses associated with core activities in 2018 by $494.4 million. In 2017 and 2016, expenses exceeded revenue available to support core activities by $0.9 billion and $2.5 billion, respectively.

Other nonoperating activities

The University's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2018, 2017 and 2016, the University recognized net appreciation in the fair value of investments of $0.9 billion, net appreciation of $1.7 billion and net depreciation of $471.7 million, respectively. The University's portfolio experienced positive returns in the equity markets in 2018 and 2017, as compared with negative returns in 2016.

Other changes in net position

Similar to other nonoperating activities discussed above, other changes in net position are also not available to support the University's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

THE UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS

Separate foundations at each individual campus provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern each of the foundations, they are affiliated with, and their assets are dedicated for, the benefit of the University of California. The Foundations implemented new accounting policies for irrevocable split-interest agreements. These changes in accounting policies provide recognition and measurement guidance for agreements in which the Foundations are a beneficiary.

The Campus Foundations' Financial Position

The campus foundations' statement of net position presents their combined financial position at the end of the year. It displays all of the campus foundations' assets, liabilities, deferred inflows and net position. The difference between assets, liabilities and deferred inflows is net position, representing a measure of the current financial condition of the campus foundation.

The major components of the combined assets, liabilities and net position of the campus foundations at June 30, 2018, 2017 and 2016 are as follows:

(in millions of dollars)

	2018	2017	2016
ASSETS			
Investments	$9,240	$8,207	$7,115
Investment of cash collateral	45	43	42
Accounts receivable, net	13	40	33
Pledges receivable, net	1,006	866	842
Other assets	567	348	285
Total assets	**10,871**	**9,504**	**8,317**
LIABILITIES			
Accounts payable and other current liabilities	52	113	71
Securities lending collateral	45	43	42
Obligation under life income agreements and funds held for others	467	420	382
Other noncurrent liabilities	272	253	220
Total liabilities	**836**	**829**	**715**
DEFERRED INFLOWS OF RESOURCES	**232**	**209**	**187**
NET POSITION			
Restricted:			
Nonexpendable	4,407	3,968	3,631
Expendable	4,966	4,305	3,689
Unrestricted	430	193	95
Total net position	**$9,803**	**$8,466**	**$7,415**

Investments increased in 2018 and 2017 due to the performance of the financial markets. The Board of Trustees for each campus foundation is responsible for its specific investment policy, although asset allocation guidelines are recommended to campus foundations by the Investments Subcommittee of The Regents. The Boards of Trustees may determine that all or a portion of their investments will be managed by the University's Chief Investment Officer. The Chief Investment Officer managed $2.6 billion, $2.2 billion and $1.6 billion of the campus foundations' investments at the end of 2018, 2017 and 2016, respectively.

Restricted, nonexpendable net position includes the corpus of the campus foundations' permanent endowments. Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position represents the residual interest in the assets after all liabilities and deferred inflows are deducted. It is only available in accordance with the restrictions placed upon them and may include endowment income and investment gains, subject to each individual campus foundation's spending policy; support received from gifts; trustee-held investments; or other third-party receipts. New gifts, net of gifts transferred to campuses, and changes in the fair value of investments were the primary reasons for the changes in net position in 2018 and 2017.

The Campus Foundations' Results of Operations

The campus foundations' combined statement of revenues, expenses and changes in net position is a presentation of their operating results for the year. It indicates whether their financial condition has improved or deteriorated during the year.

A summarized comparison of the operating results for 2018, 2017 and 2016 is as follows:

(in millions of dollars)

	2018	2017	2016
OPERATING REVENUES			
Private gifts and other revenues	$1,341	$868	$801
Total operating revenues	**1,341**	**868**	**801**
OPERATING EXPENSES			
Grants to campuses and other expenses	1,136	970	915
Total operating expenses	**1,136**	**970**	**915**
Operating income (loss)	**205**	**(102)**	**(114)**
NONOPERATING REVENUES (EXPENSES)			
Investment income	77	74	53
Net appreciation (depreciation) in fair value of investments	646	792	(229)
Other nonoperating revenues			4
Income (loss) before other changes in net position	**928**	**764**	**(286)**
OTHER CHANGES IN NET POSITION			
Permanent endowments	409	287	282
Increase (decrease) in net position	**1,337**	**1,051**	**(4)**
NET POSITION			
Beginning of year, as previously reported	8,466	7,415	7,552
Cumulative effect of accounting change			(133)
Beginning of year, as restated	8,466	7,415	7,419
End of year	**$9,803**	**$8,466**	**$7,415**

Operating expenses generally consist of grants to University campuses. Grants to the campuses include current-use donor gifts, the annual income distributions on endowments and gift fees. Grants to campuses typically follow the pattern indicated by private gift revenue; however, the campuses' programmatic needs are also taken into consideration, subject to abiding by the restricted purposes specified by the donor for the use of gifts and endowment income.

Since gifts are transferred only when the cash is received and investment income is classified as nonoperating income, operating losses can occur when grants distributed to the campuses exceed private gift revenue.

THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

UCRS is a valuable component of the comprehensive benefits package offered to employees of the University. UCRS consists of two defined benefit plans and four defined contribution plans. The defined benefit plans (Defined Benefit Plans) include the University of California Retirement Plan (UCRP) for members and the California Public Employees Retirement System (PERS) Voluntary Early Retirement Incentive Plan (UC-VERIP) for certain University employees that were members of PERS who elected early retirement. The University of California Retirement Savings Program (UCRSP) includes four defined contribution plans (Defined Contribution Plan, Supplemental Defined Contribution Plan, 403(b) Plan and 457(b) Plan), with several investment portfolio options for participants' elective and non-elective contributions.

UCRS' Financial Position and Result of Operations

The statement of plans' fiduciary net position presents the financial position of UCRS at the end of the fiscal year. It displays all of the retirement system's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for pension benefits. These represent amounts available to provide pension benefits to members of UCRP and participants in the defined contribution plans and UC-VERIP. At June 30, 2018, UCRS' assets were $99.1 billion, liabilities were $7.9 billion and net position held in trust for pension benefits were $91.2 billion, an increase of $6.6 billion from 2017. At June 30, 2017, UCRS' assets were $94.0 billion, liabilities were $9.3 billion and net position held in trust for pension benefits were $84.7 billion, an increase of $10.1 billion from 2016.

The major components of the assets, liabilities and net position available for pension benefits for 2018, 2017 and 2016 are as follows:

(in millions of dollars)

	2018	2017	2016
ASSETS			
Investments	$90,873	$82,574	$73,197
Participants' interests in mutual funds	1,585	3,351	2,768
Investment of cash collateral	6,158	6,842	6,751
Other assets	465	1,203	571
Total assets	**99,081**	**93,970**	**83,287**
LIABILITIES			
Securities lending collateral	6,157	6,838	6,750
Other liabilities	1,699	2,470	1,955
Total liabilities	**7,856**	**9,308**	**8,705**
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Members' defined benefit plan benefits	66,839	62,179	54,225
Participants' defined contribution plan benefits	24,386	22,483	20,357
Total net position held in trust for pension benefits	**$91,225**	**$84,662**	**$74,582**

The statements of changes in the plans' fiduciary net position are a presentation of UCRS' operating results. The statements indicate whether the financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2018, 2017 and 2016 is as follows:

(in millions of dollars)

	2018	2017	2016
ADDITIONS			
Contributions	$4,760	$4,779	$4,551
Net appreciation (depreciation) in fair value of investments	5,099	8,617	(2,300)
Investment and other income, net	1,556	1,437	1,318
Total additions	**11,415**	**14,833**	**3,569**
DEDUCTIONS			
Benefit payments and participant withdrawals	4,812	4,700	4,342
Plan expenses	40	53	59
Total deductions	**4,852**	**4,753**	**4,401**
Increase (decrease) in net position held in trust for pension benefits	**$6,563**	**$10,080**	**($832)**

The Regents' asset allocation strategies are intended to generate investment returns over time in accordance with investment objectives and at acceptable levels of risk. The overall investment return for UCRP was positive 7.8 percent in 2018 as compared to positive 14.5 percent in 2017 and negative 2.0 percent in 2016.

The participants' interests in mutual funds, representing defined contribution plan contributions to certain mutual funds on a custodial plan basis, fluctuate based upon market performance of the mutual funds and participant investment elections.

UCRS participates in the University's securities lending program as a means to augment income. All borrowers are required to provide collateral and the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. Investments in cash collateral and the securities lending collateral liability fluctuate in response to changes in demand from borrowers and the availability of securities based upon the UCRS asset allocation mix.

Contributions to UCRP were $3.4 billion in 2018, 2017 and 2016. In 2018, 2017 and 2016, contributions include $169.0 million, $171.0 million and $96.0 million, respectively, received from the state of California under the budget agreement. Contributions include additional deposits of $391.8 million, $481.0 million and $563.5 million made by the University to UCRP in 2018, 2017 and 2016, respectively. University contribution rates to UCRP were 14.0 percent of covered payroll in 2018, 2017 and 2016. Employee contribution rates ranged between 7.0 percent and 9.0 percent in 2018, 2017 and 2016.

Benefit payments and participant withdrawals were $112.2 million more in 2018 than in 2017 and $358.2 million more in 2017 than in 2016. Payments from UCRP increase each year due to a growing number of retirees receiving payments and cost-of-living adjustments (COLAs). Benefit payments from UCRSP fluctuate based upon member withdrawals. Participant withdrawals decreased by $154.2 million, or 11.2 percent, in 2018 as compared to 2017, and $143.0 million, or 11.6 percent, in 2017 as compared to 2016. As of

June 30, 2018, there were 75,900 retirees and beneficiaries receiving payments from UCRS as compared to 73,000 as of June 30, 2017 and 70,000 as of June 30, 2016.

The net pension liability for UCRP was $9.8 billion in 2018, $10.7 billion in 2017 and $15.1 billion in 2016. The decrease in net pension liability for 2018 of $0.9 billion and in 2017 of $4.4 billion was due to higher than expected investment returns on the UCRP portfolio. The ratio of plan net position to total pension liability was 87.2 percent in 2018, 85.3 percent in 2017 and 78.2 percent in 2016.

Additional information on the retirement plans can be obtained from the 2018 annual reports of the University of California Retirement System by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

THE UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)

The UCRHBT was established on July 1, 2007 to allow certain University locations — primarily campuses and medical centers — that share the risks, rewards and costs of providing for retiree health benefits the opportunity to fund such benefits on a cost-sharing basis and accumulate funds under an arrangement segregated from University assets. The University contributes toward retiree medical and dental benefits, although it does not contribute toward the cost of other benefits available to retirees. The DOE laboratories do not participate in the UCRHBT, therefore the DOE has no interest in the trust's assets.

UCRHBT's Financial Position and Result of Operations

The statement of trust's fiduciary net position presents the financial position of the UCRHBT at the end of the fiscal year. It displays the UCRHBT's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for retiree health benefits. This represents amounts available to provide retiree health benefits to participants.

The major components of the assets, liabilities and net position available for retiree health benefits for 2018, 2017 and 2016 are as follows:

(in millions of dollars)

	2018	2017	2016
ASSETS			
Investments	$128	$98	$54
Other assets	24	26	34
Total assets	**152**	**124**	**88**
LIABILITIES			
Total liabilities	**18**	**17**	**15**
NET POSITION HELD IN TRUST FOR RETIREE HEALTH BENEFITS			
Total net position held in trust for retiree health benefits	**$134**	**$107**	**$73**

The statement of changes in the trust's fiduciary net position is a presentation of the UCRHBT's operating results and indicates whether the financial condition has improved or deteriorated during the year. Summarized operating results for 2018, 2017 and 2016 are as follows:

(in millions of dollars)

	2018	2017	2016
ADDITIONS			
Contributions	$340	$328	$310
Total additions	**340**	**328**	**310**
DEDUCTIONS			
Insurance premiums and payments	309	290	284
Plan expenses	4	4	4
Total deductions	**313**	**294**	**288**
Increase in net position held in trust for retiree health benefits	**$27**	**$34**	**$22**

Contributions for retiree health benefits are made by the campuses and medical centers based upon projected pay-as-you-go financing. The University acts as a third-party administrative agent on behalf of the UCRHBT to pay health care insurers and administrators amounts currently due.

The retiree health benefits provided under the University's plan and any liabilities related to the future funding requirements for the retiree health benefits are reported by the University. The net retiree health liability for UCRHBT was $18.3 billion, $18.7 billion and $21.1 billion in 2018, 2017 and 2016, respectively.

LOOKING FORWARD

The University of California is a world center of learning, known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal and private funding and promotes discovery of new knowledge that fuels economic growth.

The budget framework agreed to with the governor in 2016 provided the University with base budget adjustments of four percent annually from 2016 through 2019. The final budget approved for 2019 included a base budget adjustment of three percent and $248.8 million in one-time funds. The framework also called for no tuition increases in 2016 and 2017, with tuition increases generally pegged to the rate of inflation beginning in 2018. The Student Services Fee increased five percent in 2016 and each year thereafter with the customary one-third of the increase being directed to financial aid. Fifty percent of the remaining revenue generated from the increase will be used to enhance student mental health services and the remaining 50.0 percent will be distributed to support other student services programs. The framework also acknowledged the University's plan for moderate increases in nonresident supplemental tuition. The framework also called for no increases in law school tuition through 2019. In addition to these funding elements, the budget framework included a number of performance-related provisions.

The University remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of the University's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the University's awards are the Department of Education, Department of Defense, the National Aeronautics and Space Administration and the Department of Energy. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

The University's medical centers have positive operating margins, although they continue to face financial and competitive challenges in their regional markets, along with the added costs and responsibilities related to their function as academic institutions. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, the University's medical centers also face additional costs associated with seismic retrofitting, new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the medical centers.

The University must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. Support for the University's capital program is expected to be provided from a combination of sources, including the state of California, external financing, gifts and other sources.

Additional budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. Additional information concerning state budget matters and the state's financial condition may be found on the website of the California Department of Finance at http://www.dof.ca.gov.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the University expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The University does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.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Cell
Science

Report of Independent Auditors

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

We have audited the accompanying financial statements of the University of California (the "University"), a component unit of the State of California, its aggregate discretely presented component units, the University of California Retirement System and the University of California Retiree Health Benefit Trust, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, its aggregate discretely presented component units, the University of California Retirement System and the University of California Retiree Health Benefit Trust as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 12 through 30 and the required supplemental information on pages 104 through 111 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Francisco, California
October 12, 2018

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET POSITION

At June 30, 2018 and 2017 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2018	UNIVERSITY OF CALIFORNIA 2017	CAMPUS FOUNDATIONS 2018	CAMPUS FOUNDATIONS 2017
ASSETS				
Cash and cash equivalents	$249,523	$203,370	$447,377	$254,100
Short-term investments	4,890,075	6,249,657	857,844	674,868
Investment of cash collateral	1,054,406	947,353	40,999	37,357
Investments held by trustees	26,803	32,516		
Accounts receivable, net	4,061,888	3,946,891	13,102	40,012
Pledges receivable, net	25,049	23,181	234,294	192,484
Current portion of notes and mortgages receivable, net	68,482	50,137	181	6
Inventories	244,706	226,995		
Department of Energy receivable	133,472	123,896		
Other current assets	400,030	338,041	4,622	4,748
Current assets	**11,154,434**	**12,142,037**	**1,598,419**	**1,203,575**
Investments	22,478,922	18,228,705	8,381,736	7,532,122
Investment of cash collateral	110,301	132,476	4,289	5,224
Investments held by trustees	388,361	66,509		
Pledges receivable, net	32,690	33,031	771,889	673,495
Notes and mortgages receivable, net	386,342	314,018	250	427
Department of Energy receivable	973,652	1,257,926		
Capital assets, net	32,325,107	30,669,753		
Other noncurrent assets	202,996	195,481	115,177	89,090
Noncurrent assets	**56,898,371**	**50,897,899**	**9,273,341**	**8,300,358**
Total assets	**68,052,805**	**63,039,936**	**10,871,760**	**9,503,933**
DEFERRED OUTFLOWS OF RESOURCES	**4,649,403**	**5,549,644**		
LIABILITIES				
Accounts payable	2,178,244	2,394,554	22,071	21,501
Accrued salaries	642,753	644,500		
Employee benefits	393,296	394,673		
Unearned revenue	1,423,686	1,200,545	5,535	63,011
Collateral held for securities lending	1,164,481	1,079,318	45,288	42,581
Commercial paper	781,804	812,673		
Current portion of long-term debt	1,371,030	1,519,005		
Funds held for others	409,934	362,621	298,060	265,159
Department of Energy laboratories' liabilities	116,111	107,514		
Other current liabilities	1,898,204	1,593,297	44,180	45,470
Current liabilities	**10,379,543**	**10,108,700**	**415,134**	**437,722**
Federal refundable loans	244,852	246,131		
Self-insurance	584,186	584,232		
Obligations under life income agreements	35,293	34,479	149,391	137,713
Long-term debt	21,505,943	18,171,198		
Net pension liability	9,775,120	10,739,355		
Net retiree health liability	18,862,265	19,290,424		
Other noncurrent liabilities	538,381	688,802	271,825	253,288
Noncurrent liabilities	**51,546,040**	**49,754,621**	**421,216**	**391,001**
Total liabilities	**61,925,583**	**59,863,321**	**836,350**	**828,723**
DEFERRED INFLOWS OF RESOURCES	**6,609,704**	**6,371,783**	**232,018**	**209,438**
NET POSITION				
Net investment in capital assets	13,578,222	13,342,824		
Restricted:				
Nonexpendable: Endowments and gifts	1,148,699	1,121,743	4,408,143	3,967,219
Nonexpendable: Reserved for minority interests	33,754	33,507		
Expendable: Endowments and gifts	7,407,234	6,871,567	4,965,668	4,305,421
Expendable: Other, including debt service, loans, capital projects and appropriations	865,216	281,627		
Unrestricted	(18,866,204)	(19,296,792)	429,581	193,132
Total net position	**$4,166,921**	**$2,354,476**	**$9,803,392**	**$8,465,772**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2018 and 2017 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2018	UNIVERSITY OF CALIFORNIA 2017	CAMPUS FOUNDATIONS 2018	CAMPUS FOUNDATIONS 2017
OPERATING REVENUES				
Student tuition and fees, net	$4,838,764	$4,477,213		
Grants and contracts, net:				
Federal	3,302,446	3,258,526		
State	567,532	454,207		
Private	1,523,778	1,421,752		
Local	315,424	306,492		
Medical centers, net	12,064,598	11,241,269		
Educational activities, net	3,670,545	3,332,671		
Auxiliary enterprises, net	1,684,759	1,579,152		
Department of Energy laboratories	1,062,428	1,147,233		
Campus foundation private gifts			$1,340,158	$864,411
Other operating revenues, net	970,991	938,678	1,237	3,099
Total operating revenues	**30,001,265**	**28,157,193**	**1,341,395**	**867,510**
OPERATING EXPENSES				
Salaries and wages	15,952,983	15,159,736		
Pension benefits	1,339,462	1,887,570		
Retiree health benefits	1,294,888	1,575,663		
Other employee benefits	3,245,927	2,938,133		
Supplies and materials	3,610,171	3,239,587		
Depreciation and amortization	2,027,343	1,909,870		
Department of Energy laboratories	1,054,475	1,139,232		
Scholarships and fellowships	766,857	728,594		
Utilities	303,773	292,447		
Campus foundation grants			1,100,287	939,784
Other operating expenses	4,850,982	4,648,395	35,917	29,731
Total operating expenses	**34,446,861**	**33,519,227**	**1,136,204**	**969,515**
Operating income (loss)	**(4,445,596)**	**(5,362,034)**	**205,191**	**(102,005)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	3,386,119	3,277,808		
State hospital fee grants	21,670	13,303		
Build America bonds federal interest subsidies	57,179	58,424		
Federal Pell Grants	421,693	381,650		
Private gifts, net	1,315,092	1,161,658		
Investment income:				
Short Term Investment Pool and other, net	307,225	204,840		
Endowment, net	97,134	85,540		
Securities lending, net	8,958	8,504	366	419
Campus foundations			76,988	71,788
Net appreciation in fair value of investments	889,534	1,721,243	646,441	792,155
Interest expense	(746,476)	(721,243)	(50)	(85)
Gain (loss) on disposal of capital assets	7,779	(59,567)		
Other nonoperating revenues (expenses)	63,610	9,837	(23)	1,037
Net nonoperating revenues	**5,829,517**	**6,141,997**	**723,722**	**865,314**
Income before other changes in net position	**1,383,921**	**779,963**	**928,913**	**763,309**
OTHER CHANGES IN NET POSITION				
Capital gifts and grants, net	403,164	255,559		
State capital appropriations	32	1,712		
Permanent endowments	25,328	23,957	408,707	286,924
Increase in net position	**1,812,445**	**1,061,191**	**1,337,620**	**1,050,233**
NET POSITION				
Beginning of year, as previously reported	2,354,476	1,319,958	8,465,772	7,536,850
Cumulative effect of accounting changes		(26,673)		(121,311)
Beginning of year, restated	2,354,476	1,293,285	8,465,772	7,415,539
End of year	**$4,166,921**	**$2,354,476**	**$9,803,392**	**$8,465,772**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS

Years ended June 30, 2018 and 2017 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2018	UNIVERSITY OF CALIFORNIA 2017	CAMPUS FOUNDATIONS 2018	CAMPUS FOUNDATIONS 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$4,820,829	$4,466,850		
Grants and contracts	5,571,346	4,808,226		
Medical centers	11,831,671	11,173,461		
Educational activities	3,646,918	3,306,961		
Auxiliary enterprises	1,686,540	1,578,093		
Collection of loans from students and employees	85,622	80,393		
Campus foundation private gifts			$997,932	$696,340
Payments to employees	(15,907,816)	(15,492,680)		
Payments to suppliers and utilities	(8,228,056)	(7,691,984)		
Payments for pension benefits	(2,208,680)	(1,881,289)		
Payments for retiree health benefits	(319,927)	(333,928)		
Payments for other employee benefits	(3,318,249)	(2,829,325)		
Payments for scholarships and fellowships	(766,797)	(728,428)		
Loans issued to students and employees	(176,940)	(63,972)		
Payments to campuses and beneficiaries			(1,157,983)	(982,389)
Other receipts (payments)	723,416	1,209,221	29,217	66,557
Net cash used by operating activities	**(2,560,123)**	**(2,398,401)**	**(130,834)**	**(219,492)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	3,371,735	3,277,402		
Federal Pell Grants	418,735	380,364		
State hospital fee grants	21,670	13,303		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	59,022	22,789	332,939	226,924
Other private gifts	1,306,915	1,129,424		
Receipt of retiree health contributions from UCRP	65,102	64,386		
Payment of retiree health contributions to UCRHBT	(82,597)	(58,198)		
Receipts from UCRHBT	372,702	348,291		
Payments for retiree health benefits made on behalf of UCRHBT	(385,462)	(360,210)		
Student direct lending receipts	562,158	772,234		
Student direct lending payments	(562,128)	(772,216)		
Proceeds from debt issuance		500,000		
Refinancing or prepayment of outstanding debt		(500,000)		
Commercial paper financing:				
Proceeds from issuance	7,576	23,497		
Payments of principal	(12,936)	(15,323)		
Interest paid on debt	(22,554)	(13,966)		
Other receipts	122,345	48,626	22,593	24,114
Net cash provided by noncapital financing activities	**5,242,283**	**4,860,403**	**355,532**	**251,038**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	642,547	711,453		
Payments of principal	(668,056)	(944,811)		(192)
Interest paid	(10,693)	(4,825)		
State capital appropriations	(1,794)	9,602		
Build America bonds federal interest subsidies	57,845	58,421		
Capital gifts and grants	130,358	130,397		
Proceeds from debt issuance	4,645,296	2,088,512		
Proceeds from the sale of capital assets	3,348	17,720		
Purchase of capital assets	(3,557,917)	(2,679,314)		
Refinancing or prepayment of outstanding debt	(1,013,739)	(820,739)		
Scheduled principal paid on debt and capital leases	(394,905)	(461,183)		
Interest paid on debt and capital leases	(878,075)	(787,307)		
Net cash used by capital and related financing activities	**($1,045,785)**	**($2,682,074)**		**($192)**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS *continued*

	UNIVERSITY OF CALIFORNIA		CAMPUS FOUNDATIONS	
Years ended June 30, 2018 and 2017 (in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	$83,531,008	$86,593,485	$1,642,416	$1,311,371
Purchase of investments	(85,520,749)	(86,745,271)	(1,751,480)	(1,355,524)
Investment income, net of investment expenses	399,519	308,663	77,643	71,985
Net cash provided (used) by investing activities	**(1,590,222)**	**156,877**	**(31,421)**	**27,832**
Net increase (decrease) in cash and cash equivalents	**46,153**	**(63,195)**	**193,277**	**59,186**
Cash and cash equivalents, beginning of year	203,370	266,565	254,100	194,914
Cash and cash equivalents, end of year	**$249,523**	**$203,370**	**$447,377**	**$254,100**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating income (loss)	($4,445,596)	($5,362,034)	$205,191	($100,971)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	2,027,343	1,909,870		
Noncash gifts			(141,530)	(143,572)
Allowance for uncollectible accounts	257,198	266,431	3,775	19,653
Loss on impairment of capital assets	10,361	7,354		
Change in assets and liabilities:				
Investments held by trustees	10,254	737,280	(1,186)	10,408
Accounts receivable	(639,229)	(960,355)	6,796	(931)
Pledges receivable			(147,333)	(45,844)
Inventories	(17,712)	(12,315)		
Other assets	(179,961)	(2,584)	(7,095)	2,544
Accounts payable	110,295	121,451	(1,143)	1,022
Accrued salaries	(1,747)	(350,735)		
Employee benefits	15,765	(52,110)		
Unearned revenue	225,169	26,000	(55,807)	64,259
Department of Energy	298,366	337,841		
Self-insurance	116,108	73,802		
Obligations under life income agreements			(5,659)	(10,740)
Net pension liability	(1,200,507)	(730,435)		
Net retiree health benefits liability	874,018	1,509,674		
Other liabilities	(20,248)	82,464	13,157	(15,320)
Net cash used by operating activities	**($2,560,123)**	**($2,398,401)**	**($130,834)**	**($219,492)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$47,225	$55,360		
Capital assets acquired with a liability at year end	76,120	98,916		
Change in fair value of interest rate swaps classified as hedging derivatives	35,393	61,891		
Gifts of capital assets	294,873	122,913		
Other noncash gifts	3,276	33,194	$203,015	$199,500
Interest added to principal			3,232	2,934
Beneficial interests in irrevocable split interest agreements administered by third-parties	1,114	(1,802)	12,818	5,479
Noncash gifts for University-administered irrevocable split-interest agreements			35,119	8,895

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF PLANS' AND TRUST'S FIDUCIARY NET POSITION

At June 30, 2018 and 2017 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) 2018	UCRS 2017	UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT) 2018	UCRHBT 2017	TOTAL UCRS AND UCRHBT 2018	TOTAL UCRS AND UCRHBT 2017
ASSETS						
Investments	$90,872,718	$82,574,019	$128,091	$97,801	$91,000,809	$82,671,820
Participants' interest in mutual funds	1,585,098	3,351,454			1,585,098	3,351,454
Investment of cash collateral	6,158,290	6,841,530			6,158,290	6,841,530
Participant 403(b) loans	184,388	180,511			184,388	180,511
Accounts receivable:						
Contributions from University and affiliates	113,353	57,552	6,537	9,656	119,890	67,208
Investment income	90,314	80,593			90,314	80,593
Security sales and other	76,615	884,657	200	147	76,815	884,804
Prepaid insurance premiums			17,300	16,125	17,300	16,125
Total assets	**99,080,776**	**93,970,316**	**152,128**	**123,729**	**99,232,904**	**94,094,045**
LIABILITIES						
Payable to University			18,547	17,015	18,547	17,015
Payable for securities purchased	1,612,039	2,380,442			1,612,039	2,380,442
Member withdrawals, refunds and other payables	86,664	89,590			86,664	89,590
Collateral held for securities lending	6,157,131	6,838,416			6,157,131	6,838,416
Total liabilities	**7,855,834**	**9,308,448**	**18,547**	**17,015**	**7,874,381**	**9,325,463**
NET POSITION HELD IN TRUST						
Members' defined benefit plan benefits	66,838,838	62,179,236			66,838,838	62,179,236
Participants' defined contribution plan benefits	24,386,104	22,482,632			24,386,104	22,482,632
Retiree health benefits			133,581	106,714	133,581	106,714
Total net position held in trust	**$91,224,942**	**$84,661,868**	**$133,581**	**$106,714**	**$91,358,523**	**$84,768,582**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF CHANGES IN PLANS' AND TRUST'S FIDUCIARY NET POSITION

Years ended June 30, 2018 and 2017 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) 2018	UCRS 2017	UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT) 2018	UCRHBT 2017	TOTAL UCRS AND UCRHBT 2018	TOTAL UCRS AND UCRHBT 2017
ADDITIONS (REDUCTIONS)						
Contributions:						
Members and employees	$2,216,388	$2,206,455			$2,216,388	$2,206,455
State	169,000	171,000			169,000	171,000
University	2,374,352	2,402,009	$338,436	$328,057	2,712,788	2,730,066
Total contributions	**4,759,740**	**4,779,464**	**338,436**	**328,057**	**5,098,176**	**5,107,521**
Investment income (expense), net:						
Net appreciation (depreciation) in fair value of investments	5,098,540	8,616,400			5,098,540	8,616,400
Interest, dividends and other investment income	1,508,186	1,386,834	1,634	606	1,509,820	1,387,440
Securities lending income	136,099	89,075			136,099	89,075
Securities lending fees and rebates	(89,025)	(40,610)			(89,025)	(40,610)
Total investment income, net	**6,653,800**	**10,051,699**	**1,634**	**606**	**6,655,434**	**10,052,305**
Interest income from contributions receivable	1,148	1,472			1,148	1,472
Total additions	**11,414,688**	**14,832,635**	**340,070**	**328,663**	**11,754,758**	**15,161,298**
DEDUCTIONS						
Benefit payments:						
Retirement payments	2,495,200	2,330,361			2,495,200	2,330,361
Member withdrawals	153,324	140,666			153,324	140,666
Cost-of-living adjustments	517,646	474,815			517,646	474,815
Lump sum cashouts	336,966	292,270			336,966	292,270
Preretirement survivor payments	49,329	47,778			49,329	47,778
Disability payments	30,259	30,470			30,259	30,470
Death payments	9,440	9,368			9,440	9,368
Participant withdrawals	1,220,081	1,374,324			1,220,081	1,374,324
Total benefit payments	**4,812,245**	**4,700,052**			**4,812,245**	**4,700,052**
Insurance premiums:						
Insured plans			167,546	161,142	167,546	161,142
Self-insured plans			131,458	119,667	131,458	119,667
Medicare Part B reimbursements			10,340	9,425	10,340	9,425
Total insurance premiums, net			**309,344**	**290,234**	**309,344**	**290,234**
Other deductions:						
Plan administration	29,981	39,823	3,859	4,256	33,840	44,079
Other	9,388	13,127			9,388	13,127
Total other deductions	**39,369**	**52,950**	**3,859**	**4,256**	**43,228**	**57,206**
Total deductions	**4,851,614**	**4,753,002**	**313,203**	**294,490**	**5,164,817**	**5,047,492**
Increase in net position held in trust	**6,563,074**	**10,079,633**	**26,867**	**34,173**	**6,589,941**	**10,113,806**
NET POSITION HELD IN TRUST						
Beginning of year	84,661,868	74,582,235	106,714	72,541	84,768,582	74,654,776
End of year	**$91,224,942**	**$84,661,868**	**$133,581**	**$106,714**	**$91,358,523**	**$84,768,582**

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Years ended June 30, 2018 and 2017

ORGANIZATION

The University of California ("the University") was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board ("The Regents") is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's basic financial statements as a component unit.

FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The University's financial statements include the accounts of ten campuses, five medical centers, a statewide agricultural extension program and the operations of most student government or associated student organizations as part of the primary financial reporting entity because The Regents has certain oversight responsibilities for these organizations. In addition, the financial position and operating results of certain other legally separate organizations are included in the University's financial reporting entity on a blended basis if The Regents is determined to be financially accountable for the organization. Organizations that are not significant or for which the University is not financially accountable, such as booster and alumni organizations, are not included in the reporting entity. However, cash invested with the University by these organizations, along with the related liability, is included in the statement of net position. The statement of revenues, expenses and changes in net position excludes the activities associated with these organizations.

Fiat Lux Risk and Insurance Company ("Fiat Lux"), the University's wholly owned captive insurance company, is a blended component unit of the University. The Regents of the University of California are the sole corporate and voting member of Children's Hospital & Research Center Oakland ("CHRCO"), a private, not-for-profit 501(c)(3) corporation. Children's Hospital & Research Center Foundation, a nonprofit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. CHRCO, combined with its foundation, is a blended component unit of the University.

The University has eleven legally separate, tax-exempt, affiliated campus foundations, one for each campus and the Lawrence Berkeley National Laboratory (LBNL). The economic resources received or held by the foundations are entirely for the benefit of the campuses. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under Governmental Accounting Standards Board (GASB) requirements as discretely presented component units of the University.

Specific assets and liabilities and all revenues and expenses associated with the LBNL, a major United States Department of Energy (DOE) national laboratory operated and managed by the University under contract directly with the DOE, are included in the accompanying financial statements.

The Regents has fiduciary responsibility for the University of California Retirement System (UCRS) which includes two defined benefit plans, the University of California Retirement Plan (UCRP) and the University of California Voluntary Early Retirement Incentive Plan (UC–VERIP), and four defined contribution plans in the University of California Retirement Savings Program (UCRSP), consisting of the Defined Contribution Plan (DC Plan), the Supplemental Defined Contribution Plan (SDC Plan), the Tax-Deferred 403(b) Plan (403(b) Plan) and the 457(b) Deferred Compensation Plan (457(b) Plan). As a result, the UCRS statements of plans' fiduciary net position and changes in plans' fiduciary net position are shown as a fiduciary fund in the University's financial statements.

The Regents also has fiduciary responsibility for the University of California Retiree Health Benefit Trust (UCRHBT). As a result, UCRHBT's statements of trust's fiduciary net position and changes in trust's fiduciary net position are shown as a fiduciary fund in the University's financial statements. UCRHBT allows certain University locations and affiliates, primarily campuses and medical centers that share the risks, rewards and costs of providing for retiree health benefits, the opportunity to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the trust.

Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was implemented by the University as of July 1, 2017. The Statement establishes standards for accounting and financial reporting for irrevocable split-interest agreements. The Statement requires that the University recognize assets, liabilities and deferred inflows for split-interest agreements administered by the University at the inception of the agreement. The Statement also requires the University to recognize assets and deferred inflows representing its beneficial interests in irrevocable split-interest agreements that are administered by third parties. The Statement requires the University to recognize revenue when the resources become available to spend.

The adoption of Statement No. 81 did not result in any adjustments to the financial statements of UCRS or UCRHBT. The effects of reporting Statement No. 81 in the University's financial statements for the year ended June 30, 2017, were as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA AS OF AND FOR THE YEAR ENDED JUNE 30, 2017		
	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF STATEMENT NO. 81	AS RESTATED
STATEMENT OF NET POSITION			
Other noncurrent assets	$138,927	$56,554	$195,481
Noncurrent assets	50,841,345	56,554	50,897,899
Total assets	62,983,382	56,554	63,039,936
Deferred inflows of resources	6,284,371	87,412	6,371,783
Restricted net position - Nonexpendable: Endowments and gifts	1,143,067	(21,324)	1,121,743
Restricted net position - Expendable: Endowments and gifts	6,881,101	(9,534)	6,871,567
Total net position	2,385,334	(30,858)	2,354,476
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Private gifts, net	$1,167,395	($5,737)	$1,161,658
Net appreciation in fair value of investments	1,721,798	(555)	1,721,243
Other nonoperating revenues	10,856	(1,019)	9,837
Net nonoperating revenues	6,149,308	(7,311)	6,141,997
Income before other changes in net position	787,274	(7,311)	779,963
Permanent endowments	20,831	3,126	23,957
Increase in net position	1,065,376	(4,185)	1,061,191

(in thousands of dollars)

	CAMPUS FOUNDATIONS AS OF AND FOR THE YEAR ENDED JUNE 30, 2017		
	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF STATEMENT NO. 81	AS RESTATED
STATEMENT OF NET POSITION			
Other noncurrent assets	$17,760	$71,330	$89,090
Noncurrent assets	8,229,028	71,330	8,300,358
Total assets	9,432,603	71,330	9,503,933
Deferred inflows of resources	1,723	207,715	209,438
Restricted net position - Nonexpendable: Endowments and gifts	4,045,925	(78,706)	3,967,219
Restricted net position - Expendable: Endowments and gifts	4,363,100	(57,679)	4,305,421
Total net position	8,602,157	(136,385)	8,465,772
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Campus foundation private gifts	$866,190	($1,779)	$864,411
Investment income: Campus foundations	72,690	(902)	$71,788
Net appreciation in fair value of investments	799,242	(7,087)	792,155
Other nonoperating revenues	5,082	(4,045)	1,037
Net nonoperating revenues	877,348	(12,034)	865,314
Income before other changes in net position	777,122	(13,813)	763,309
Permanent endowments	288,185	(1,261)	286,924
Increase in net position	1,065,307	(15,074)	1,050,233

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, effective for the University's fiscal year beginning July 1, 2017. The Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application and post-employment benefits. Implementation of Statement No. 85 had no impact on the financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the University's fiscal year beginning July 1, 2017. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with resources other than the proceeds of the refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. In addition, this Statement revises existing standards for prepaid insurance associated with extinguished debt. Implementation of Statement No. 86 had no impact on the financial statements.

The significant accounting policies of the University are as follows:

Cash and cash equivalents. The University and campus foundations consider all balances in demand deposit accounts to be cash. The University classifies all other highly liquid cash equivalents with original maturities less than one year as short-term investments. Certain campus foundations classify their deposits in the University's Short Term Investment Pool as a cash equivalent.

Investments. Investments are measured and recorded at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Investment in non-exchange traded debt and equity investments are valued using inputs provided by independent pricing services or by broker/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyout, real assets and international funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2018 and 2017.

Interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate, real assets and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

For other investments, the University considers various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections as well as discounted cash flow analysis. The selection of an appropriate technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the University may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

The University exercises due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms and restrictions and risks inherent to the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's statement of revenues, expenses and changes in net position.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded based on fair value at the date of donation.

Campus foundations may invest all or a portion of their investments in University-managed investment pools. Certain securities in these investment pools are included in the University's security lending program. Accordingly, the campus foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and included in the Campus Foundations' column.

Derivative financial instruments. Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options and swaptions are valued at the settlement price on the last day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the statement of net position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the statement of revenues, expenses and changes in net position.

Participants' interests in mutual funds. Participants in the University's defined contribution retirement plans may invest their account balances in funds managed by the University's Chief Investment Officer or in certain mutual funds.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, educational activities and amounts due from students, employees and faculty.

Pledges receivable, net. Unconditional pledges of private gifts to the University or campus foundations, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the net present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

Beneficial interests in irrevocable split-interest agreements. The beneficial interests in irrevocable split-interest agreements represent the University's and the campus foundations' right to the portion of the benefits from the irrevocable split-interest agreements that are administered by third parties and are recognized as an asset and deferred inflows of resources. These are measured at fair value and are reported as other noncurrent assets in the statements of net position. Changes in the fair value of the beneficial interest asset are recognized as an increase or decrease in the related deferred inflows of resources. At the termination of the agreement, net assets received from the beneficial interests are recognized as revenues.

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term Investment Pool are classified as investments and loans provided by other sources are classified as mortgages receivable in the statements of net position.

Inventories. Inventories for the campuses, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the medical centers consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

DOE national laboratories. The University operates and manages LBNL under a contract directly with the DOE. Specific assets and liabilities and all revenues and expenses associated with LBNL are included in the financial statements. Other assets, such as cash, property and equipment and other liabilities of LBNL are owned by the United States government rather than the University and, therefore, are not included in the statement of net position. The statement of cash flows excludes the cash flows associated with LBNL other than reimbursements, primarily related to pension and health benefits, since all other cash transactions are recorded in bank accounts owned by the DOE.

The University is a member in two separate joint ventures, Los Alamos National Security, LLC (LANS), and Lawrence Livermore National Security, LLC (LLNS), that operate and manage two other DOE laboratories, Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE. The University's investment in LANS and LLNS is accounted for using the equity method. Accordingly, the University's statement of net position includes its equity interest in LANS and LLNS, adjusted for the equity in undistributed earnings or losses and the statement of revenues, expenses and changes in net position includes its equity in the current earnings or losses of LANS and LLNS.

The DOE is financially responsible for substantially all of the current and future costs incurred at any of the national laboratories, including pension and retiree health benefit costs. Accordingly, to the extent there is a liability on the University's statement of net position for pension or retiree health obligations related to these laboratories, the University records a receivable from the DOE.

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

	YEARS
Infrastructure	25
Buildings and improvements	15-33
Equipment	2-20
Computer software	3-7
Intangible assets	2-indefinite
Library books and collections	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Service concession arrangements. The University has entered into service concession arrangements with third parties for parking, student housing and certain other faculty and student services. Under these arrangements, the University enters into ground leases with third parties at minimal or no cost, and gives the third party the right to construct, operate and maintain a facility, primarily for the benefit of students and faculty at competitive rates. Rate increases for use of the facilities are subject to certain constraints and ownership of the facilities reverts to the University upon expiration of the ground lease. The facilities are reported as capital assets by the University when placed in service, and a corresponding deferred inflow of resources is reported. The University has not provided guarantees on financing obtained by the third parties under these arrangements.

Unearned revenue. Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

Funds held for others. Funds held for others result from the University or the campus foundations acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to the University or campus foundations.

Federal refundable loans. Certain loans to students are administered by the University with funding primarily supported by the federal government. The University's statement of net position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Bond premium. The premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

Self-insurance programs. The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed self-insured or supplementally insured coverage for each program in any of the past three fiscal years.

Obligations under life income agreements. Obligations under life income agreements represent trusts with living income beneficiaries where the University has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of the income beneficiary interest is reported as a liability in the statement of net position. Gifts subject to such agreements administered by the University are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. Actuarial gains and losses are included in deferred inflows of resources in the statement of net position. At the termination of the agreement, the University's residual interest is recorded as gift revenue in the statement of revenues, expenses and changes in net position.

Pollution remediation obligations. Upon an obligating event, the University estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that the University is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2018 and 2017 reducing the pollution remediation liability.

Deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that apply to a future period, respectively. The University classifies gains on refunding of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the shorter of the remaining life of the old or new debt.

The University classifies changes in irrevocable split-interest agreements as deferred inflows of resources.

The University classifies an increase in the fair value of the hedging derivatives as deferred inflows of resources, and a decrease as deferred outflows of resources. Payments received or to be received by the University from service concession arrangements are reported as deferred inflows of resources.

Changes in net pension liability and net retiree health benefit liability not included in pension expense and retiree health benefits expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

Net position. Net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets. This category includes all of the University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted. The University and campus foundations classify the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by the University or campus foundations, is classified as nonexpendable net position. This includes the University and campus foundation permanent endowment funds.

Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by the University or campus foundations is subject to externally imposed restrictions that can be fulfilled by actions of the University or campus foundations pursuant to those restrictions or that expire by the passage of time is classified as expendable net position.

Unrestricted. The net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted net position. The University's unrestricted net position may be designated for specific purposes by management or The Regents. The campus foundations' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding University assets available to pay such obligations.

Revenues and expenses. Operating revenues of the University include receipts from student tuition and fees, grants and contracts for specific operating activities and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the University are presented in the statement of revenues, expenses and changes in net position as operating activities. The University's equity in current earnings or losses of LANS and LLNS is also an operating transaction.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of the University.

Campus foundations are established to financially support the University. Private gifts to campus foundations are recognized as operating revenues since, in contrast to the University, such contributions are fundamental to the core mission of the campus foundations. Foundation grants to the University are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with campus foundation grants to the University are recorded by the University as gifts when the foundations transfer the gifts to the University.

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, state hospital fee grants, Build America Bonds federal interest subsidies, Federal Pell Grants, private gifts for other than capital purposes, investment income, net appreciation (or depreciation) in the fair value of investments, interest expense and the loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants and gifts for endowment purposes are classified as other changes in net position.

Student tuition and fees. Substantially all student tuition and fees provide for the current operations of the University. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers.

The University recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the statement of revenues, expenses and changes in net position for the years ended June 30 as follows:

(in thousands of dollars)

	2018	**2017**
Student tuition and fees	$1,250,300	$1,129,720
Auxiliary enterprises	206,012	185,038
Other operating revenues	30,602	29,654
Scholarship allowances	**$1,486,914**	**$1,344,412**

State appropriations. The state of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement or other specific operating purposes are reported as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant operating revenue.

Grant and contract revenue. The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the University's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2018, the facilities and administrative cost recovery totaled $1.1 billion, which consisted of $782.0 million from federally sponsored programs and $333.8 million from other sponsors. For the year ended June 30, 2017, the facilities and administrative cost recovery totaled $1.1 billion, which consisted of $764.0 million from federally sponsored programs and $312.3 million from other sponsors.

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement, or as additional information becomes available.

Net pension liability. The University records net pension liability equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plans' fiduciary net positions. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees based upon rates authorized by The Regents and is reimbursed by the DOE. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The University records a receivable for the net pension liability that is expected to be collected from the DOE. The University deposits funds in UCRP when the DOE makes payments for these contributions. The contributions from the DOE and deposits into UCRP on behalf of DOE are included as DOE laboratory revenue in the statement of revenues, expenses and changes in net position.

Retiree health benefits and liability. The University's net retiree health benefits liability is measured as the total retiree health benefits liability, less the amount of the University of California Retiree Health Benefit Trust (UCRHBT) fiduciary net position. The fiduciary net position and changes in net position of UCRHBT has been measured consistent with the accounting policies used by the trust. The total retiree health benefits liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the health benefit trust's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Expense for retiree health benefits is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for retiree health benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

LBNL participates in the University's retiree health plans. The net retiree health benefits liability for LBNL is determined independently from the University's campuses and medical centers. Retiree health benefits expense for LBNL is included with the DOE laboratory expense in the statement of revenues, expenses and changes in net position. The contributions from the DOE are included as DOE laboratory revenue in the statement of revenues, expenses and changes in net position.

The University records a receivable from the DOE for the DOE's portion of the University's net retiree health benefits liability attributable to LBNL. The University does not have any retiree health benefits liability for LANL or LLNL retiree health benefit costs since they do not participate in the University's retiree health plans.

Campus and medical center contributions toward retiree health costs made to UCRHBT, the University's LBNL-related payments made directly to health care insurers and administrators and the corresponding reimbursements from the DOE, are shown as operating activities in the statement of cash flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the statement of cash flows.

University of California Retiree Health Benefit Trust. UCRHBT receives the University's contributions toward retiree health benefits from campuses, medical centers and University affiliates. The University receives retiree health contributions from University affiliates and campus and medical center retirees that are deducted from their UCRP benefit payments. The University also remits these retiree contributions to UCRHBT.

The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts.

LBNL does not participate in UCRHBT; therefore, the DOE has no interest in the Trust's assets.

Compensated absences. The University accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Tax exemption. The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), except for tax on unrelated business income under IRC Section 511. The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. UCRS plans are qualified under IRC Section 401(a) and the related trusts are tax-exempt under Section 501(c)(3). The campus foundations are also qualified for tax exemption under IRC Section 501(c)(3). CHRCO and its component unit, the Children's Hospital and Research Center Foundation, are qualified for exemption under IRC Section 501(c)(3). Income received by UCRHBT is tax-exempt under IRC Section 115(a).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

New accounting pronouncements. In December 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the University's fiscal year beginning July 1, 2018. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The Statement requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with an asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. Disclosure requirements include a general description of the asset retirement obligation and associated tangible capital assets, the source of the obligation to retire the assets, the methods and assumptions used to measure the liability, and other relevant information. The University is evaluating the effect that Statement No. 83 will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria. The University is evaluating the effect that Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2020. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The University is evaluating the effect Statement No. 87 will have on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the University's fiscal year beginning July 1, 2018. This Statement defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires additional disclosures related to debt including providing additional information for direct borrowings and direct placements of debt separately from other debt. The University is evaluating the effect that Statement No. 88 will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* effective prospectively for the University's fiscal year beginning July 1, 2020. The Statement requires that interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. As a result, interest costs would not be capitalized as part of the asset's historical cost. For construction in progress, interest cost incurred after applying this Statement No. 89 will not be capitalized. The University is evaluating the effect that Statement No. 89 will have on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests — An Amendment of GASB Statements No. 14 and No. 61*, effective for the University's fiscal year beginning July 1, 2019. The Statement defines a majority equity interest in a legally separate organization and clarifies the accounting and financial reporting for majority equity interests, classified as either investments or component units, in the financial statements. The University is evaluating the effect that Statement No. 90 will have on its financial statements.

1. CASH AND CASH EQUIVALENTS

The University maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2018 and 2017, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $249.5 million and $203.4 million, respectively, compared to bank balances of $169.7 million and $159.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized.

The University does not have significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups and education abroad programs in foreign countries was $4.4 million at June 30, 2018 and $6.7 million at June 30, 2017.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2018 and 2017 was $447.4 million and $254.1 million, respectively, compared to bank balances of $58.0 million and $94.3 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Included in bank balances are deposits in the University's Short Term Investment Pool of $387.6 million at June 30, 2018 and $157.6 million at June 30, 2017, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC). Uncollateralized bank balances include $8.7 million and $6.5 million in excess of the FDIC limits at June 30, 2018 and 2017, respectively. The campus foundations do not have exposure to foreign currency risk in their cash and cash equivalents.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's, UCRS' and UCRHBT's investments and establishes an investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), UCRS, UCRHBT and other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset and Risk Allocation Policy guidelines are provided to the campus foundations by the Investments Subcommittee of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for campuses and medical centers is invested in STIP. The available cash in UCRS or endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of five and one-half years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms of up to 40 years.

TRIP allows participants the opportunity to maximize the return on their intermediate-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed income and alternative investments.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for GEP, UCRS, other investment pools and separate investments include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for all pools except for STIP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for all pools except for STIP.

Derivative instruments, including futures, forward contracts, options and swap contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds are not managed by the Chief Investment Officer and totaled $1.6 billion and $3.4 billion at June 30, 2018 and 2017, respectively.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 17 days and 26 days at June 30, 2018 and 2017, respectively. The fair values of UCRHBT's investment in this portfolio were $128.1 million and $97.8 million at June 30, 2018 and 2017, respectively. These are measured at net asset value as of June 30, 2018 and 2017, respectively.

The composition of investments, by investment type at June 30 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Equity securities:						
Domestic	$2,981,893	$2,641,778	$258,339	$224,555	$19,851,801	$19,308,688
Foreign	2,575,283	2,322,774	23,255	26,056	13,473,111	10,124,433
Equity securities	**5,557,176**	**4,964,552**	**281,594**	**250,611**	**33,324,912**	**29,433,121**
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	2,726,553	1,342,026	375,054	380,834	1,896,840	1,819,707
U.S. Treasury strips	538,903	370,436	212	215	1,464,655	900,066
U.S. TIPS	124,756	379,808			2,512,561	2,422,599
U.S. government-backed securities			15	24		
U.S. government-backed - asset-backed securities	9,358	13,695	11,386	991	7,214	10,146
U.S. government-guaranteed	**3,399,570**	**2,105,965**	**386,667**	**382,064**	**5,881,270**	**5,152,518**
Other U.S. dollar-denominated:						
Corporate bonds	3,776,818	7,945,898	28,768	28,301	4,490,273	4,750,525
Commercial paper	4,248,162	63,553			2,012,845	918,088
U.S. agencies	1,917,652	1,408,734			4,035,120	4,155,225
U.S. agencies - asset-backed securities	687,546	671,434	36,588	48,264	2,953,252	3,323,667
Corporate - asset-backed securities	621,817	504,652	59,824	49,518	1,639,967	1,607,426
Supranational/foreign	1,422,310	1,026,235	4,207	5,492	2,804,258	2,544,718
Other	116,497	120,314	805	1,478	175,279	26,996
Other U.S. dollar-denominated	**12,790,802**	**11,740,820**	**130,192**	**133,053**	**18,110,994**	**17,326,645**
Foreign currency-denominated:						
Corporate	113				576	
Foreign currency-denominated	**113**				**576**	
Commingled funds:						
Absolute return funds	3,957,859	3,962,553	2,589,828	2,177,012	4,475,682	4,987,355
Non-U.S. equity funds	2,172,821	2,077,584	1,031,849	991,267	8,958,098	9,264,782
Private equity	1,701,059	1,388,163	954,534	708,680	3,178,252	2,939,524
Money market funds	681,658	814,888	1,060,958	935,429	5,817,621	5,020,007
U.S. equity funds	193,547	145,967	771,075	664,627	4,069,653	2,341,302
Real estate investment trusts	310,119	460,025	162,111	150,846	1,475,420	1,633,123
Real assets	381,533	206,076			1,146,296	866,245
U.S. bond funds	402,336	218,839	146,316	131,541	1,076,196	1,055,611
Non-U.S. bond funds	135,862	132,608	21,697	16,433	14	15
Balanced funds	234,375	212,079	1,330,673	1,222,549		
Commingled funds	**10,171,169**	**9,618,782**	**8,069,041**	**6,998,384**	**30,197,232**	**28,107,964**
Investment derivatives	(5,520)	(241)	(355)	1,995	(19,142)	(3,002)
Publicly traded real estate investment trusts	224,036	152,636			1,711,685	722,541
Mortgage loans	510,765	358,890				
Real estate	428,590	354,597	135,731	119,516	1,665,191	1,834,232
Other investments	27,701	12,390	236,710	321,367		
Campus foundations' investments with the University	(2,611,651)	(2,151,497)				
UCRS investment in the STIP	(3,123,754)	(2,678,532)				
Total investments	**27,368,997**	**24,478,362**	**9,239,580**	**8,206,990**	**$90,872,718**	**$82,574,019**
Less: Current portion	(4,890,075)	(6,249,657)	(857,844)	(674,868)		
Noncurrent portion	**$22,478,922**	**$18,228,705**	**$8,381,736**	**$7,532,122**		

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investment strategies and their underlying assets and rights are subject to an array of economic and market vagaries that can limit or erode value.

Credit Risk

Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or the possibility that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed-income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk. Asset-backed securities are debt obligations that represent claims to the cash flows from pools of commercial, mortgage, credit card or student loans. Mortgage-backed securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. government.

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark (the benchmark for STIP is a weighted average of the two-year Treasury income note and Citigroup 3-month Treasury bill). No more than 5 percent of the total market value of the STIP portfolio may be invested in securities rated below investment grade (BB, Ba or lower). The average credit quality of STIP must be A or better and commercial paper must be rated at least A-1, P-1 or F-1.

The University recognizes that credit risk is appropriate in balanced investment pools such as TRIP, UCRS and GEP by virtue of the benchmarks chosen for the fixed-income portion of those pools.

The core fixed-income benchmark for UCRS, GEP and TRIP is the Barclays Capital U.S. Aggregate Bond Index, comprised of 25.0 percent corporate bonds and 30.6 percent mortgage/asset-backed bonds, all of which carry some degree of credit risk. The remaining 44.4 percent is government issued bonds.

Credit risk in TRIP, UCRS and GEP is managed primarily by diversifying across issuers. In addition, portfolio guidelines for UCRS and GEP through March 2018 mandate that no more than 15 percent of the market value of fixed-income securities may be invested in issues with credit ratings below investment grade. Further, the weighted average credit rating must be A or higher.

In addition, the asset and risk allocation policies for both UCRP and GEP allow for dedicated allocations to non-investment grade and emerging market bonds, an investment which entails credit, default and/or sovereign risk.

The credit risk profile for fixed- or variable-income securities at June 30 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2018	2017	2018	2017	2018	2017
Fixed- or variable-income securities:						
U.S. government-guaranteed	$3,399,570	$2,105,965	$386,667	$382,064	$5,881,270	$5,152,518
Other U.S. dollar-denominated:						
AAA	686,606	394,656	20,817	12,538	1,798,100	1,465,322
AA	1,866,014	1,284,954	24,932	37,676	3,115,678	3,390,694
A	1,712,026	1,294,567	7,045	3,781	1,472,752	1,243,993
BBB	2,067,115	2,068,030	23,815	23,963	2,587,735	2,946,777
BB	461,019	450,708	592	2,095	1,176,085	1,242,851
B	302,023	296,788	1,242	3,088	1,069,331	1,057,297
CCC or below	42,513	42,151	19,629	19,898	200,111	192,950
Not rated	5,653,486	5,908,966	32,120	30,014	6,691,202	5,786,761
Foreign currency-denominated:						
B	113				576	
Commingled funds:						
U.S. bond funds: Not rated	402,336	218,839	146,316	131,541	1,076,196	1,055,611
Non-U.S. bond funds: Not rated	135,862	132,608	21,697	16,433	14	15
Money market funds: Not rated	681,658	814,888	1,060,958	935,429	5,817,621	5,020,007
Mortgage loans: Not rated	510,765	358,890				

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned.

Substantially all of the University's, campus foundations' and UCRS' securities are registered in the University's name by the custodial bank as an agent for the University. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk for such investments is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

The U.S. and non-U.S. equity portions of the University and UCRS portfolios may be managed either passively or actively. For the portions managed passively, the concentration of individual securities is similar to their concentration in the benchmark. While some securities have a larger representation in the benchmark than others, the University considers that passive management results in an absence of concentration of credit risk. For the portions managed actively, asset class guidelines do not specifically address concentration risk, but do state that the equity asset class, in the aggregate, will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the asset class benchmark (including concentration of credit risk). Concentration risk for individual portfolios is monitored relative to their individual benchmarks and agreed-upon risk parameters in their guidelines.

Investment guidelines addressing concentration of credit risk related to the core investment grade fixed-income portion of the University and UCRS portfolios include a limit of no more than 3 percent of each portfolio's market value to be invested in any single issuer (except for securities issued by the U.S. government or its agencies). These same guidelines apply to STIP. For high-yield and emerging market debt, the corresponding limit is 5 percent.

Each campus foundation may have its own individual investment policy designed to limit exposure to a concentration of credit risk. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, other investment pools or investments that are invested by the University for the campus foundations are not subject to concentration of credit risk. Most of the campus foundations that hold other types of investments have policies to limit the exposure to an individual issuer.

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of investments held by the respective foundation at June 30 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2018	**2017**
Bayside Partners, LP		$88,257

Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis-point (1-percentage-point) change in the level of interest rates. It is not a measure of time.

Interest rate risk for STIP is managed by constraining the maturity of all individual securities to be less than five and one-half years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the liquidity demands of the investors. The nature and maturity of individual securities in STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

Portfolio guidelines for the fixed-income portion of TRIP, UCRS and GEP limit weighted average effective duration to the effective duration of the benchmarks (Barclays Capital U.S. Aggregate Index), plus or minus 20 percent. These portfolio guidelines constrain the potential price movement due to interest rate changes of the portfolio being similar to that of the benchmark. There are similar restrictions for the high-yield and emerging market debt portfolios relative to their benchmarks.

The effective durations for fixed- or variable-income securities at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2018	2017	2018	2017	2018	2017
Fixed- or variable-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	2.4	3.1	2.9	2.8	2.7	2.9
U.S. Treasury strips	9.2	11.7	16.5	18.1	10.3	10.6
U.S. TIPS	5.9	2.9			6.1	3.8
U.S. government-backed securities			1.4	1.8		
U.S. government-backed - asset-backed securities	1.6	2.3	2.9	10.1	2.9	3.1
Other U.S. dollar-denominated:						
Corporate bonds	3.5	2.8	2.7	2.4	5.7	6.1
U.S. agencies	2.0	2.6			2.0	2.1
U.S. agencies - asset-backed securities	4.2	3.9	5.0	4.2	3.9	3.7
Corporate - asset-backed securities	3.9	4.2	2.2	2.1	2.6	2.5
Supranational/foreign	3.6	3.2	3.4	3.8	5.2	5.8
Other	8.5	16.9	5.3	1.8	15.6	15.7
Foreign currency-denominated:						
Corporate	0.6				0.6	
Commingled funds:						
U.S. bond funds*	2.4	2.5	4.6	4.8		1.9
Non-U.S. bond funds	3.4	3.2	5.3	6.9		7.0
Money market funds**			2.0	1.5		

**The University considers the modified durations for commingled funds.*
***Foundation and UCRS investment in STIP.*

The University considers the effective durations for commercial paper, mortgage loans, insurance contracts and money market funds to be zero. The terms of the mortgage loans include variable interest rates. Insurance contracts can be liquidated without loss of principal and money market funds consist of underlying securities that are of a short-term, liquid nature.

Investments also include various mortgage-backed securities, collateralized mortgage obligations, structured notes, variable-rate securities and callable bonds that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. The effective durations of these securities, however, may be low.

At June 30, the fair values of such investments are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2018	2017	2018	2017	2018	2017
Mortgage-backed securities	$669,109	$581,019	$53,471	$62,552	$2,795,428	$3,094,839
Collateralized mortgage obligations	501,265	142,379	22,540	17,079	830,356	308,119
Other asset-backed securities	271,890	147,305	27,612	14,889	1,266,122	928,928
Variable-rate securities	582,299	401,499			2,413,025	1,674,974
Callable bonds	4,067,934	2,773,741			8,466,784	8,281,157
Convertible bonds	455	317			4,618	2,529
Total	**$6,092,952**	**$4,046,260**	**$103,623**	**$94,520**	**$15,776,333**	**$14,290,546**

Mortgage-Backed Securities. These securities are issued primarily by Fannie Mae, Ginnie Mae and Freddie Mac, and various commercial entities and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations. Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In rising interest rate environments, the opposite is true.

Other Asset-Backed Securities. Other asset-backed securities also generate a return based upon either the payment of interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. As with CMOs, the relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates.

Variable-Rate Securities. These securities are investments with terms that provide for the adjustment of their interest rates on set dates and are expected to have fair values that will be relatively unaffected by interest rate changes. Variable-rate securities may have limits on how high or low the interest rate may change. These constraints may affect the market value of the security.

Callable Bonds. Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The University must then replace the called bond with a bond that may have a lower yield than the original. The call feature causes the fair value to be highly sensitive to changes in interest rates.

At June 30, the effective durations for these securities are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Mortgage-backed securities	4.3	4.0	1.5	4.5	4.1	3.8
Collateralized mortgage obligations	4.7	2.7	8.3	12.5	4.1	2.7
Other asset-backed securities	1.1	1.5	0.2	5.1	0.8	1.0
Variable-rate securities	3.2	1.9			1.6	1.1
Callable bonds	3.3	3.4			3.8	4.0
Convertible bonds	1.7	2.6			1.7	2.5

Foreign Currency Risk

The University's strategic asset allocation policy for TRIP, UCRS and GEP includes allocations to non-U.S. equities and non-dollar-denominated bonds. The benchmarks for these investments are not hedged; therefore foreign currency risk is part of the investment strategies. Portfolio guidelines for U.S. investment-grade fixed-income securities also allow exposure to non-U.S. dollar-denominated bonds up to 10 percent of the total portfolio market value. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the University's investment policies, such instruments are not permitted for speculative use or to create leverage. Similar limits on foreign exchange exposure apply to the high-yield debt and emerging market debt portfolios.

At June 30, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Equity securities:						
Euro	$960,899	$759,929	$259	$769	$3,895,404	$2,986,605
British Pound	272,005	262,100	1,109	1,474	1,988,754	1,499,151
Japanese Yen	438,014	369,665			2,562,213	1,550,471
Canadian Dollar	127,083	144,272	1,918	6,248	722,719	633,561
Swiss Franc	122,133	124,593	634	531	839,277	663,977
Australian Dollar	91,454	103,068	2,915	569	511,526	430,715
Hong Kong Dollar	150,506	128,176			676,822	307,976
Swedish Krona	69,163	69,605			289,024	263,079
Singapore Dollar	18,752	19,405			106,094	81,366
Danish Krone	23,938	23,677			167,934	142,740
Norwegian Krone	14,399	11,842			98,172	57,344
South Korean Won	74,413	84,359	16,337	16,356	482,103	473,711
Brazilian Real	24,203	25,154			74,405	29,725
Indian Rupee	23,632				275,785	256,239
New Taiwan Dollar	57,938	69,843			234,014	204,806
South African Rand	27,963	31,699			153,225	147,473
Thailand Baht	9,046	10,014			106,332	115,393
Mexican Peso	13,332				54,541	
Other	56,409	85,373	83	109	234,769	280,101
Subtotal	**2,575,282**	**2,322,774**	**23,255**	**26,056**	**13,473,113**	**10,124,433**
Fixed-income securities:						
Euro	113				576	
Subtotal	**113**				**576**	
Commingled funds (various currency denominations):						
Absolute return funds			835,996	706,875		
Non-U.S. equity funds	2,172,821	2,077,584	1,016,679	980,635	8,958,098	9,264,782
Private equity	7,255	1,029	82,228	67,320	98,116	114,400
Real estate investment trusts			16,402	19,710		
Real assets	32,301	14,304	67,946	49,514	149,441	81,055
Non U.S. bond funds	135,861	132,608	21,697	16,434	14	15
Balanced funds			139,769	129,917		
Subtotal	**2,348,238**	**2,225,525**	**2,180,717**	**1,970,405**	**9,205,669**	**9,460,252**
Investment derivatives:						
Australian Dollar	1	5			58	(10)
Canadian Dollar	32	(3)			59	(40)
British Pound	30	(10)			177	(244)
Japanese Yen	(20)	(52)			(666)	(584)
Hong Kong Dollar						(7)
Euro	120				369	
Other		85			27	(103)
Subtotal	**163**	**25**			**24**	**(988)**
Publicly traded real estate investment trusts:						
Australian Dollar	11,568	10,092			64,239	44,367
Euro	14,112	9,243			87,183	42,055
British Pound	15,004	7,163			86,648	30,546
Japanese Yen	9,817	9,295			52,635	29,856
South African Rand	1,499	2,578			7,704	10,100
Singapore Dollar	4,059	4,139			21,148	12,441
Canadian Dollar	1,633	1,724			9,360	6,342
Mexican Peso	595	952			2,944	3,047
Other	2,521	2,386			11,232	5,913
Subtotal	**60,808**	**47,572**			**343,093**	**184,667**
Total exposure to foreign currency risk	**$4,984,604**	**$4,595,896**	**$2,203,972**	**$1,996,461**	**$23,022,475**	**$19,768,364**

The University's Investment Pools

The composition of the University's investments at June 30, 2018, by investment pool, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$1,747,569	$1,097,837	$136,487	$2,981,893
Foreign		1,422,238	1,109,393	43,652	2,575,283
Fixed- or variable-income securities:					
U.S. government-guaranteed	$2,284,617	694,153	355,374	65,426	3,399,570
Other U.S. dollar-denominated	8,212,850	3,447,620	904,769	225,563	12,790,802
Foreign currency-denominated			113		113
Commingled funds	62,531	1,517,144	7,545,543	1,045,951	10,171,169
Investment derivatives		(572)	(4,912)	(36)	(5,520)
Publicly traded real estate investment trusts		98,739	120,248	5,049	224,036
Mortgage loans	510,765				510,765
Real estate		126,476	276,569	25,545	428,590
Other investments				27,701	27,701
Subtotal	**11,070,763**	**9,053,367**	**11,404,934**	**1,575,338**	**33,104,402**
Campus foundations' investments with the University	(1,395,676)	(26,298)	(981,095)	(208,582)	(2,611,651)
UCRS investment in the STIP	(3,123,754)				(3,123,754)
Total investments	**$6,551,333**	**$9,027,069**	**$10,423,839**	**$1,366,756**	**$27,368,997**

The composition of the University's investments at June 30, 2017, by investment pool, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$1,650,101	$877,439	$114,238	$2,641,778
Foreign		1,399,551	880,977	42,246	2,322,774
Fixed- or variable-income securities:					
U.S. government-guaranteed	$969,940	637,044	491,287	7,694	2,105,965
Other U.S. dollar-denominated	7,667,967	3,390,550	660,701	21,602	11,740,820
Commingled funds	68,175	1,711,540	6,605,800	1,233,267	9,618,782
Investment derivatives		(162)	(73)	(6)	(241)
Publicly traded real estate investment trusts		103,542	44,677	4,417	152,636
Mortgage loans	358,890				358,890
Real estate		137,615	177,927	39,055	354,597
Other investments				12,390	12,390
Subtotal	**9,064,972**	**9,029,781**	**9,738,735**	**1,474,903**	**29,308,391**
Campus foundations' investments with the University	(1,048,911)	(26,701)	(918,008)	(157,877)	(2,151,497)
UCRS investment in the STIP	(2,678,532)				(2,678,532)
Total investments	**$5,337,529**	**$9,003,080**	**$8,820,727**	**$1,317,026**	**$24,478,362**

The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2018 were 4.5 percent for TRIP, 8.9 percent for GEP and 7.8 percent for UCRP. The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2017, were 7.7 percent for TRIP, 15.1 percent for GEP and 14.5 percent for UCRP. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same periods, was 1.6 percent and 1.3 percent, respectively. Other investments consist of numerous, small portfolios of investment or individual securities, each with its own individual rate of return.

Related Party Relationships with the University

UCRS and campus foundations may invest available cash in STIP. Shares are purchased or redeemed in STIP at a constant value of $1 per share. Actual income earned, including any realized gains or losses on the sale of STIP investments, is allocated to UCRS and campus foundations based upon the number of shares held. Unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP are recorded by the University as the manager of the pool. The net asset value for STIP is held at a constant value of $1 and is not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP.

The campus foundations may also purchase or redeem shares in GEP, TRIP or other investment pools at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to the campus foundations based upon the number of shares held.

Campus Foundations

The campus foundations' cash and cash equivalents and investments that are invested with the University and managed by the Chief Investment Officer are excluded from the University's statement of net position and included in the campus foundations' statement of net position. Under the accounting policies elected by each campus foundation, certain component units classify all or a portion of their investment in STIP and TRIP as cash and cash equivalents, rather than investments. Substantially, all of the campus foundations' investments managed by the Chief Investment Officer are categorized as commingled funds or commingled money market funds by the campus foundations in the composition of investments.

The fair value of the campus foundations' cash and cash equivalents and investments that are invested with the University, by investment pool, at June 30 are as follows:

(in thousands of dollars)	**2018**	**2017**
STIP	$1,398,634	$1,048,910
TRIP	26,298	26,701
GEP	981,095	918,008
Other investment pools	205,624	157,878
Campus foundations' investments with the University	**2,611,651**	**2,151,497**
Classified as cash and cash equivalents by campus foundations	(386,391)	(154,662)
Classified as investments by campus foundations	**$2,225,260**	**$1,996,835**

Investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, the campus foundations totaling $31.8 million and $21.9 million for the years ended June 30, 2018 and 2017, respectively.

UCRS

UCRS had $3.1 billion and $2.7 billion invested in STIP at June 30, 2018 and 2017, respectively. These investments are excluded from the University's statement of net position and are included in UCRS' statement of plans' fiduciary net position. They are categorized as commingled money market funds in the composition of investments for UCRS. STIP investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, UCRS totaling $43.4 million and $31.2 million for the years ended June 30, 2018 and 2017, respectively.

Agency Relationships with the University

STIP and GEP are external investment pools and include investments on behalf of external organizations that are associated with the University, although not financially accountable to the University. These organizations are not required to invest in these pools. Participants purchase or redeem shares in STIP at a constant value of $1 per share and purchase or redeem shares in GEP at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to participants based upon the number of shares held.

The fair value of these investments in each investment pool and the related liability associated with these organizations that are included in the University's statement of net position at June 30 are as follows:

(in thousands of dollars)	**2018**	**2017**
STIP	$95,502	$103,291
GEP	309,627	259,330
Other investment pools	4,805	
Total agency assets	**$409,934**	**$362,621**
Funds held for others	**$409,934**	**$362,621**

The composition of the net position at June 30 for STIP and GEP are as follows:

	STIP		GEP	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Investments	$11,070,763	$9,064,972	$11,404,934	$9,738,735
Investment of cash collateral	126,019	44,176	256,407	342,833
Securities lending collateral	(125,995)	(44,155)	(256,357)	(342,677)
Other assets, net	2,929,104	2,437,063	607,907	850,451
Net position	**$13,999,891**	**$11,502,056**	**$12,012,891**	**$10,589,342**

Other assets include amounts receivable for pension benefits from the campuses and medical centers of $3.0 billion and $2.7 billion at June 30, 2018 and 2017, respectively.

The changes in net position for STIP and GEP for the year ending June 30 are as follows:

	STIP		GEP	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Net position, beginning of year	$11,502,056	$10,730,675	$10,589,342	$8,929,136
Investment income	227,622	159,038	102,914	92,781
Net appreciation (depreciation) in fair value of investments	(82,872)	(28,695)	887,999	1,309,458
Transfer to TRIP	(416,703)	(60,000)		
Participant contributions, net	2,769,788	701,038	432,636	257,967
Net position, end of year	**$13,999,891**	**$11,502,056**	**$12,012,891**	**$10,589,342**

3. SECURITIES LENDING

The University and UCRS jointly participate in a securities lending program as a means to augment income. The campus foundations' investments that are invested with the University and managed by the Chief Investment Officer are included in the University's investment pools that participate in the securities lending program.

The campus foundations' allocated share of the program's cash collateral received, investment of cash collateral and collateral held for securities lending is determined based upon their equity in the investment pools. The Board of Trustees for each campus foundation may also authorize participation in a direct securities lending program.

Securities are lent to selected brokerage firms for which collateral received equals or exceeds the fair value of such investments lent during the period of the loan. Securities loans immediately terminate upon notice by either the University or the borrower. Collateral may be cash or securities issued by the U.S. government or its agencies, or the sovereign or provincial debt of foreign countries. Securities collateral cannot be pledged or sold by the University unless the borrower defaults.

Loans of domestic equities and all fixed-income securities are initially collateralized at 102 percent of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105 percent. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of securities lent.

Cash collateral received from the borrower is invested by lending agents, as agents for the University, in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as investment of cash collateral in the statement of net position. At June 30, 2018 and 2017, the securities in these pools had a weighted average maturity of 15 days and 20 days, respectively. The University records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net position. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2018 and 2017, the University had insignificant exposure to borrowers because the amounts the University owed the borrowers were substantially the same as the amounts the borrowers owed the University. The University is indemnified by its lending agents against any losses incurred as a result of borrower default.

The composition of the securities lending programs at June 30 are as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2018	UNIVERSITY OF CALIFORNIA 2017	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2018	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2017	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2018	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM 2017
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$468,126	$522,489			$3,186,668	$2,789,711
Foreign	3,975	40,881				129,824
Fixed-income securities:						
U.S. government-guaranteed	171,984	73,204			1,744,379	803,431
Other U.S. dollar-denominated	497,720	449,910			1,138,667	2,856,772
Foreign currency-denominated		11,173				109,797
Foundations' share	(45,288)	(42,581)	$45,288	$42,581		
Lent for cash collateral	**1,096,517**	**1,055,076**	**45,288**	**42,581**	**6,069,714**	**6,689,535**
For securities collateral:						
Equity securities:						
Domestic	358,657	444,681			3,057,625	3,025,219
Foreign	147,358	271,071			1,242,195	826,781
Fixed-income securities:						
U.S. government-guaranteed	376,684	164,400			3,174,988	2,132,793
Other U.S. dollar-denominated	123,429	77,881			710,653	505,610
Foreign currency-denominated		1,959				15,081
Lent for securities collateral	**1,006,128**	**959,992**			**8,185,461**	**6,505,484**
Total securities lent	**$2,102,645**	**$2,015,068**	**$45,288**	**$42,581**	**$14,255,175**	**$13,195,019**
COLLATERAL RECEIVED						
Cash	$1,209,769	$1,121,899			$6,157,131	$6,838,416
Foundations' share	(45,288)	(42,581)	45,288	42,581		
Total cash collateral received	**1,164,481**	**1,079,318**	**45,288**	**42,581**	**6,157,131**	**6,838,416**
Securities	1,095,763	1,032,497			8,914,709	6,992,564
Total collateral received	**$2,260,244**	**$2,111,815**	**$45,288**	**$42,581**	**$15,071,840**	**$13,830,980**
INVESTMENT OF CASH COLLATERAL						
Fixed-income securities:						
Other U.S. dollar-denominated:						
Corporate bonds	$32,858	$105,460			$167,234	$642,818
Commercial paper	146,215	77,753			744,164	473,932
Repurchase agreements	555,710	309,356			2,828,291	1,885,644
Corporate - asset-backed securities	5,803	28,855			29,534	175,884
Certificates of deposit/time deposits	381,408	542,834			1,941,184	3,308,794
Supranational/foreign	88,252	58,751			449,163	358,112
Other assets (liabilities), net*	(251)	(599)			(1,280)	(3,654)
Foundations' share	(45,288)	(42,581)	$45,288	$42,581		
Investment of cash collateral	**1,164,707**	**1,079,829**	**45,288**	**42,581**	**$6,158,290**	**$6,841,530**
Less: Current portion	(1,054,406)	(947,353)	(40,999)	(37,357)		
Noncurrent portion	**$110,301**	**$132,476**	**$4,289**	**$5,224**		

** Other assets (liabilities), net is comprised of pending settlements of cash collateral investments.*

The University earns interest and dividends on the collateral held during the loan period, as well as a fee from the brokerage firm, and is obligated to pay a fee and rebate to the borrower. The University receives the net investment income. The securities lending income and fees and rebates for the year ended June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Securities lending income	$23,743	$15,628	$1,008	$771	$136,099	$89,075
Securities lending fees and rebates	(14,785)	(7,124)	(642)	(352)	(89,025)	(40,610)
Securities lending investment income, net	**$8,958**	**$8,504**	**$366**	**$419**	**$47,074**	**$48,465**

Investment Risk Factors

There are a variety of potential risk factors involved in a securities lending program. Risks associated with the investment of cash collateral may include the credit risk from fixed-income securities, concentration of credit risk, interest rate risk and foreign currency risk. In addition, there may be custodial credit risk associated with both cash and securities received as collateral for securities lent.

The University's and UCRS' investment guidelines and other information related to each of these risks are summarized below. Campus foundations that participate in a securities lending program may have their own individual investment policies designed to limit the same risks.

Credit Risk

The University's and UCRS' investment guidelines for the investment of cash collateral maintained in separately managed collateral pools restrict the credit rating of issuers at the time of purchase to no less than A-1, P-1 or F-1 for short-term securities and no less than A2/A for long-term securities. Asset-backed securities must have a rating of AAA at the time of purchase.

The credit risk profile for fixed- or variable-income securities associated with the investment of cash collateral at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Fixed- or variable-income securities:						
Other U.S. dollar-denominated:						
AAA	$94,055	$84,224			478,695	513,378
AA-	118,258	146,141			601,875	890,788
A+	10,185	130,473			51,834	795,284
A	243,045	123,225			1,236,981	751,104
A-		50,772				309,473
A-1 / A-2 / P-1/ F-1	188,995	278,819			961,888	1,699,513
Other assets (liabilities) net*: Not rated	(251)	(599)			(1,280)	(3,654)
Campus foundations' share	(45,288)	(42,581)	$45,288	$42,581		

** Other assets (liabilities), net is comprised of pending settlements of cash collateral investments.*

Custodial Credit Risk

Cash collateral received for securities lent is invested in pools by the University's lending agents. The University's and UCRS' securities related to the investment of cash collateral are registered in the University's name by the lending agents. Securities collateral received for securities lent are held in investment pools by the University's lending agents. As a result, custodial credit risk is remote.

Concentration of Credit Risk

The University's and UCRS' investment guidelines with respect to the concentration of credit risk associated with the investment of cash collateral in the separately managed collateral pools restricts investments in any single issuer of corporate debt securities, time deposits, certificates of deposit, bankers acceptances and money market funds to no more than 5 percent of the portfolio value at the time of purchase. Campus foundations that directly participate in a securities lending program do not have specific investment policies related to concentration of credit risk, although the lending agreements with the agents establish restrictions for the type of investments and minimum credit ratings.

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of the total investment of cash collateral at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Goldman Sachs & Company	$73,898	$63,421	$376,102	$386,579
Morgan Stanley & Co LLC	98,530	84,562	501,471	515,438
Nomura Securities International Inc.	63,716		324,284	
RCap Securities Inc.	102,307		520,693	

Interest Rate Risk

The nature of individual securities in the collateral pools allows for the use of weighted average maturity as an effective risk management measure. The University's and UCRS' investment guidelines with respect to the interest rate risk associated with the investment of cash collateral in the separately managed collateral pools requires the weighted average maturity of the entire collateral pool to be less than 120 days. The maturity of securities issued by the U.S. government and asset-backed securities must be less than five years, corporate debt obligations must be less than two years and time deposits must be less than 190 days. Floating rate debt may be used, but it is limited to 65 percent of the market value of the portfolio.

The weighted average maturity expressed in days for fixed- or variable-income securities associated with the investment of cash collateral at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in days)	**2018**	**2017**	**2018**	**2017**
Fixed- or variable-income securities:				
Other U.S. dollar-denominated:				
Corporate bonds	26	38	26	38
Commercial paper	22	19	22	19
Repurchase agreements	6	9	6	9
Corporate-asset-backed securities	20	97	20	97
Certificates of deposit/time deposits	24	19	24	19
Supranational/foreign	16	17	16	17

Investment of cash collateral may include various asset-backed securities, structured notes and variable-rate securities that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features, although the weighted average maturity may be short.

At June 30, the fair value of investments that are considered to be highly sensitive to changes in interest rates are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Other asset-backed securities	$94,055	$87,606			$478,695	$533,996
Variable-rate investments	865,249	802,491			4,403,692	4,891,500
Campus foundations' share	(35,905)	(33,767)	$35,905	$33,767		
Total	**$923,399**	**$856,330**	**$35,905**	**$33,767**	**$4,882,387**	**$5,425,496**

At June 30, 2018 and 2017, the weighted average maturity expressed in days for asset-backed securities was 16 days and 43 days, respectively and for variable-rate investments was 136 days and 19 days, respectively.

Foreign Currency Risk

The University's and UCRS' investment policy with respect to the foreign currency risk associated with the investment of cash collateral maintained in separate collateral pools restricts investments to U.S. dollar-denominated securities. Therefore, there is no foreign currency risk.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The University may use derivatives including futures, forward contracts, options and interest rate swap contracts as a substitute for investment in equity and fixed-income securities, to reduce the effect of fluctuating foreign currencies on foreign currency-denominated investments, or to limit its exposure of variable-rate bonds to changes in market interest rates. The Board of Trustees for each campus foundation may also authorize derivatives in its investment policy.

The University enters into futures contracts for the purpose of acting as a substitute for investment in equity and fixed-income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, the University agrees to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the statement of revenues, expenses and changes in net position. The settlement amount at the end of each day for each of the contracts, or variation margin, is included in investments and represents the fair value of the contracts.

Forward contracts are similar to futures contracts, although they are not exchange-traded. Foreign currency exchange contracts are forward contracts used to hedge against foreign currency exchange rate risks on non-U.S. dollar-denominated investment securities and to increase or decrease exposure to various foreign currencies.

An option contract gives the University the right, but not the obligation, to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to the University is limited to the premium originally paid for covered options. The University initially records premiums paid for the purchase of these options in the statement of net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statement of revenues, expenses and changes in net position.

Rights and warrants provide the holder with the right, but not the obligation, to buy a stock at a predetermined price for a finite period of time. Warrants usually have a longer time period to expiration. The holder of a right or warrant is permitted to buy at a price that may be below the actual market price for that stock. Warrants and rights cease to exist and become worthless if not used by their expiration date.

An interest rate swap is a contractual agreement entered into between the University and a counterparty under which each agrees to exchange periodic fixed or variable payments for an agreed period of time based upon a notional amount of principal or value of the underlying contract. The payments correspond to an equity index, an interest rate or to currency. A credit default swap is an agreement whereby the seller will compensate the buyer in the event of a loan default. A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap. The University considers its futures, forward contracts, options, credit default swaps, swaptions, rights, warrants and certain interest rate swaps to be investment derivatives.

As a means to lower the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain of its variable-rate Medical Center Pooled Revenue Bonds and General Revenue Bonds. The University determined that certain of its interest rate swaps are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments since, at the time of execution, the fixed rate on each of the swaps was off-market and the University received an up-front payment. As such, these swaps are comprised of a derivative instrument, an at-the-market swap that is an effective hedge, and a companion instrument, a borrowing represented by the up-front payment. The unamortized amount of the borrowing under the companion instruments was $75.2 million and $79.0 million at June 30, 2018 and 2017, respectively.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, categorized by type, and the changes in fair value of such derivatives are as follows:

University of California

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2018	2017	CLASSIFICATION	2018	2017	CLASSIFICATION	2018	2017
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$211,945	$21	Investments	($5,755)	($360)	Net appreciation (depreciation)	($5,789)	($361)
Short positions			Investments			Net appreciation (depreciation)		
Foreign equity futures:								
Long positions	6,492	78	Investments	15	(47)	Net appreciation (depreciation)	8,090	7,998
Short positions			Investments			Net appreciation (depreciation)		(17,090)
Futures contracts, net				**(5,740)**	**(407)**		**2,301**	**(9,453)**
Foreign currency exchange contracts, net:*								
Long positions	1,636	217,069	Investments	(15)	(46)	Net appreciation (depreciation)	(1)	6,800
Short positions			Investments			Net appreciation (depreciation)	(7)	15,053
Foreign currency exchange contracts, net				**(15)**	**(46)**		**(8)**	**21,853**
Other:								
Stock rights/warrants		680	Investments	235	212	Net appreciation (depreciation)	38	22
Other, net				**235**	**212**		**38**	**22**
Total investment derivatives				**($5,520)**	**($241)**		**$2,331**	**$12,422**
CASH FLOW HEDGES								
Effective interest rate swaps:								
Pay fixed, receive variable	$838,850	$842,315	Other assets (liabilities)	($54,839)	($90,232)	Deferred (inflows) outflows	$35,393	$61,891

**Notional amount reported in local currency.*

University of California Campus Foundations

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2018	2017	CLASSIFICATION	2018	2017	CLASSIFICATION	2018	2017
INVESTMENT DERIVATIVES								
Options/swaptions	$54,231	$50,658	Investments	($355)	$7	Net appreciation (depreciation)	$3,168	$692
Swaps	250,603	226,752	Investments		1,988	Net appreciation (depreciation)	16,090	32,340
Total investment derivatives				**($355)**	**$1,995**		**$19,258**	**$33,032**

University of California Retirement System

(in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT 2018	NOTIONAL AMOUNT 2017	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE 2018	FAIR VALUE 2017	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES 2018	CHANGES 2017
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$926,476	$8,688	Investments	($20,156)	($2,323)	Net appreciation (depreciation)	($19,697)	($2,323)
Short positions	(16,189)	(17,400)	Investments	665	(19)	Net appreciation (depreciation)	947	(19)
Foreign equity futures:								
Long positions	58,219	1,237	Investments	(924)	(1,060)	Net appreciation (depreciation)	61,531	126,127
Short positions	(11,875)		Investments	77		Net appreciation (depreciation)	(1,077)	(10,495)
Futures contracts, net				**(20,338)**	**(3,402)**		**41,704**	**113,290**
Foreign currency exchange contracts, net:*								
Long positions	35,282	2,482,250	Investments	(320)	(528)	Net appreciation (depreciation)	7,332	26,347
Short positions		(1,611)	Investments		(26)	Net appreciation (depreciation)	(10,695)	55,504
Foreign currency exchange contracts, net				**(320)**	**(554)**		**(3,363)**	**81,851**
Other:								
Stock rights/warrants	2	1,583	Investments	1,516	954	Net appreciation (depreciation)	332	(33)
Other, net				**1,516**	**954**		**332**	**(33)**
Total investment derivatives				**($19,142)**	**($3,002)**		**$38,673**	**$195,108**

**Notional amount reported in local currency.*

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)

TYPE	OBJECTIVE	NOTIONAL AMOUNT 2018	NOTIONAL AMOUNT 2017	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	FAIR VALUE 2018	FAIR VALUE 2017
UNIVERSITY OF CALIFORNIA										
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	$64,075	$67,540	2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	Aa3/A+	($6,435)	($9,423)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	124,775	124,775	2016	2030 through 2043	None	Pay fixed 4.6359%; receive 67% of 3-Month LIBOR* plus 0.69%**	Aa2/A+	(31,577)	(40,420)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	400,000	400,000	2013	2023	None	Pay fixed 1.8982%; receive 70% of 1-Month LIBOR*	Aa2/AA-	466	(12,552)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2013	2023	None	Pay fixed 1.9057%; receive 70% of 1-Month LIBOR*	Aa2/AA-	80	(3,182)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2013	2023	None	Pay fixed 1.8980%; receive 70% of 1-Month LIBOR*	Aa2/A+	118	(3,137)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	24,250	24,250	2016	2045	None	Pay fixed 4.741%; receive 67% of 3-Month LIBOR* +0.79%	Aa2/A+	(8,307)	(10,252)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	25,750	25,750	2016	2047	None	Pay fixed 4.741%; receive 67% of 3-Month LIBOR* +0.79%	Aa2/A+	(9,184)	(11,266)
Interest rate swaps, net		**$838,850**	**$842,315**						**($54,839)**	**($90,232)**

** London Interbank Offered Rate (LIBOR).*
***Weighted average spread.*

Hedging Derivative Instrument Risk Factors

Credit Risk

The University could be exposed to credit risk if the interest rate swap counterparties to the contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value, less any collateral held by the University provided by the counterparty. Contracts with negative fair values are not exposed to credit risk.

Although the University has entered into the interest rate swaps with creditworthy financial institutions to hedge its variable-rate debt, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the interest rate swap with the $64.1 million notional amount. Depending on the fair value and the counterparty credit rating for the swaps related to the Medical Center Pooled Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a combined notional amount of $174.8 million, the University may be entitled to receive collateral to the extent the positive fair value exceeds $20.0 million as of June 30, 2018. At June 30, 2018 and 2017, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swaps related to the General Revenue Bonds with the counterparty that is currently rated Aa2/AA- with a combined notional amount of $500.0 million, the University may be entitled to receive collateral to the extent the positive fair value with the counterparty exceeds $30.0 million. At June 30, 2018 and 2017, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swap related to the General Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a notional amount of $100.0 million, the University may be entitled to receive collateral to the extent the positive fair value with the counterparty exceeds $20.0 million. At June 30, 2018 and 2017, there was no collateral required.

Interest Rate Risk

There is a risk that the value of the interest rate swaps will decline because of changing interest rates. The values of the interest rate swaps with longer maturities tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

Basis Risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes the University to basis risk whenever the interest rates on the bonds are reset. The interest rate on the bonds is a tax-exempt interest rate, while the basis of the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. However, there is no basis or tax risk related to the swap with the $149.0 million notional amount since the variable rate the University pays to the bondholders matches the variable-rate payments received from the swap counterparty and the interest rates are reset at the same intervals.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of non-performance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if a counterparty's credit quality rating, as issued by Moody's or Standard & Poor's, falls below certain thresholds. For the interest rate swap with the $64.1 million notional amount, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swaps with the combined $174.8 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB.

For the swaps with notional amounts of $400.0 million and $100.0 million with a counterparty that is currently rated Aa2/AA-, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. For the swap with a notional amount of $100.0 million with a counterparty that is currently rated Aa2/A+, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. Upon termination, the University may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

Rollover Risk

The University is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the University will be re-exposed to the risks being hedged by the hedging derivative instruments. The University is exposed to rollover risk on the interest rate swaps that mature in October 2023 because the hedged debt is scheduled to mature in May 2048.

5. FAIR VALUE

Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities and other publicly traded securities.

Level 2 – Quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3 – Investments and other assets classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments and other assets are based upon the best information in the circumstance and may require significant management judgment. Level 3 financial instruments include private equity investments, real estate and beneficial interests in irrevocable split-interest agreements.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include hedge funds, private equity investments and commingled funds.

Not Leveled – Cash and cash equivalents are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2018:

	UNIVERSITY OF CALIFORNIA					
	Total	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Net Asset Value	Not Leveled
(in thousands of dollars)		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities	$5,557,176	$5,551,780		$5,396		
Fixed- or variable-income securities:						
U.S. government-guaranteed	3,399,570	57,592	$3,341,978			
Other U.S. dollar-denominated	12,790,802	217,954	12,483,517	89,331		
Foreign currency-denominated	113		113			
Commingled funds	10,171,169	796,878	62,531	72,717	$9,205,816	$33,227
Investment derivatives	(5,520)	234	(5,754)			
Publicly traded real estate investment trusts	224,036	224,036				
Mortgage loans	510,765			510,765		
Real estate	428,590			25,562	403,028	
Other investments	27,701	13,750		13,951		
Campus foundations' investments with the University	(2,611,651)					(2,611,651)
UCRS investment in STIP	(3,123,754)					(3,123,754)
Total investments	**27,368,997**	**6,862,224**	**15,882,385**	**717,722**	**9,608,844**	**(5,702,178)**
Securities lending investments of cash collateral	**$1,164,707**		**$1,164,958**			**($251)**
Investments held by trustees	**$415,164**				**$382,162**	**$33,002**
Beneficial interests included in other noncurrent assets	**$55,440**			**$55,440**		

	CAMPUS FOUNDATIONS					
	Total	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Net Asset Value	Not Leveled
(in thousands of dollars)		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities	$281,594	$266,168	$5,147	$10,265	$14	
Fixed- or variable-income securities:						
U.S. government-guaranteed	386,667		386,667			
Other U.S. dollar-denominated	130,192	666	129,472	54		
Commingled funds	8,069,041	692,240	351	1,511	$7,352,650	$22,289
Investment derivatives	(355)		(355)			
Real estate	135,731		3,709	54,224	77,798	
Other investments	236,710	5,161		38,202	191,959	1,388
Total investments	**$9,239,580**	**$964,235**	**$524,991**	**$104,256**	**$7,622,421**	**$23,677**
Securities lending investments of cash collateral	**$45,288**		**$45,297**			**($9)**
Beneficial interests included in other noncurrent assets	**$75,132**			**$75,132**		

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
	Total	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Net Asset Value	Not Leveled
(in thousands of dollars)		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities	$33,324,912	$32,764,711		$1,282	$558,919	
Fixed- or variable-income securities:						
U.S. government-guaranteed	5,881,270		$5,881,270			
Other U.S. dollar-denominated	18,110,994	365,653	17,745,294	47		
Foreign currency-denominated	576		576			
Commingled funds	30,197,232	5,064,965	2,115		25,461,548	($331,396)
Investment derivatives	(19,142)	1,516	(20,658)			
Publicly traded real estate investment trusts	1,711,685	1,711,685				
Real estate	1,665,191				1,665,191	
Total investments	**$90,872,718**	**$39,908,530**	**$23,608,597**	**$1,329**	**$27,685,658**	**($331,396)**
Securities lending investments of cash collateral	**$6,158,290**		**$6,159,570**			**($1,280)**

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2017:

	UNIVERSITY OF CALIFORNIA					
	Total	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Net Asset Value	Not Leveled
(in thousands of dollars)		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities	$4,964,552	$4,875,376		$22,941	$66,235	
Fixed- or variable-income securities:						
U.S. government-guaranteed	2,105,965		$2,105,965			
Other U.S. dollar-denominated	11,740,820		11,617,785	123,035		
Commingled funds	9,618,782	981,669	106	393,441	8,242,947	$619
Investment derivatives	(241)	(195)	(46)			
Publicly traded real estate investment trusts	152,636	152,636				
Mortgage loans	358,890			358,890		
Real estate	354,597			42,817	311,780	
Other investments	12,390			12,390		
Campus foundations' investments with the University	(2,151,497)					(2,151,497)
UCRS investment in STIP	(2,678,532)					(2,678,532)
Total investments	**$24,478,362**	**$6,009,486**	**$13,723,810**	**$953,514**	**$8,620,962**	**($4,829,410)**
Securities lending investments of cash collateral	**$1,079,829**		**$1,080,405**			**($576)**
Investments held by trustees	**$99,025**				**$60,194**	**$38,831**
Beneficial interests included in other noncurrent assets	**$56,554**			**$56,554**		

	CAMPUS FOUNDATIONS					
	Total	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Net Asset Value	Not Leveled
(in thousands of dollars)		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities	$250,611	$235,916	$4,103	$10,575	$17	
Fixed- or variable-income securities:						
U.S. government-guaranteed	382,064		382,064			
Other U.S. dollar-denominated	133,053	654	132,344	55		
Commingled funds	6,998,384	650,644	389	1,330	6,322,655	$23,366
Investment derivatives	1,995		1,995			
Real estate	119,516		3,819	49,569	66,128	
Other investments	321,367	7,151		158,326	153,702	2,188
Total investments	**$8,206,990**	**$894,365**	**$524,714**	**$219,855**	**$6,542,502**	**$25,554**
Securities lending investments of cash collateral	**$42,581**		**$39,260**	**$3,321**		
Beneficial interests included in other noncurrent assets	**$71,330**			**$71,330**		

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
	Total	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	Net Asset Value	Not Leveled
(in thousands of dollars)		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities	$29,433,121	$28,589,132		$1,181	$842,808	
Fixed- or variable-income securities:						
U.S. government-guaranteed	5,152,518		$5,152,518			
Other U.S. dollar-denominated	17,326,645		17,275,601	51,044		
Commingled funds	28,107,964	3,676,570	1,898	275,890	24,153,119	$487
Investment derivatives	(3,002)	(2,448)	(554)			
Publicly traded real estate investment trusts	722,541	722,541				
Real estate	1,834,232			10,096	1,824,136	
Total investments	**$82,574,019**	**$32,985,795**	**$22,429,463**	**$338,211**	**$26,820,063**	**$487**
Securities lending investments of cash collateral	**$6,841,530**		**$6,845,184**			**($3,654)**

The following table presents significant terms of certain investments at June 30, 2018:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA			
Investment Type	**Fair Value**	**Unfunded Commitments**	**Remaining Life (Years)**	**Redemption Terms and Restrictions**
Absolute return	$3,957,859	$543,569	0 to 5	Not eligible for redemption and lock-up provisions ranging from 0 to 3 years. For securities not eligible for redemption the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 5 to 95 days' prior notification.
Private equity	1,701,059	1,568,945	0 to 15	Not eligible for redemption.
Real assets	381,533	551,803	0 to 15	Not eligible for redemption.
Real estate and real estate investment trusts	738,709	455,525	0 to 10	Closed end funds not eligible for redemption. Open end funds are generally redeemable within 0-90 days.
U.S. equity funds	193,547			Redemptions generally require at least 0-90 days written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0-120 days.
Balanced funds	234,375			Redemptions require at least twelve months prior written notice of intention to terminate as of a date specified in the notice. Withdrawals will occur on the last business day of the month and are subject to certain withdrawal guidelines.

(in thousands of dollars)	CAMPUS FOUNDATIONS			
Investment Type	**Fair Value**	**Unfunded Commitments**	**Remaining Life (Years)**	**Redemption Terms and Restrictions**
Absolute return	$2,589,828	$94,494	0 to 12	Generally, lock-up provisions ranging from 0 to 12 years. After initial lock-up expires, redemptions are available require 0 to 180 days' prior notification.
Private equity	954,534	729,801	0 to 15	Generally, lock-up provisions ranging from 0 to 15 years. After initial lock-up expires, redemptions are available require 30 days' prior notification.
Other investments	236,710	79,436	0 to 10	Generally, lock-up provisions ranging from 0 to 10 years. After initial lock-up expires, redemptions are available require 30 days' prior notification.
Real estate and real estate investment trusts	297,842	87,322	9	Not eligible for redemption.

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM			
Investment Type	**Fair Value**	**Unfunded Commitments**	**Remaining Life (Years)**	**Redemption Terms and Restrictions**
Absolute return	$4,475,682	$750,319	0 to 5	Not eligible for redemption and lock-up provisions ranging from 0 to 3 years. For securities not eligible for redemption the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 5 to 95 days' prior notification.
Private equity	3,178,252	3,721,105	0 to 15	Not eligible for redemption.
Real assets	1,146,296	952,555	0 to 15	Not eligible for redemption.
U.S. equity funds	4,069,653			Redemptions generally require at least 0-90 days written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0-120 days.
Real estate and real estate investment trusts	3,140,611	1,061,649	0 to 10	Closed end funds not eligible for redemption. Open end funds are generally redeemable within 0-90 days.

6. INVESTMENTS HELD BY TRUSTEES

The University has entered into agreements with trustees to maintain trusts for the University's self-insurance programs, long-term debt requirements, capital projects and certain other requirements. In addition, the state of California retained on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects.

Self-Insurance Programs

Investments held by trustees for self-insurance programs include bank accounts for the workers' compensation, general liability and professional medical and hospital liability programs. Cash held by the trustee in the name of the University totaled $10.9 million and $23.0 million at June 30, 2018 and 2017, respectively.

Long-Term Debt

Investments held by trustees for future payment of principal and interest in accordance with various indenture and other long-term debt requirements totaled $12.9 million and $6.7 million at June 30, 2018 and 2017, respectively. Securities held by trustees are held in the name of the University and these trust agreements permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Capital Projects

Proceeds from the sale of the state of California's lease revenue bonds to be used for financing certain University capital projects were deposited in a commingled U.S. bond fund managed by the state of California Treasurer's Office, as trustee, and distributed to the University as the projects are constructed. The fair value of these deposits was $2.6 million and $5.0 million at June 30, 2018 and 2017, respectively.

In addition, proceeds from the sale of bonds and certain University funds are held by trustees to be used for financing and operating third-party capital projects. The fair value of these investments was $385.7 million and $63.1 million at June 30, 2018 and 2017, respectively. Substantially, all of these investments are of a highly liquid, short-term nature.

7. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible accounts are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA							UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT INCOME	PRIVATE GRANTS AND CONTRACTS	MEDICAL PROFESSIONAL FEES	OTHER	TOTAL	
At June 30, 2018								
Accounts receivable	$730,025	$2,239,409	$66,905	$438,819	$413,682	$640,109	$4,528,949	$13,102
Allowance for uncollectible accounts	(6,382)	(265,029)		(23,359)	(140,118)	(32,173)	(467,061)	
Accounts receivable, net	**$723,643**	**$1,974,380**	**$66,905**	**$415,460**	**$273,564**	**$607,936**	**$4,061,888**	**$13,102**
At June 30, 2017								
Accounts receivable	$693,453	$1,931,470	$47,138	$318,964	$345,098	$990,061	$4,326,184	$40,012
Allowance for uncollectible accounts	(2,658)	(223,461)		(26,219)	(95,163)	(31,792)	(379,293)	
Accounts receivable, net	**$690,795**	**$1,708,009**	**$47,138**	**$292,745**	**$249,935**	**$958,269**	**$3,946,891**	**$40,012**

The University's other accounts receivable are primarily related to investment sales, tuition and fees, auxiliary enterprises, insurance rebates and legal settlements.

The campus foundations' accounts receivable are primarily related to investment income.

Uncollectible accounts have decreased the following revenues for the years ended June 30:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA	
	2018	**2017**
Student tuition and fees	($1,002)	($6,528)
Grants and contracts:		
Federal	(4,656)	(1,509)
State	(778)	25
Private	73	(11,515)
Local	(40)	32
Medical centers	(255,445)	(221,508)
Educational activities	(9,994)	(22,630)
Auxiliary enterprises	101	(1,441)
Other operating revenues	(2,041)	(1,357)
Expense for uncollectible accounts	**($273,782)**	**($266,431)**

Retirement System Contribution

The state of California agreed to make contributions related to certain prior years to the University for UCRP in annual installments over 30 years. During each of the years ended June 30, 2018 and 2017, under the terms of these agreements, the state of California contributed $5.3 million, including interest at 8.5 percent. At June 30, 2018 and 2017, the remaining amount owed to UCRP by the state was $9.4 million and $13.6 million, respectively. These amounts are recorded in the University's statement of net position as a receivable from the state of California and as a liability owed to UCRP.

8. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30 is summarized as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Total pledges receivable outstanding	$67,676	$72,315	$1,208,349	$1,064,512
Less: Unamortized discount to present value	(632)	(896)	(136,882)	(137,406)
Allowance for uncollectible pledges	(9,305)	(15,207)	(65,284)	(61,127)
Total pledges receivable, net	**57,739**	**56,212**	**1,006,183**	**865,979**
Less: Current portion of pledges receivable	(25,049)	(23,181)	(234,294)	(192,484)
Noncurrent portion of pledges receivable	**$32,690**	**$33,031**	**$771,889**	**$673,495**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2018 and thereafter are as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
Year Ending June 30		
2019	$32,885	$256,919
2020	15,984	183,296
2021	7,473	136,931
2022	8,464	97,523
2023	1,270	84,030
2024-2028	350	212,735
Beyond 2028	1,250	236,915
Total payments on pledges receivable	**$67,676**	**$1,208,349**

Adjustments to the allowance for uncollectible pledges for the University have increased (decreased) the following revenues for the years ended June 30, 2018 and 2017:

(in thousands of dollars)	**2018**	**2017**
Private gifts	($4,096)	($863)
Capital gifts and grants		(25)

9. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2018 and 2017 along with the allowance for uncollectible amounts, are as follows:

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		
		NONCURRENT					
(in thousands of dollars)	CURRENT	NOTES	MORTGAGES	TOTAL	CURRENT	NONCURRENT	TOTAL
At June 30, 2018							
Notes and mortgages receivable	$77,411	$387,236	$19,105	$406,341	$181	$250	$431
Allowance for uncollectible amounts	(8,929)	(19,885)	(114)	(19,999)			
Notes and mortgages receivable, net	**$68,482**	**$367,351**	**$18,991**	**$386,342**	**$181**	**$250**	**$431**
At June 30, 2017							
Notes and mortgages receivable	$58,338	$309,459	$22,301	$331,760	$6	$427	$433
Allowance for uncollectible amounts	(8,201)	(17,621)	(121)	(17,742)			
Notes and mortgages receivable, net	**$50,137**	**$291,838**	**$22,180**	**$314,018**	**$6**	**$427**	**$433**

10. DOE NATIONAL LABORATORY CONTRACTS

Los Alamos National Security, LLC (LANS)

LANS operates and manages the DOE's LANL. LANS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50-percent membership interest in LANS, its equity in the current earnings or losses is subject to certain limitations and special allocations of both the fees and costs. As a result, the University's equity in the current earnings or losses may range from 17.0 to 50.0 percent. For the years ended June 30, 2018 and 2017, the University recorded $14.4 million and $13.5 million, respectively, as its equity in the current earnings of LANS and received $16.7 million and $17.6 million, respectively, in cash distributions.

Subsequent Event

The University is a member of Triad National Security, LLC (Triad) with two other organizations. Effective November 1, 2018, Triad will assume the management and operations of LANL under a contract with the DOE.

Lawrence Livermore National Security, LLC (LLNS)

LLNS manages and operates the DOE's LLNL. LLNS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50-percent membership interest in LLNS, its equity in the current earnings or losses is 36.3 percent as of June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, the University recorded $12.2 million and $11.5 million, respectively, as its equity in the current earnings of LLNS and received $12.2 million and $11.1 million, respectively, in cash distributions.

11. CAPITAL ASSETS

The University's capital asset activity for the years ended June 30 is as follows:

(in thousands of dollars)

	2016	ADDITIONS	DISPOSALS	2017	ADDITIONS	DISPOSALS	2018
ORIGINAL COST							
Land	$1,163,095	$9,551	($9,735)	$1,162,911	$45,985	($17,768)	$1,191,128
Infrastructure	663,873	30,987		694,860	49,827	(6,687)	738,000
Buildings and improvements	35,428,593	2,604,022	(7,292)	38,025,323	1,823,695	(26,959)	39,822,059
Equipment, software and intangibles	7,171,492	696,869	(259,278)	7,609,083	1,157,142	(256,657)	8,509,568
Libraries and collections	4,060,109	154,873	(62,294)	4,152,688	147,676	(24,460)	4,275,904
Special collections	434,738	25,254	(36)	459,956	71,303	(103)	531,156
Construction in progress	3,065,029	(544,879)		2,520,150	411,104		2,931,254
Capital assets, at original cost	**$51,986,929**	**$2,976,677**	**($338,635)**	**$54,624,971**	**$3,706,732**	**($332,634)**	**$57,999,069**

	2016	DEPRECIATION AND AMORTIZATION	DISPOSALS	2017	DEPRECIATION AND AMORTIZATION	DISPOSALS	2018
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$348,605	$23,093		$371,698	$23,774	($4,431)	$391,041
Buildings and improvements	14,157,451	1,167,408	($5,998)	15,318,861	1,212,499	(26,609)	16,504,751
Equipment, software and intangibles	4,800,503	588,597	(224,314)	5,164,786	658,487	(223,448)	5,599,825
Libraries and collections	2,991,555	130,772	(22,454)	3,099,873	132,583	(54,111)	3,178,345
Accumulated depreciation and amortization	**22,298,114**	**1,909,870**	**(252,766)**	**23,955,218**	**2,027,343**	**(308,599)**	**25,673,962**
Capital assets, net	**$29,688,815**			**$30,669,753**			**$32,325,107**

Service concession arrangements, reported as buildings and improvements, are $202.1 million of original cost and $25.6 million of accumulated depreciation at June 30, 2018. Service concession arrangements, reported as buildings and improvements, are $118.2 million of original cost and $22.5 million of accumulated depreciation at June 30, 2017.

12. SELF-INSURANCE, OBLIGATIONS UNDER LIFE INCOME AGREEMENTS AND OTHER LIABILITIES

The University's self-insurance, obligations under life income agreements and other liabilities at June 30, 2018 and 2017 are as follows:

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	2018		2017		2018		2017	
(in thousands of dollars)	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$392,634	**$584,186**	$276,480	**$584,232**				
Obligations under life income agreements	1,474	**$35,293**	1,601	**$34,479**	$19,314	**$149,391**	$17,428	**$137,713**
Other liabilities:								
Compensated absences	614,056	315,659	578,012	340,353				
UCRP *	4,509	4,891	4,157	9,400				
Accrued interest	121,812		107,672					
Fair value of interest rate swaps		54,839		90,232				
Third-party payor settlements	497,751		415,988					
Deposits	152,591		148,061					
Other	113,377	162,992	61,326	248,817	24,866	271,825	28,042	253,288
Total	**$1,898,204**	**$538,381**	**$1,593,297**	**$688,802**	**$44,180**	**$271,825**	**$45,470**	**$253,288**

** UCRP has an equivalent amount recorded as a contribution receivable from the University in its statement of fiduciary net position.*

Self-Insurance Programs

Self-insured liabilities changed as follows for the years ended June 30:

(in thousands of dollars)	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE & STUDENT HEALTH CARE	GENERAL LIABILITY AND OTHER	TOTAL
Year Ended June 30, 2018					
Liabilities at June 30, 2017	$193,155	$409,007	$90,178	$168,372	$860,712
Claims incurred and changes in estimates	75,112	129,808	973,303	63,290	1,241,513
Claim payments	(52,960)	(82,852)	(948,681)	(40,912)	(1,125,405)
Liabilities at June 30, 2018	**$215,307**	**$455,963**	**$114,800**	**$190,750**	**$976,820**
Discount rate	**3.0%**	**3.0%**	**Undiscounted**	**3.0%**	
Year Ended June 30, 2017					
Liabilities at June 30, 2016	$198,440	$391,440	$88,510	$108,519	$786,909
Claims incurred and changes in estimates	51,074	104,089	811,137	99,538	1,065,838
Claim payments	(56,359)	(86,522)	(809,469)	(39,685)	(992,035)
Liabilities at June 30, 2017	**$193,155**	**$409,007**	**$90,178**	**$168,372**	**$860,712**
Discount rate	**2.6% to 4.7%**	**2.6% to 4.7%**	**Undiscounted**	**2.6% to 4.7%**	
Year Ended June 30, 2016					
Liabilities at June 30, 2015	$187,236	$353,138	$75,433	$94,481	$710,288
Claims incurred and changes in estimates	73,520	119,972	666,442	41,190	901,124
Claim payments	(62,316)	(81,670)	(653,365)	(27,152)	(824,503)
Liabilities at June 30, 2016	**$198,440**	**$391,440**	**$88,510**	**$108,519**	**$786,909**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	

Obligations Under Life Income Agreements

Changes in current and noncurrent obligations under life income agreements for the years ended June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
(in thousands of dollars)	ANNUITIES	LIFE BENEFICIARIES	ANNUITIES	LIFE BENEFICIARIES
Year Ended June 30, 2018				
Balance at June 30, 2017	$16,735	$19,345	$50,843	$104,298
New obligations to beneficiaries and changes in liability, net	3,577	778	19,971	9,287
Payments to beneficiaries	(2,403)	(1,265)	(5,952)	(9,742)
Obligations under life income agreements at June 30, 2018	**17,909**	**18,858**	**64,862**	**103,843**
Less: Current portion	(825)	(649)	(7,436)	(11,878)
Noncurrent portion at June 30, 2018	**$17,084**	**$18,209**	**$57,426**	**$91,965**
Year Ended June 30, 2017				
Balance at June 30, 2016	$15,588	$17,779	$48,898	$98,134
New obligations to beneficiaries and changes in liability, net	3,353	2,961	7,921	15,733
Payments to beneficiaries	(2,206)	(1,395)	(5,976)	(9,569)
Obligations under life income agreements at June 30, 2017	**16,735**	**19,345**	**50,843**	**104,298**
Less: Current portion	(763)	(838)	(6,166)	(11,262)
Noncurrent portion at June 30, 2017	**$15,972**	**$18,507**	**$44,677**	**$93,036**

13. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

The University's outstanding debt at June 30 is as follows:

(in thousands of dollars)	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2018	2017
INTERIM FINANCING:					
Commercial paper		1.1 - 2.3%	2018	$781,804	$812,673
LONG-TERM FINANCING:					
University of California General Revenue Bonds					
Fixed Rate	4.7%	1.2 - 7.6%	2019 - 2115	11,192,530	9,959,700
Variable Rate	1.4%	1.3 - 1.9%	2037 - 2048	750,000	750,000
University of California Limited Project Revenue Bonds	4.8%	1.2 - 6.3%	2019 - 2058	5,019,785	3,702,630
University of California Medical Center Pooled Revenue Bonds					
Fixed Rate	5.5%	1.1 - 6.6%	2019 - 2049	2,501,820	2,763,295
Variable Rate	1.9%	1.2 - 2.4%	2019 - 2047	244,400	247,865
Unamortized bond premium				1,368,889	1,020,465
University of California revenue bonds	**4.6%**			**21,077,424**	**18,443,955**
Capital lease obligations		0.5 - 11.8%	2019 - 2042	207,118	195,022
Other University borrowings		Various	2019 - 2053	556,513	378,659
Blended component unit revenue bonds, net	5.6%	4.0 - 6.5%	2019 - 2052	1,035,918	672,567
Total outstanding debt				**23,658,777**	**20,502,876**
Less: Commercial paper				(781,804)	(812,673)
Current portion of outstanding debt				(1,371,030)	(1,519,005)
Noncurrent portion of outstanding debt				**$21,505,943**	**$18,171,198**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2018 and 2017 was $821.2 million and $782.0 million, respectively. Interest expense, net of investment income, totaling $74.6 million and $60.8 million was capitalized during the years ended June 30, 2018 and 2017, respectively. The remaining $746.6 million and $721.2 million in 2018 and 2017 is reported as interest expense in the statement of revenues, expenses and changes in net position.

Outstanding Debt Activity

The activity with respect to the University's current and noncurrent debt, including the revenue bonds associated with blended component units, for the years ended June 30 is as follows:

(in thousands of dollars)	UNIVERSITY REVENUE BONDS	FINANCING OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL
Year Ended June 30, 2018					
Long-term debt and financing obligations at June 30, 2017	$18,443,955	$195,022	$378,659	$672,567	$19,690,203
New obligations	3,544,885	47,225	284,583	319,530	4,196,223
Bond premium, net	430,715			63,217	493,932
Refinancing or prepayment of outstanding debt	(913,690)		(100,049)		(1,013,739)
Scheduled principal payments	(346,150)	(35,129)	(6,680)	(10,750)	(398,709)
Amortization of bond premium	(82,291)			(8,646)	(90,937)
Long-term debt and financing obligations at June 30, 2018	**21,077,424**	**207,118**	**556,513**	**1,035,918**	**22,876,973**
Less: Current portion	(1,308,152)	(38,581)	(6,326)	(17,971)	(1,371,030)
Noncurrent portion at June 30, 2018	**$19,769,272**	**$168,537**	**$550,187**	**$1,017,947**	**$21,505,943**
Year Ended June 30, 2017					
Long-term debt and financing obligations at June 30, 2016	$17,687,259	$176,753	$356,847	$692,571	$18,913,430
New obligations	2,181,755	55,360	126,105	54,280	2,417,500
Bond premium, net	213,621			9,107	222,728
Refinancing or prepayment of outstanding debt	(1,224,530)		(39,999)	(56,210)	(1,320,739)
Scheduled principal payments	(339,180)	(37,091)	(64,294)	(24,026)	(464,591)
Amortization of bond premium	(74,970)			(3,155)	(78,125)
Long-term debt and financing obligations at June 30, 2017	**18,443,955**	**195,022**	**378,659**	**672,567**	**19,690,203**
Less: Current portion	(1,263,157)	(34,351)	(206,567)	(14,930)	(1,519,005)
Noncurrent portion at June 30, 2017	**$17,180,798**	**$160,671**	**$172,092**	**$657,637**	**$18,171,198**

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects, interim financing of equipment, financing of working capital for the medical centers, standby or interim financing for gift financed projects and working capital for the University.

The program's liquidity is primarily supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitute limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the University.

Commercial paper outstanding, including interest rates, at June 30 is as follows:

(in thousands of dollars)

	2018		2017	
	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Tax-exempt	1.10 - 1.71%	$457,000		
Taxable	1.88 - 2.30%	324,804	0.93 - 1.26%	$812,673
Total outstanding		**$781,804**		**$812,673**

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2018, the University has two revolving credit agreements totaling $700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2018.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. The bonds generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes. The Indentures permit the University to issue additional bonds as long as certain conditions are met.

General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds. General Revenues for the years ended June 30, 2018 and 2017 were $16.8 billion and $16.2 billion, respectively.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Limited Project Revenue Bond Indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other covenants. The pledge of revenues for Limited Project Revenue Bonds is subordinate to the pledge of revenues for General Revenue Bonds, but senior to pledges for commercial paper notes. Pledged revenues for the years ended June 30, 2018 and 2017 were $1.5 billion and $1.4 billion, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the Medical Centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, Medical Center Pooled Revenue Bonds. Pledged revenues of the medical centers for the years ended June 30, 2018 and 2017 were $12.2 billion and $11.4 billion, respectively.

2018 Activity

In September 2017, Limited Project Revenue Bonds totaling $860.4 million, including $733.5 million tax-exempt bonds and $126.9 million taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2052. Proceeds, including a bond premium of $124.2 million, were used to pay for project construction and issuance costs. The taxable bonds have a stated weighted average rate of 2.9 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In December 2017, General Revenue Bonds totaling $625.5 million of tax-exempt bonds were issued to advance refund a portion of General Revenue Bonds, Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds. The bonds mature at various dates through 2041. The bonds have a stated weighted average interest rate of 4.7 percent. The bond premium of $113.1 million will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $74.6 million and an economic gain of $59.3 million.

In June 2018, General Revenue Bonds totaling $1.2 billion, including $945.8 million in tax-exempt bonds and $281.9 million in taxable bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2058. Proceeds, including a bond premium of $144.3 million, were used to pay for project construction and issuance costs and to refund $112.7 million of outstanding General Revenue Bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The taxable bonds have a stated weighted average interest rate of 4.3 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $13.0 million and an economic gain of $10.2 million.

In June 2018, Limited Project Revenue Bonds totaling $831.3 million, including $736.2 million tax-exempt bonds and $95.1 million taxable bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2058. Proceeds, including a bond premium of $108.5 million, were used to pay for project construction and issuance costs and to refund $151.3 million of outstanding Limited Project Revenue Bonds. The taxable bonds have a stated weighted average rate of 3.9 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $17.7 million and an economic gain of $13.7 million.

2017 Activity

In August 2016, Medical Center Pooled Revenue Bonds totaling $1.0 billion, including $872.8 million of tax-exempt bonds and $173.4 million taxable bonds, were issued to finance and refinance certain facilities and projects of the Medical Centers. Proceeds, including a net bond premium of $155.8 million, were used to pay for project construction, issuance costs and refund $724.5 million of outstanding Medical Center Pooled Revenue Bonds and all of the outstanding Medical Center Revenue Bonds. The bonds mature at various dates through 2047. Simultaneously, a bank standby bond purchase agreement for certain of the University's variable-rate demand bonds was terminated. The University will provide its own liquidity in connection with mandatory and optional tenders and remarketing of these bonds and does not plan to provide any third-party liquidity facility to support this obligation. The interest rates on the variable-rate demand bonds reset daily and an interest rate swap is being used to limit exposure to changes in market interest rates. In the event of a failed remarketing, the variable-rate demand bonds can be put back to The Regents for tender. The tax-exempt and taxable bonds have a stated weighted average interest rate of 4.5 percent and 3.0 percent, respectively. The refunding of the outstanding Medical Center Pooled Revenue Bonds and Medical Center Revenue Bonds resulted in a loss of $8.0 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the term of the refunded bonds. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding Medical Center Revenue Bonds resulted in cash flow savings of $193.5 million and an economic gain of $151.2 million.

In April 2017, General Revenue Bonds totaling $1.1 billion, including $449.7 million in tax-exempt bonds, $185.9 million in taxable bonds and $500.0 million of taxable fixed-rate notes, were issued to finance or refinance certain capital projects and working capital borrowings of the University. The bonds mature at various dates through 2049 and the taxable fixed-rate notes mature in 2025. Proceeds, including a bond premium of $68.0 million, were used to pay for project construction and issuance costs and to refund $500.0 million of outstanding General Revenue Bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.8 percent. The taxable bonds have a stated weighted average interest rate of 3.8 percent. The taxable fixed rate notes have a stated interest rate of 3.1 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Capital Leases

Capital leases entered into with other lessors, typically for equipment, totaled $47.2 million and $55.4 million for the years ended June 30, 2018 and 2017, respectively.

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivative instrument.

The University may use uncollateralized revolving lines of credit with commercial banks for general corporate purposes and to provide interim financing for buildings and equipment. Lines of credit commitments for general corporate purposes, with various expiration dates through May 3, 2021, totaled $400.0 million at June 30, 2018 and $415.0 million at June 30, 2017 . Outstanding borrowings under these bank lines totaled $150.0 million and $250.0 million at June 30, 2018 and 2017, respectively.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was $75.2 million and $79.0 million at June 30, 2018 and 2017, respectively.

In August 2016, the University entered into an agreement with a developer to design, construct, finance, operate and maintain certain auxiliary, administrative, academic and research facilities of one of its campuses, for which the University will finance $600.0 million of the total costs. Of this amount, $585.0 million will be paid to the developer over a 48-month period through a series of monthly progress payments. The remainder will cover invoiced costs for infrastructure improvements and equipment. Upon completion of the design-build phase of the project, the University will enter into an ongoing Operations and Maintenance Agreement with the developer through 2055. Payments under this agreement will have two components: the first component of the agreement is related to the operations and maintenance of the facilities, the second component is to service the private debt incurred by the developer during the construction phase. The operations and maintenance component of the payment will be expensed as incurred. The payments for the private debt are being treated as capital leases and are recorded as other borrowings by the University. In the event that the operations and maintenance agreement with the developer is terminated, the outstanding portion of the private debt incurred by the developer would become an obligation of the University. The outstanding amount of the borrowing was $296.9 million and $43.7 million at June 30, 2018 and 2017, respectively.

As of June 30, 2018, CHRCO had no amounts outstanding under its revolving credit facility for $25.0 million. The interest rate on the credit facility is 3.2 percent as of June 30, 2018 and the facility expires on August 31, 2020.

Blended Component Unit Revenue Bonds

Student Housing

The University has entered into ground leases with a legally separate, nonprofit corporation that develops and owns student housing projects and related amenities and improvements on a University campus through the use of a single-project limited liability corporation (LLC). The LLC manages the premises. The University's reversionary interest in the land is not subordinated. All costs associated with the ownership, operation and management of the improvements are the obligation of the LLC. Student rental rates are established in order to provide for operating expenses and maintain the required debt service coverage ratios. The University is not responsible for any payments related to the ownership, operation or financing of the student housing. However, under accounting requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds to finance the construction of the student housing facilities. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. They are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues of the student housing projects, and do not constitute general obligations of The Regents.

In August 2017, the LLC, through its conduit issuer, issued additional Student Housing LLC Revenue Bonds totaling $148.6 million. The bonds mature at various dates through 2050 and have a stated weighted average interest rate of 5.0 percent. Proceeds, including a bond premium of $24.2 million, were used to pay for project construction and issuance costs. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

At June 30, 2018 and 2017, the LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds totaling $501.3 million and $362.2 million, respectively. The bonds mature at various dates through 2050 and have a weighted average interest rate of 5.1 percent.

Research Facilities

The University has a public/private partnership, for the purpose of developing, constructing and managing a neuroscience research and laboratory building and a psychiatry youth and family center with a legally separate, nonprofit corporation (the Corporation). In connection with these facilities, the University entered into ground leases with the Corporation. The Corporation has entered into a sub-ground leases with a developer to construct, own and manage the facilities. The University agreed to lease all of the space in the building from the developer. The University's base rent payments are equal to the principal and interest payments on the bonds issued by a conduit issuer and loaned to the nonprofit corporation to finance the construction of the building. As security on the bonds, the developer has assigned all payments received from the University for the space lease to the bond trustee.

All of the board members of the Corporation are appointed by the University and the University has the authority to determine the budget for the nonprofit corporation. Under accounting requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

In December 2017, the Corporation, through its conduit issuer, issued additional revenue bonds totaling $171.0 million. The bonds mature at various dates through 2052 and have a stated weighted average interest rate of 5.0 percent. Proceeds, including a bond premium of $39.0 million, were used to pay for construction and issuance costs of the psychiatry youth and family center. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

At June 30, 2018, the Corporation, through a conduit issuer, has outstanding tax-exempt revenue bonds totaling $190.7 million and taxable revenue bonds totaling $188.0 million. The tax-exempt revenue bonds mature at various dates from 2021 to 2052 and have a weighted average interest rate of 5.0 percent. The tax-exempt revenue bonds generally have annual serial maturities, semi-annual interest payments and optional redemption provisions. The taxable bonds mature in 2049 and have an interest rate of 6.5 percent. The taxable bonds were issued as Build America Bonds, under which the U.S. Treasury is expected to send the conduit issuer 35.0 percent of the semi-annual interest cost on the taxable bonds, making the net interest rate 4.2 percent post-subsidy. The taxable bonds have a term maturity with various certain annual sinking fund requirements, semi-annual interest payments and optional redemption provisions.

In addition, the University entered into a ground lease with another legally separate, nonprofit corporation (the Consortium). The Consortium entered into an agreement with a developer to develop and own a research laboratory facility designed to expand collaborative work in stem cell research and facilitate its translation into tools and techniques to diagnose and treat degenerative diseases and other ailments. The developer constructed the research laboratory facility. All costs associated with the ownership, operation and management of the laboratory research facility are the obligation of the Consortium. The University, along with the other collaborative research partners, will lease space in the building. Under accounting requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The Consortium, through its conduit issuer, has outstanding revenue bonds totaling $52.0 million and $53.3 million at June 30, 2018 and 2017, respectively. The bonds mature at various dates through 2040 and have a weighted average interest rate of 4.5 percent. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. Lease payments from the occupants of the building are pledged as collateral on the bonds. To the extent the lease payments are not sufficient to pay the debt service, the University is obligated to pay the shortfall.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for the University's fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2018, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds, these amounts assume that current interest rates on variable-rate bonds will not change. As these rates vary, variable-rate bond interest payments will vary.

(in thousands of dollars)	COMMERCIAL PAPER	MEDICAL CENTER REVENUE BONDS	UNIVERSITY REVENUE BONDS	CAPITAL LEASES	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year Ending June 30									
2019	$784,758	$187,204	$1,073,658	$45,471	$16,107	$60,188	$2,167,386	$1,218,885	$948,501
2020		192,920	1,372,540	43,027	159,269	60,184	1,827,940	895,277	932,663
2021		202,776	1,308,195	37,848	12,283	68,067	1,629,169	716,048	913,121
2022		201,737	1,086,149	15,464	12,377	68,271	1,383,998	494,186	889,812
2023		201,111	1,083,396	10,116	12,440	68,276	1,375,339	505,825	869,514
2024 - 2028		956,826	5,929,881	37,293	62,246	341,307	7,327,553	3,382,997	3,944,556
2029 - 2033		890,058	5,140,036	37,334	62,153	339,280	6,468,861	3,253,051	3,215,810
2034 - 2038		883,305	4,717,136	35,138	74,058	335,731	6,045,368	3,644,952	2,400,416
2039 - 2043		951,386	3,717,648	30,184	50,347	211,326	4,960,891	3,462,243	1,498,648
2044 - 2048		785,996	2,459,473		45,884	170,619	3,461,972	2,689,889	772,083
2049 - 2053		22,217	705,514		64,711	75,507	867,949	463,221	404,728
2054 - 2115			5,418,990				5,418,990	1,460,085	3,958,905
Total future debt service	**784,758**	**5,475,536**	**34,012,616**	**291,875**	**571,875**	**1,798,756**	**42,935,416**	**$22,186,659**	**$20,748,757**
Less: Interest component of future payments	(2,954)	(2,729,316)	(17,050,301)	(84,063)	(15,362)	(866,761)	(20,748,757)		
Principal portion of future payments	**781,804**	**2,746,220**	**16,962,315**	**207,812**	**556,513**	**931,995**	**22,186,659**		
Adjusted by:									
Unamortized bond premium		181,348	1,187,541			103,923	1,472,812		
Present value of net minimum leases included in long-term debt				(694)			(694)		
Total debt	**$781,804**	**$2,927,568**	**$18,149,856**	**$207,118**	**$556,513**	**$1,035,918**	**$23,658,777**		

Long-term debt does not include $2.6 billion of defeased liabilities at June 30, 2018. Investments that have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the University's statement of net position.

General Revenue Bonds of $750.0 million are variable-rate demand bonds which reset weekly and, in the event of a failed remarketing, can be put back to The Regents for tender. The University has classified these bonds as current liabilities as of June 30, 2018.

Medical Center Pooled Revenue Bonds of $95.4 million are variable-rate demand bonds which give the debt holders the ability to tender the bonds back to the University upon demand. The University has classified these bonds as current liabilities as of June 30, 2018.

For the University's cash flow hedges, future debt service payments for the University's variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2018, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2018, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

	VARIABLE-RATE BONDS		INTEREST RATE SWAP, NET	TOTAL PAYMENTS
(in thousands of dollars)	PRINCIPAL	INTEREST		
Year Ending June 30				
2019	$3,590	$12,098	$8,014	$23,702
2020	3,725	12,104	7,948	23,777
2021	3,860	12,079	7,873	23,812
2022	3,995	12,028	7,798	23,821
2023	7,510	11,980	7,721	27,211
2024-2028	42,350	58,016	23,857	124,223
2029-2033	45,745	54,184	18,082	118,011
2034-2038	30,175	50,603	13,903	94,681
2039-2043	55,030	46,237	9,363	110,630
2044-2048	642,870	25,051	2,073	669,994
Total	**$838,850**	**$294,380**	**$106,632**	**$1,239,862**

14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The University's composition of deferred outflows and inflows of resources at June 30 are summarized as follows:

(in thousands of dollars)	SERVICE CONCESSION ARRANGEMENTS	NET PENSION LIABILITY	NET RETIREE HEALTH BENEFITS LIABILITY	DEBT REFUNDING	INTEREST RATE SWAP AGREEMENTS	ROYALTY SALES	IRREVOCABLE SPLIT-INTEREST AGREEMENTS	TOTAL
At June 30, 2018								
Deferred outflows of resources		$727,344	$3,515,860	$351,360	$54,839			$4,649,403
Deferred inflows of resources	$176,447	275,145	5,645,528	1,388		$421,341	$89,855	6,609,704
At June 30, 2017								
Deferred outflows of resources		$1,001,165	$4,106,941	$351,306	$90,232			$5,549,644
Deferred inflows of resources	$95,725	785,238	4,934,470	1,436		$467,502	$87,412	6,371,783

The campus foundations' deferred inflows of resources are primarily related to irrevocable split-interest agreements.

15. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most University employees participate in UCRS. UCRS consists of UCRP, a defined benefit plan funded with University and employee contributions; UCRSP, which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions; UC-VERIP, a defined benefit plan for University employees who were members of PERS and who elected early retirement; and the CHRCO Pension Plan, a defined benefit plan fully funded with CHRCO contributions. The Regents has the authority to establish and amend the benefit plans except for the CHRCO Pension Plan. Administration authority with respect to UCRS plans is vested with the President of the University as plan administrator. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by US Bank (the Trustee).

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP, UC-VERIP and the CHRCO Pension Plan for the year ended June 30, 2018 is as follows:

	UNIVERSITY OF CALIFORNIA					
(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	SUBTOTAL	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL	CHILDREN'S HOSPITAL & RESEARCH CENTER AT OAKLAND PENSION PLAN
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION						
Investments at fair value	$67,871,988	$66,370	$67,938,358	$22,934,360	$90,872,718	$460,061
Participants' interests in mutual funds				1,585,098	1,585,098	
Investment of cash collateral	3,863,753	3,770	3,867,523	2,290,767	6,158,290	
Other assets	156,883	87	156,970	307,700	464,670	
Total assets	**71,892,624**	**70,227**	**71,962,851**	**27,117,925**	**99,080,776**	**460,061**
Collateral held for securities lending	3,863,026	3,769	3,866,795	2,290,336	6,157,131	
Other liabilities	1,256,008	1,210	1,257,218	441,485	1,698,703	
Total liabilities	**5,119,034**	**4,979**	**5,124,013**	**2,731,821**	**7,855,834**	
Net position held in trust	**$66,773,590**	**$65,248**	**$66,838,838**	**$24,386,104**	**$91,224,942**	**$460,061**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION						
Contributions	$3,446,018		$3,446,018	$1,313,722	$4,759,740	$33,600
Net appreciation (depreciation) in fair value of investments	3,743,725	$3,735	3,747,460	1,351,080	5,098,540	
Investment and other income, net	1,093,828	1,149	1,094,977	461,431	1,556,408	33,269
Total additions	**8,283,571**	**4,884**	**8,288,455**	**3,126,233**	**11,414,688**	**66,869**
Benefit payment and participant withdrawals	3,587,554	4,610	3,592,164	1,220,081	4,812,245	12,802
Other deductions	36,685	4	36,689	2,680	39,369	3,014
Total deductions	**3,624,239**	**4,614**	**3,628,853**	**1,222,761**	**4,851,614**	**15,816**
Increase in net position held in trust	**4,659,332**	**270**	**4,659,602**	**1,903,472**	**6,563,074**	**51,053**
Net position held in trust						
Beginning of year	62,114,258	64,978	62,179,236	22,482,632	84,661,868	409,008
End of year	**$66,773,590**	**$65,248**	**$66,838,838**	**$24,386,104**	**$91,224,942**	**$460,061**
CHANGES IN TOTAL PENSION LIABILITY						
Service cost	$1,873,004		$1,873,004			$11,304
Interest	5,295,733	$2,042	5,297,775			31,854
Difference between expected and actual experience	138,419	(436)	137,983			92
Changes of benefit terms						3,609
Benefits paid, including refunds of employee contributions	(3,587,554)	(4,610)	(3,592,164)			(12,802)
Net change in total pension liability	**3,719,602**	**(3,004)**	**3,716,598**			**34,057**
Total pension liability						
Beginning of year	72,826,846	32,544	72,859,390			450,152
End of year	**$76,546,448**	**$29,540**	**$76,575,988**			**$484,209**
Net pension liability (asset), end of year	**$9,772,858**	**($35,708)**	**$9,737,150**			**$24,148**

Additional information on the retirement plans can be obtained from the 2017-2018 annual reports of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu/.

University of California Retirement Plan

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University, and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code or plan provisions. Annual cost-of-living adjustments are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2018:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	62,704	13,220	75,924
Inactive members entitled to, but not receiving benefits	82,855	9,762	92,617
Active members:			
Vested	75,290	1,643	76,933
Nonvested	52,216	730	52,946
Total active members	**127,506**	**2,373**	**129,879**
Total membership	**273,065**	**25,355**	**298,420**

Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Effective July 1, 2014, employee member contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or possibly a lump sum equal to the present value of their accrued benefits. Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees based upon rates authorized by The Regents and is reimbursed by the DOE. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members whose benefits were retained in UCRP at the time the joint ventures were formed. The contributions for the LANL and LLNL are actuarially determined based upon a contractual arrangement with the DOE that incorporates a formula targeted to maintain the LANL and LLNL segments within UCRP at a 100-percent funded level. The University is reimbursed by the DOE for these contributions. To the extent the University has recorded a net pension liability (and related deferred inflows and outflows of resources) that will be reimbursed under DOE contracts, a receivable from the DOE is recorded. As of June 30, 2018 and 2017, the University reported $316.7 million and $615.1 million, respectively, as other noncurrent Department of Energy receivables for pension liabilities. Contributions of $307.9 million and $367.7 million were reported as DOE laboratory revenue and expense in the statement of revenues, expenses and changes in net position, and were deposited into UCRP on behalf of the DOE for the years ended June 30, 2018 and 2017, respectively.

Net Pension Liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP was as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
At June 30, 2018			
UCRP net position	$57,608,162	$9,165,428	$66,773,590
Total pension liability	67,065,682	9,480,766	76,546,448
Net pension liability	**$9,457,520**	**$315,338**	**$9,772,858**
At June 30, 2017			
UCRP net position	$53,251,580	$8,862,678	$62,114,258
Total pension liability	63,355,934	9,470,912	72,826,846
Net pension liability	**$10,104,354**	**$608,234**	**$10,712,588**

The University's net pension liability was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The University's net pension liability was calculated using the following methods and assumptions:

	2018	2017
Inflation	3.0 %	3.0 %
Investment rate of return	7.25	7.25
Projected salary increases	3.8 - 6.2	3.8 - 6.2
Cost-of-living adjustments	2.0	2.0

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2018 and 2017 were based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For active members, inactive members and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2015 based on a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2018 and 2017 are summarized in the following table:

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
U.S. Equity	28.5%	6.1%
Developed International Equity	18.5	7.0
Emerging Market Equity	8.0	8.6
Core Fixed Income	12.5	0.8
High-Yield Bonds	2.5	3.0
Emerging Market Debt	2.5	3.9
Treasury Inflation Protected Securities	4.5	0.4
Real Estate	5.5	4.8
Private Equity	8.0	11.2
Absolute Return	6.5	4.2
Real Assets	3.0	4.4
Total	**100.0%**	**5.6%**

Discount Rate

The discount rate used to estimate the net pension liability as of June 30, 2018 and 2017 was 7.25 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRS has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2018 and 2017.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2018 net pension liability of the University calculated using the June 30, 2018 discount rate assumption of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (6.25%)	CURRENT DISCOUNT (7.25%)	1% INCREASE (8.25%)
UCRP	$19,331,895	$9,772,858	$1,764,796
UC-VERIP	(34,194)	(35,708)	(37,109)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2018					
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$244,188	$1,696	$245,884		$245,884
Changes of assumptions or other inputs	458,349		458,349		458,349
Total	**$702,537**	**$1,696**	**$704,233**		**$704,233**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$55,427		$55,427		$55,427
Net difference between projected and actual earnings on pension plan investments	208,589	$4,484	213,073	$14	213,087
Total	**$264,016**	**$4,484**	**$268,500**	**$14**	**$268,514**

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2017					
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$179,399		$179,399		$179,399
Changes of assumptions or other inputs	785,741		785,741		785,741
Net difference between projected and actual earnings on pension plan investments		$7,275	7,275		7,275
Total	**$965,140**	**$7,275**	**$972,415**		**$972,415**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$151,067	$7,410	$158,477		$158,477
Changes of assumptions or other inputs	378,815		378,815		378,815
Net difference between projected and actual earnings on pension plan investments	244,430		244,430		244,430
Total	**$774,312**	**$7,410**	**$781,722**		**$781,722**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2018 related to pensions that will be recognized in pension expense during the next five years are as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2019	$814,090	$96,351	$910,441	$773	$911,214
2020	323,732	32,666	356,398	272	356,670
2021	(676,822)	(119,396)	(796,218)	(954)	(797,172)
2022	(33,815)	(12,409)	(46,224)	(105)	(46,329)
2023	11,336		11,336		11,336
Total	**$438,521**	**($2,788)**	**$435,733**	**($14)**	**$435,719**

Defined Contribution Plan

Effective July 1, 2016, newly hired (or becoming eligible) employees can elect a defined contribution option instead of participating in UCRP. For employees who elect this option, both the University and the participants make mandatory contributions, on a pretax basis, on eligible pay up to the IRS compensation limit. The participant contributes 7.0 percent and the University contributes 8.0 percent. University contributions are fully vested after one year of service. For certain newly hired (or becoming eligible) employees who elect to participate in UCRP, the University and the participants make mandatory contributions to the DC Plan on eligible pay up to the IRS limit. Participants contribute 7.0 percent on eligible pay and the University contributes 5.0 percent for designated faculty and 3.0 percent for staff. University contributions fully vest after five years service.

The University also makes DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also contribute on behalf of eligible senior managers. Employer contributions to the DC Plan were $29.8 million and $13.2 million for the years ended June 30, 2018 and 2017, respectively.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal and temporary employees at the University who are not currently participating in UCRP or another defined benefit plan to which the University contributes (Safe Harbor participants). Safe Harbor participation includes certain University student employees and resident aliens with F-1 and J-1 visa status. Safe Harbor participants contribute 7.5 percent of their gross salary (up to the Social Security wage base) to the Plan in lieu of deductions for Social Security taxes.

All University employees, except students who normally work fewer than 20 hours per week, are eligible to make voluntary contributions to the DC Plan After-Tax Account and defer taxation on the earnings until the accumulations are withdrawn. The maximum amount participants may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit. The University may also make DC Plan contributions on behalf of eligible senior managers.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions in behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. There were no assets or employer contributions to the SDC Plan for the years ended June 30, 2018 and 2017.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. Employer contributions to the 403(b) Plan were $8.7 million and $3.2 million for the years ended June 30, 2018 and 2017.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2018 and 2017.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the Chief Investment Officer. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the statement of plans' fiduciary net position.

University of California Voluntary Early Retirement Incentive Program (UC-PERS)

UC-PERS is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC–PERS members who elected early retirement under provisions of the Plan. The University contributed to PERS on behalf of these UC–PERS members. As of July 1, 2018, there are 492 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the Plan sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ended June 30, 2018 and 2017.

Children's Hospital and Research Center at Oakland Pension Plan

CHRCO has a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules that covers active and retired employees. The CHRCO Pension Plan was amended effective January 1, 2012 to exclude unrepresented employees hired or rehired on or after January 1, 2012. The CHRCO Pension Plan provides retirement, disability and death benefits to plan participants. Benefits are based on a participant's length of service, age at retirement and average compensation as defined by the CHRCO Pension Plan.

The net pension liability for the Plan was calculated based upon the following assumptions as of June 30, 2018 and 2017: 3.0 percent inflation, 7.0 percent investment rate of return, 5.0 percent salary increases through 2017, 4.0 percent afterward and no cost-of-living adjustments. CHRCO recognized pension expense of $22.3 million and $20.0 million for the years ended June 30, 2018 and 2017, respectively.

Mortality rates were based on the RP-2016 Mortality Table with fully generational projected mortality improvements using modified scale MP-2016. The MP-2016 projection scale was modified for this valuation to utilize the Social Security administration's intermediate cost projection scale and a 15-year convergence period.

Additional information on the CHRCO Pension Plan can be found in the annual reports, which can be obtained by contacting CHRCO.

Membership in the CHRCO Plan consisted of the following at June 30, 2018:

Retirees and beneficiaries receiving benefits	957
Inactive members entitled to, but not yet receiving benefits	1,144
Active members	1,856
Total membership	**3,957**

Contributions

Employer contributions are determined under IRC Section 430. Employees are not required or permitted to contribute to the Plan.

Net Pension Liability

The net pension liability for CHRCO was measured as of June 30, 2018 and 2017, and the total pension liability was determined by an actuarial valuation as of January 1, 2018 and 2017 rolled forward to June 30, 2018 and 2017, respectively. The actuarial assumptions used in the June 30, 2018 and 2017 valuation were based on the results of an experience review conducted during 2015. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are as follows:

	PORTFOLIO PERCENTAGE	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
U.S. Equity	51.5%	4.3%
Developed International Equity	13.5	4.9
Emerging Market Equity	1.9	7.8
Core Fixed Income	33.1	1.4
Total	**100.0%**	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent for June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumes that CHRCO will make contributions to the Plan under IRC Section 430's minimum requirements for a period of eight years, and that all future assumptions are met. Based on these assumptions, the pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2018 net pension liability calculated using the June 30, 2018 discount rate assumption of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (6.0%)	CURRENT DISCOUNT (7.0%)	1% INCREASE (8.0%)
Net pension liability	$91,671	$24,148	($31,644)

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, deferred outflows of resources and deferred inflows of resources were as follows:

(in thousands of dollars)	**2018**	**2017**
DEFERRED OUTFLOWS OF RESOURCES		
Difference between expected and actual experience	$5,714	$4,356
Changes of benefit terms	178	195
Changes of assumptions	15,659	21,768
Net difference between projected and actual earnings on pension plan investments		1,355
Total	**$21,551**	**$27,674**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$1,709	$2,370
Net difference between projected and actual earnings on pension plan investments	267	
Total	**$1,976**	**$2,370**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years is as follows:

(in thousands of dollars)	
Year Ending June 30	
2019	$10,597
2020	8,236
2021	152
2022	158
2023	432
Total	**$19,575**

Orange County Employees Retirement System

Orange County Employees Retirement System (OCERS) administers a cost-sharing, multi-employer defined benefit pension plan for the County of Orange, City of San Juan Capistrano and thirteen special districts. Certain employees of one of the University's medical centers were eligible to continue to participate in OCERS at the time the county hospital was acquired by the University.

OCERS provides retirement, disability and death benefits. Plan retirement benefits are tiered based upon date of OCERS membership. Participation in the Plan by the University's employees is closed to new members. The University's share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon its specific actuarial accrued liability and a share of assets allocated in accordance with a formula set forth in OCERS' policy. The fiduciary net position and changes in net position have been measured consistent with the accounting policies used by the OCERS Plan.

Additional information on OCERS can be obtained from the 2017-2018 annual reports of the Orange County Employees Retirement System at http://www.ocers.org.

Membership in the OCERS Plan consisted of the following at December 31, 2017: 16,947 retired members and beneficiaries, 5,803 inactive members, 21,721 active members.

Contributions

Contribution rates are set by the OCERS Board of Trustees.

Net Pension Liability

The University's proportionate share of the net pension liability was $13.8 million and $18.1 million as of June 30, 2018 and 2017, respectively. The net pension liability for OCERS was measured as of June 30, 2018 and 2017, and the total pension liability was determined by an actuarial valuation as of December 31, 2017 and 2016 rolled forward to June 30, 2018 and 2017, respectively. The actuarial assumptions used in 2018 and 2017 were based on the results of an experience study for the period from January 1, 2011 through December 31, 2013.

The net pension liability for the Plan was calculated based upon the following assumptions as of June 30, 2018: 2.8 percent inflation, 7.0 percent investment rate of return, 4.25-12.25 percent projected salary increases and 3.0 percent cost-of-living adjustments. The net pension liability for the Plan was calculated based upon the following assumptions as of June 30, 2017: 3.0 percent inflation, 7.25 percent investment rate of return, 4.25-13.5 percent projected salary increases and 3.0 percent cost-of-living adjustments.

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class for the OCERS Plan are as follows:

	ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM	
	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
Global Equity	35.0%	6.4%
Core Bonds	13.0	1.0
High-Yield Bonds	4.0	3.5
Bank Loan	2.0	2.9
TIPS	4.0	1.0
Emerging Market Debt	4.0	3.8
Real Estate	10.0	4.3
Core Infrastructure	2.0	5.5
Natural Resources	10.0	7.9
Risk Mitigation	5.0	4.7
Mezzanine/Distressed Debts	3.0	6.5
Private Equity	8.0	9.5
Total	**100.0%**	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent and 7.25 percent for June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rate. For this purpose, only employer contributions will be made at rates equal to the actuarially determined contribution rates.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability calculated using the June 30, 2018 discount rate assumption of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

	ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM		
(in thousands of dollars)	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	$21,989	$13,822	$7,189

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, deferred outflows of resources and deferred inflows of resources were as follows:

(in thousands of dollars)	**2018**	**2017**
DEFERRED OUTFLOWS OF RESOURCES		
Changes of assumptions or other inputs	$1,186	
Difference between expected and actual experience	374	491
Net difference between projected and actual earnings on pension plan investments		586
Total	**$1,560**	**$1,077**
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	$2,286	$443
Changes of assumptions or other inputs	482	703
Net difference between projected and actual earnings on pension plan investments	1,887	
Total	**$4,655**	**$1,146**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows:

(in thousands of dollars)	
Year Ending June 30	
2019	($848)
2020	(511)
2021	(856)
2022	(720)
2023	(159)
2024	(1)
Total	**($3,095)**

16. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Trust (UCRHBT). The Regents has the authority to establish and amend the plan.

Campus and medical center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts.

LBNL participates in the University's retiree health plans. LBNL does not participate in UCRHBT; therefore, the DOE has no interest in the Trust's assets. The University directly pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at LBNL, and is reimbursed by the DOE.

Condensed financial information for the changes in retiree health benefits liability for the year ended June 30, 2018 is as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Contributions	$512,571	$21,266	$533,837
Investment income, net	1,634		1,634
Total additions	**514,205**	**21,266**	**535,471**
Insurance premiums, net	(483,479)	(21,266)	(504,745)
Other deductions	(3,859)		(3,859)
Total deductions	**(487,338)**	**($21,266)**	**(508,604)**
Increase in net position held in UCRHBT	26,867		26,867
Net position held in UCRHBT, beginning of year	106,714		106,714
Net position held in UCRHBT, end of year	**$133,581**		**$133,581**

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY			
Service cost	$816,483	$18,671	$835,154
Interest	694,562	22,215	716,777
Difference between expected and actual experience	(1,149,032)	(24,710)	(1,173,742)
Changes of assumptions and other inputs	(353,516)	(1,069)	(354,585)
Benefits paid	(483,479)	(21,266)	(504,745)
Retiree contributions	76,873	2,976	79,849
Net change in total retiree health benefits liability	**(398,109)**	**(3,183)**	**(401,292)**
Total retiree health benefits liability			
Beginning of year	18,786,201	610,937	19,397,138
End of year	**$18,388,092**	**$607,754**	**$18,995,846**
Net retiree health benefit liability, end of year	**$18,254,511**	**$607,754**	**$18,862,265**

Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at June 30, 2018:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	42,325	1,841	44,166
Active members entitled to, but not yet receiving benefits	127,330	2,534	129,864
Total membership	**169,655**	**4,375**	**174,030**

Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The assessment rates were $2.80 and $2.93 per $100 of UCRP covered payroll effective July 1, 2017 and 2016, respectively.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Net Retiree Health Benefits Liability

The University's net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability were:

(shown as percentage)	**2018**	**2017**
Discount rate	3.9%	3.6%
Inflation	3.0	3.0
Investment rate of return	3.0	3.0
Health care cost trend rates	Initially ranges from 5.0 to 9.3 decreasing to an ultimate rate of 5.0 for 2033 and later years.	Initially ranges from 5.0 to 9.5 decreasing to an ultimate rate of 5.0 for 2032 and later years.

The actuarial assumptions are based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For active members and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029 and with ages then set back one year for males and set forward five years for females.

Sensitivity of Net Retiree Health Benefits Liability to the Health Care Cost Trend Rate

The following presents the June 30, 2018 net retiree health benefits liability of the University calculated using the June 30, 2018 health care cost trend rate assumption with initial trend ranging from 5.0 percent to 9.3 percent grading down to an ultimate trend of 5.0 percent over 15 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

(in thousands of dollars)	**1% DECREASE** (4.0% TO 8.3% DECREASING TO 4.0%)	**CURRENT DISCOUNT** (5.0% TO 9.3% DECREASING TO 5.0%)	**1% INCREASE** (6.0% - 10.3% INCREASING TO 6.0%)
Net retiree health benefits liability	$16,021,231	$18,862,265	$22,517,469

Discount Rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2018 and 2017 was 3.87 percent and 3.58 percent, respectively. The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRBT plan assets are not sufficient to make benefit payments.

Sensitivity of Net Retiree Health Benefits Liability to the Discount Rate Assumption

The following presents the June 30, 2018 net retiree health benefits liability of the University calculated using the June 30, 2018 discount rate assumption of 3.87 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (2.87%)	CURRENT TREND (3.87%)	1% INCREASE (4.87%)
Net retiree health benefits liability	$22,371,868	$18,862,265	$16,069,882

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for retiree health benefits were related to the following sources:

(in thousands of dollars)

2018	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	$74,770	$4,142	$78,912
Changes of assumptions or other inputs	3,340,913	92,220	3,433,133
Net difference between projected and actual earnings on plan investments	3,815		3,815
Total	**$3,419,498**	**$96,362**	**$3,515,860**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$2,279,073	$62,148	$2,341,221
Changes of assumptions or other inputs	3,220,923	83,384	3,304,307
Total	**$5,499,996**	**$145,532**	**$5,645,528**

(in thousands of dollars)

2017	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	$85,012	$5,084	$90,096
Changes of assumptions or other inputs	3,897,003	116,490	4,013,493
Net difference between projected and actual earnings on plan investments	3,352		3,352
Total	**$3,985,367**	**$121,574**	**$4,106,941**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$1,471,781	$52,216	$1,523,997
Changes of assumptions or other inputs	3,309,220	101,253	3,410,473
Total	**$4,781,001**	**$153,469**	**$4,934,470**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2018 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter are as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
2019	($215,739)	($8,504)	($224,243)
2020	(216,078)	(8,504)	(224,582)
2021	(216,418)	(8,504)	(224,922)
2022	(216,831)	(13,365)	(230,196)
2023	(217,224)	(10,293)	(227,517)
Thereafter	(998,208)		(998,208)
Total	**($2,080,498)**	**($49,170)**	**($2,129,668)**

17. ENDOWMENTS AND GIFTS

Endowments and gifts are held and administered either by the University or by the campus foundations.

University of California

The value of endowments and gifts held and administered by the University, exclusive of income distributed to be used for operating purposes, at June 30, 2018 and 2017 are as follows:

	UNIVERSITY OF CALIFORNIA			
(in thousands of dollars)	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2018				
Endowments	$1,148,699	$3,123,815	$5,861	$4,278,375
Funds functioning as endowments		2,653,219	4,439,270	7,092,489
Gifts		1,630,200		1,630,200
University endowments and gifts	**$1,148,699**	**$7,407,234**	**$4,445,131**	**$13,001,064**
At June 30, 2017				
Endowments	$1,121,743	$2,921,277	$5,414	$4,048,434
Funds functioning as endowments		2,526,811	3,742,764	6,269,575
Gifts		1,423,479		1,423,479
University endowments and gifts	**$1,121,743**	**$6,871,567**	**$3,748,178**	**$11,741,488**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to $2.6 billion and $2.4 billion at June 30, 2018 and 2017, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to the campuses from endowments held by the University was $315.1 million and $277.2 million for the years ended June 30, 2018 and 2017, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $283.4 million and $253.8 million for the years ended June 30, 2018 and 2017, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $689.4 million and $629.8 million at June 30, 2018 and 2017, respectively.

Campus Foundations

The value of endowments and gifts held by the campus foundations and administered by each of their independent Board of Trustees at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
(in thousands of dollars)	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2018				
Endowments	$4,408,143	$1,465,623		$5,873,766
Funds functioning as endowments		1,839,813		1,839,813
Gifts		1,660,232	$429,581	2,089,813
Campus foundations' endowments and gifts	**$4,408,143**	**$4,965,668**	**$429,581**	**$9,803,392**
At June 30, 2017				
Endowments	$3,967,219	$1,246,890		$5,214,109
Funds functioning as endowments		1,515,774		1,515,774
Gifts		1,542,757	$193,132	1,735,889
Campus foundations' endowments and gifts	**$3,967,219**	**$4,305,421**	**$193,132**	**$8,465,772**

18. SEGMENT INFORMATION

The University's medical centers' and CHRCO's revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information related to each of the University's medical centers for the year ended June 30, 2018 is as follows:

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2018					
Revenue bonds outstanding	$319,685	$316,560	$717,840	$700,975	$910,600
Related debt service payments	31,566	18,199	41,504	42,372	56,315
Bonds due serially through	2048	2049	2049	2049	2049
CONDENSED STATEMENT OF NET POSITION					
Current assets	$1,139,430	$588,986	$1,666,222	$754,844	$1,648,154
Capital assets, net	1,080,332	759,413	1,717,689	1,661,760	2,375,485
Other assets	151,231	41,547	105,689	24,352	293,397
Total assets	**2,370,993**	**1,389,946**	**3,489,600**	**2,440,956**	**4,317,036**
Total deferred outflows of resources	**330,997**	**128,954**	**454,015**	**401,567**	**775,863**
Current liabilities	408,938	230,244	471,304	246,776	655,904
Long-term debt	342,030	335,335	908,811	792,429	922,666
Other noncurrent liabilities	2,126,078	979,793	2,454,479	1,619,329	3,105,237
Total liabilities	**2,877,046**	**1,545,372**	**3,834,594**	**2,658,534**	**4,683,807**
Total deferred inflows of resources	**388,442**	**234,578**	**447,245**	**274,761**	**583,859**
Net investment in capital assets	698,049	421,341	780,373	847,607	1,447,759
Restricted	45,783	41,547	10,884		77,245
Unrestricted	(1,307,330)	(723,938)	(1,129,481)	(938,379)	(1,699,771)
Total net position	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$2,221,761	$1,177,504	$2,514,065	$1,938,229	$4,370,406
Operating expenses	(1,969,238)	(963,940)	(2,246,262)	(1,720,386)	(4,025,824)
Depreciation expense	(76,331)	(78,723)	(147,785)	(93,379)	(216,292)
Operating income	**176,192**	**134,841**	**120,018**	**124,464**	**128,290**
Nonoperating revenues (expenses), net	15,612	(12,761)	9,872	(24,959)	46,189
Income before other changes in net position	**191,804**	**122,080**	**129,890**	**99,505**	**174,479**
Health systems support	(30,285)	(48,173)	(212,827)	(124,055)	(116,286)
Transfers (to) from University, net	(19,570)	6,198	12,629	(3,034)	15,850
Changes in allocation for pension payable to University	2,032	9,523	(1,148)	(10,528)	(3,175)
Other, including donated assets	1,066	1,566	(466)	(17,984)	122,071
Increase (decrease) in net position	**145,047**	**91,194**	**(71,922)**	**(56,096)**	**192,939**
Net position - beginning of year	(708,545)	(352,244)	(266,302)	(34,676)	(367,706)
Net position - June 30, 2018	**($563,498)**	**($261,050)**	**($338,224)**	**($90,772)**	**($174,767)**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$237,543	$126,943	$353,639	$170,516	$380,406
Noncapital financing activities	(42,810)	(49,646)	(268,614)	(129,729)	(78,010)
Capital and related financing activities	(137,245)	(109,604)	(171,333)	(154,010)	(134,092)
Investing activities	55,262	21,289	22,477	11,949	28,383
Net increase (decrease) in cash and cash equivalents	**112,750**	**(11,018)**	**(63,831)**	**(101,274)**	**196,687**
Cash and cash equivalents* – June 30, 2017	628,409	342,862	1,007,761	394,822	626,724
Cash and cash equivalents* – June 30, 2018	**$741,159**	**$331,844**	**$943,930**	**$293,548**	**$823,411**

**Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool.*

Condensed financial statement information related to each of the University's medical centers for the year ended June 30, 2017 is as follows:

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2017					
Revenue bonds outstanding	$337,570	$317,870	$729,825	$711,085	$914,810
Related debt service payments	32,491	18,190	46,008	42,662	57,013
Bonds due serially through	2047	2049	2049	2049	2049
CONDENSED STATEMENT OF NET POSITION					
Current assets	$999,025	$527,151	$1,471,268	$740,767	$1,335,527
Capital assets, net	1,030,246	734,509	1,749,540	1,620,948	2,349,538
Other assets	104,942	69,703	322,112	31,380	285,796
Total assets	**2,134,213**	**1,331,363**	**3,542,920**	**2,393,095**	**3,970,861**
Total deferred outflows of resources	**362,917**	**160,399**	**516,101**	**345,110**	**836,506**
Current liabilities	328,609	270,520	404,441	231,802	592,470
Long-term debt	362,743	338,340	934,794	754,170	928,264
Other noncurrent liabilities	2,145,257	1,030,129	2,564,310	1,535,743	3,106,945
Total liabilities	**2,836,609**	**1,638,989**	**3,903,545**	**2,521,715**	**4,627,679**
Total deferred inflows of resources	**369,066**	**205,017**	**421,778**	**251,166**	**547,394**
Net investment in capital assets	640,415	393,404	790,467	857,221	1,396,747
Restricted	86,748	69,703	11,138		89,739
Unrestricted	(1,435,708)	(815,351)	(1,067,907)	(891,897)	(1,854,192)
Total net position	**($708,545)**	**($352,244)**	**($266,302)**	**($34,676)**	**($367,706)**

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
(in thousands of dollars)	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$2,147,374	$1,116,327	$2,502,552	$1,688,162	$3,951,754
Operating expenses	(1,904,823)	(981,506)	(2,241,931)	(1,591,807)	(3,792,538)
Depreciation expense	(78,839)	(69,271)	(142,841)	(76,779)	(210,913)
Operating income	**163,712**	**65,550**	**117,780**	**19,576**	**(51,697)**
Nonoperating revenues (expenses), net	9,467	(17,961)	(36,579)	(10,470)	24,134
Income before other changes in net position	**173,179**	**47,589**	**81,201**	**9,106**	**(27,563)**
Health systems support	(28,088)	(59,727)	(175,341)	(109,586)	(84,898)
Transfers (to) from University, net	(4,349)			(404)	89
Changes in allocation for pension payable to University	1,892	7,266	5,834	(9,130)	6,506
Other, including donated assets	983	1,756	3,500	30,218	30,715
Increase (decrease) in net position	**143,617**	**(3,116)**	**(84,806)**	**(79,796)**	**(75,151)**
Net position - beginning of year:					
Beginning of year, as previously reported	(852,162)	(349,128)	(181,496)	45,120	(291,416)
Cumulative effect of accounting change					(1,139)
Beginning of year, as restated	(852,162)	(349,128)	(181,496)	45,120	(292,555)
Net position - June 30, 2017	**($708,545)**	**($352,244)**	**($266,302)**	**($34,676)**	**($367,706)**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$289,030	$257,072	$304,081	$166,061	$390,971
Noncapital financing activities	(29,396)	(59,134)	(173,112)	(112,361)	(62,856)
Capital and related financing activities	(25,665)	(30,292)	(43,206)	(135,525)	(136,759)
Investing activities	(70,468)	(78,116)	16,381	11,058	(15,333)
Net increase (decrease) in cash and cash equivalents	**163,501**	**89,530**	**104,144**	**(70,767)**	**176,023**
Cash and cash equivalents* – June 30, 2016	464,908	253,332	903,617	465,589	450,701
Cash and cash equivalents* – June 30, 2017	**$628,409**	**$342,862**	**$1,007,761**	**$394,822**	**$626,724**

**Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool.*

Summarized financial information for each medical center is from the medical centers' audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University's statement of revenues, expenses and changes in net position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements which are available at http://reportingtransparency.universityofcalifornia.edu.

Certain revenue generating projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health facilities and athletics facilities) are also financed by Limited Project Revenue Bonds; however, assets and liabilities are not required to be accounted for separately.

19. BLENDED COMPONENT UNIT INFORMATION

Condensed financial statement information related to certain of the University's blended component units for the years ended June 30, are as follows:

	FIAT LUX		CHRCO	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$314,210	$543,817	$311,603	$249,445
Capital assets, net			325,396	295,766
Other assets	775,010	393,049	269,174	266,607
Total assets	**1,089,220**	**936,866**	**906,173**	**811,818**
Total deferred outflows of resources			**21,551**	**27,674**
Current liabilities	282,264	205,073	193,228	104,878
Other noncurrent liabilities	685,574	583,779	156,024	174,519
Total liabilities	**967,838**	**788,852**	**349,252**	**279,397**
Total deferred inflows of resources			**15,942**	**16,714**
Net investment in capital assets			222,341	191,683
Restricted			66,759	79,945
Unrestricted	121,382	148,014	273,430	271,753
Total net position	**$121,382**	**$148,014**	**$562,530**	**$543,381**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$239,201	$216,407	$591,608	$597,564
Operating expenses	(283,309)	(242,706)	(582,955)	(558,460)
Depreciation expense			(35,946)	(33,842)
Operating income (loss)	**(44,108)**	**(26,299)**	**(27,293)**	**5,262**
Nonoperating revenues (expenses), net	17,473	12,767	44,428	42,218
Income (loss) before other changes in net position	**(26,635)**	**(13,532)**	**17,135**	**47,480**
Transfers from University		157,129		
Other, including donated assets	3		2,014	17,450
Increase (decrease) in net position	**(26,632)**	**143,597**	**19,149**	**64,930**
Net position – beginning of year:				
Beginning of year, as previously reported	148,014	4,417	543,381	479,590
Cumulative effect of accounting change				(1,139)
Beginning of year, as restated	148,014	4,417	543,381	478,451
Net position – end of year	**$121,382**	**$148,014**	**$562,530**	**$543,381**
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by:				
Operating activities	$67,426	$49,463	$37,520	$37,041
Noncapital financing activities	3		23,462	19,523
Capital and related financing activities		786,167	(56,953)	5,336
Investing activities	(11,810)	(850,563)	18,657	(14,452)
Net increase (decrease) in cash and cash equivalents	**55,619**	**(14,933)**	**22,686**	**47,448**
Cash and cash equivalents – beginning of year	702	15,635	118,862	71,414
Cash and cash equivalents – end of year	**$56,321**	**$702**	**$141,548**	**$118,862**

CHRCO's other assets include investments in the UCSF Foundation's Endowed Investment Pool of $234.4 million and $212.7 million at June 30, 2018 and 2017.

Additional information for Fiat Lux is available in their audited financial statements, which can be obtained by contacting Fiat Lux.

20. CAMPUS FOUNDATIONS INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2018 is as follows:

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS				
(in thousands of dollars)	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	TOTAL
CONDENSED STATEMENT OF NET POSITION					
Current assets	$107,922	$474,253	$686,801	$329,443	$1,598,419
Noncurrent assets	2,192,958	1,715,100	2,875,851	2,489,432	9,273,341
Total assets	**2,300,880**	**2,189,353**	**3,562,652**	**2,818,875**	**10,871,760**
Current liabilities	16,540	37,777	301,390	59,427	415,134
Noncurrent liabilities	79,454	272,184	32,680	36,898	421,216
Total liabilities	**95,994**	**309,961**	**334,070**	**96,325**	**836,350**
Total deferred inflows of resources	69,523	28,909	50,826	82,760	232,018
Restricted	2,132,259	1,850,079	2,785,000	2,606,473	9,373,811
Unrestricted	3,104	404	392,756	33,317	429,581
Total net position	**$2,135,363**	**$1,850,483**	**$3,177,756**	**$2,639,790**	**$9,803,392**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$181,523	$356,891	$526,446	$276,535	$1,341,395
Operating expenses	(237,177)	(293,986)	(354,556)	(250,485)	(1,136,204)
Operating income (loss)	**(55,654)**	**62,905**	**171,890**	**26,050**	**205,191**
Nonoperating revenues	156,996	198,747	202,766	165,213	723,722
Income before other changes in net position	**101,342**	**261,652**	**374,656**	**191,263**	**928,913**
Permanent endowments	79,970	104,342	79,895	144,500	408,707
Increase in net position	**181,312**	**365,994**	**454,551**	**335,763**	**1,337,620**
Net position - June 30, 2017					
Beginning of year	1,954,051	1,484,489	2,723,205	2,304,027	8,465,772
Net position - June 30, 2018	**$2,135,363**	**$1,850,483**	**$3,177,756**	**$2,639,790**	**$9,803,392**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	($82,042)	($81,653)	$116,294	($83,433)	($130,834)
Noncapital financing activities	61,846	105,665	67,843	120,178	355,532
Investing activities	21,888	161,997	(184,816)	(30,490)	(31,421)
Net increase (decrease) in cash and cash equivalents	**1,692**	**186,009**	**(679)**	**6,255**	**193,277**
Cash and cash equivalents – June 30, 2017	4,587	210,860	5,278	33,375	254,100
Cash and cash equivalents – June 30, 2018	**$6,279**	**$396,869**	**$4,599**	**$39,630**	**$447,377**

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2017 is as follows:

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS				
(in thousands of dollars)	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	TOTAL
CONDENSED STATEMENT OF NET POSITION					
Current assets	$76,070	$286,739	$490,034	$350,732	$1,203,575
Noncurrent assets	2,040,520	1,513,089	2,575,961	2,170,788	8,300,358
Total assets	**2,116,590**	**1,799,828**	**3,065,995**	**2,521,520**	**9,503,933**
Current liabilities	16,379	39,032	263,015	119,296	437,722
Noncurrent liabilities	78,392	254,620	32,449	25,540	391,001
Total liabilities	**94,771**	**293,652**	**295,464**	**144,836**	**828,723**
Total deferred inflows of resources	**67,768**	**21,687**	**47,326**	**72,657**	**209,438**
Restricted	1,949,666	1,484,076	2,565,752	2,273,146	8,272,640
Unrestricted	4,385	413	157,453	30,881	193,132
Total net position	**$1,954,051**	**$1,484,489**	**$2,723,205**	**$2,304,027**	**$8,465,772**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$115,579	$155,086	$302,778	$294,067	$867,510
Operating expenses	(208,956)	(231,647)	(292,156)	(236,756)	(969,515)
Operating income (loss)	**(93,377)**	**(76,561)**	**10,622**	**57,311**	**(102,005)**
Nonoperating revenues	211,334	154,270	260,271	239,439	865,314
Income before other changes in net position	**117,957**	**77,709**	**270,893**	**296,750**	**763,309**
Permanent endowments	67,632	41,513	69,673	108,106	286,924
Increase in net position	**185,589**	**119,222**	**340,566**	**404,856**	**1,050,233**
Net Position – June 30, 2016					
Beginning of year, as previously reported	1,828,044	1,381,590	2,411,412	1,915,804	7,536,850
Cumulative effect of accounting change	(59,582)	(16,323)	(28,773)	(16,633)	(121,311)
Beginning of year, as restated	1,768,462	1,365,267	2,382,639	1,899,171	7,415,539
Net position – June 30, 2017	**$1,954,051**	**$1,484,489**	**$2,723,205**	**$2,304,027**	**$8,465,772**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	($97,936)	($101,825)	($39,570)	$19,839	($219,492)
Noncapital financing activities	49,682	55,862	51,395	94,099	251,038
Capital and related financing activities				(192)	(192)
Investing activities	49,184	104,796	(12,123)	(114,025)	27,832
Net increase (decrease) in cash and cash equivalents	**930**	**58,833**	**(298)**	**(279)**	**59,186**
Cash and cash equivalents – June 30, 2016	3,657	152,027	5,576	33,654	194,914
Cash and cash equivalents – June 30, 2017	**$4,587**	**$210,860**	**$5,278**	**$33,375**	**$254,100**

Additional information on the foundations can be found in the foundations' separately issued annual reports, which can be obtained by contacting the individual foundation.

21. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $2.8 billion at June 30, 2018. Amounts committed to the developer for the design, construction and financing of the facilities at one of its campuses is $1.3 billion at June 30, 2018. The University has made a commitment to contribute $49.8 million for an investment in a joint venture to fund construction projects.

Under an agreement with a private, non-profit hospital, the University paid $20.0 million of contributions in September 2018, and committed to provide $90.0 million in aggregate capital investments through a series of newly formed joint ventures with one of its medical centers over the course of the initial 10 years of the agreement. An additional service agreement was signed for the medical center to operate certain outpatient clinics whose sole corporate member is the same non-profit hospital.

The University leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2018 and 2017 were $335.5 million and $271.4 million, respectively. The terms of operating leases extend through March 2042.

Future minimum payments on operating leases with an initial or remaining non-cancelable term in excess of one year are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA
Year Ending June 30	
2019	$260,836
2020	224,417
2021	177,867
2022	139,792
2023	105,760
2024 - 2028	255,274
2029 - 2033	114,608
2034 - 2038	42,047
2039 - 2043	14,982
Total	**$1,335,583**

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

The University and the campus foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

Required Supplementary Information *(Unaudited)*

UCRP

The schedule of changes in net pension liability includes multi-year trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. The University's schedule of changes in the net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	2018	2017	2016	2015
TOTAL PENSION LIABILITY				
Service cost	$1,873,004	$1,807,143	$1,710,241	$1,589,267
Interest on the total pension liability	5,295,733	5,035,267	4,784,904	4,538,846
Difference between expected and actual experience	138,419	74,664	136,167	(112,155)
Changes of assumptions or other inputs				2,136,793
Benefits paid, including refunds of employee contributions	(3,587,554)	(3,320,990)	(3,105,641)	(2,976,992)
Net change in total pension liability	**3,719,602**	**3,596,084**	**3,525,671**	**5,175,759**
Total pension liability - beginning of year	72,826,846	69,230,762	65,705,091	60,529,332
Total pension liability - end of year	**76,546,448**	**72,826,846**	**69,230,762**	**65,705,091**
PLAN NET POSITION				
Contributions - employer	2,335,874	2,385,576	2,426,683	2,510,046
Contributions - member	941,144	891,987	845,036	793,012
Contributions - state	169,000	171,000	96,000	
Net investment income	4,837,552	7,866,281	(1,104,655)	1,993,801
Benefits paid, including refunds of employee contributions	(3,587,554)	(3,320,990)	(3,105,642)	(2,976,993)
Administrative expense	(36,684)	(44,128)	(48,340)	(48,283)
Net change in plan net position	**4,659,332**	**7,949,726**	**(890,918)**	**2,271,583**
Plan net position - beginning of year	62,114,258	54,164,532	55,055,450	52,783,867
Plan net position - end of year	**66,773,590**	**62,114,258**	**54,164,532**	**55,055,450**
Net pension liability - end of year	**$9,772,858**	**$10,712,588**	**$15,066,230**	**$10,649,641**

(in thousands of dollars)	2014	2013	2012
TOTAL PENSION LIABILITY			
Service cost	$1,519,183	$1,456,761	$1,531,094
Interest on the total pension liability	4,316,728	4,112,461	3,871,146
Difference between expected and actual experience	(320,624)	(183,253)	(212,758)
Changes of assumptions or other inputs		(3,312,815)	4,923,778
Benefits paid, including refunds of employee contributions	(2,687,540)	(2,487,369)	(2,273,071)
Net change in total pension liability	**2,827,747**	**(414,215)**	**7,840,189**
Total pension liability - beginning of year	57,701,585	58,115,800	50,275,611
Total pension liability - end of year	**60,529,332**	**57,701,585**	**58,115,800**
PLAN NET POSITION			
Contributions - employer	1,580,876	810,056	1,851,460
Contributions - member	577,466	415,641	272,420
Net investment income	8,009,980	4,833,339	115,863
Benefits paid, including refunds of employee contributions	(2,687,540)	(2,487,369)	(2,273,071)
Administrative expense	(37,641)	(37,426)	(32,839)
Net change in plan net position	**7,443,141**	**3,534,241**	**(66,167)**
Plan net position - beginning of year	45,340,726	41,806,485	41,872,652
Plan net position - end of year	**52,783,867**	**45,340,726**	**41,806,485**
Net pension liability - end of year	**$7,745,465**	**$12,360,859**	**$16,309,315**

The University's schedule of net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**
Total pension liability	$76,546,448	$72,826,846	$69,230,762	$65,705,091
Plan net position	66,773,590	62,114,258	54,164,532	55,055,450
Net pension liability	**$9,772,858**	**$10,712,588**	**$15,066,230**	**$10,649,641**
Ratio of plan net position to total pension liability	87.2%	85.3%	78.2%	83.8%
Covered payroll	$11,923,489	$11,301,506	$10,689,424	$10,047,570
Net pension liability as a percentage of covered payroll	82.0%	94.8%	140.9%	106.0%

(in thousands of dollars)	**2014**	**2013**	**2012**
Total pension liability	$60,529,332	$57,701,585	$58,115,800
Plan net position	52,783,867	45,340,726	41,806,485
Net pension liability	**$7,745,465**	**$12,360,859**	**$16,309,315**
Ratio of plan net position to total pension liability	87.2%	78.6%	71.9%
Covered payroll	$9,372,583	$8,921,077	$8,594,147
Net pension liability as a percentage of covered payroll	82.6%	138.6%	189.8%

The University's schedule of employer contributions for UCRP as of June 30 is:

(in thousands of dollars)

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarial Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$2,669,169	$2,504,874	$164,295	$11,923,489	21%
2017	2,654,710	2,556,576	98,134	11,301,506	23
2016	2,610,953	2,522,683	88,270	10,689,424	24
2015	2,664,384	2,510,046	154,338	10,047,570	25
2014	2,472,697	1,580,876	891,821	9,372,583	17
2013	2,062,022	810,056	1,251,966	8,921,077	9
2012	1,806,205	1,851,459	(45,254)	8,594,147	22
2011	1,695,137	1,677,921	17,216	8,140,629	21
2010	454	148,445	(147,991)	7,973,921	2
2009	2,657	454	2,203	7,468,809	0

Notes to Schedule

Methods and assumptions used to establish "actuarially determined contribution" rates for the campus and medical center segment of UCRP:

Valuation date	Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age actuarial cost method.
Amortization method	Level dollar, closed periods.
Remaining amortization period	19.85 years as of July 1, 2017. The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in Unfunded Actuarial Accrued Liability (UAAL) due to actuarial experience gains or losses after July 1, 2010, are separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions are separately amortized over a fixed (closed) 15-year period. Any changes in UAAL due to actuarial experience gains or losses or a change in actuarial assumptions after July 1, 2014, are separately amortized over a fixed (closed) 20-year period.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. An unrecognized return is equal to the difference between the actual and the expected return on a market value basis and is recognized over a five-year period.
Investment rate of return	7.25%, net of pension plan investment expense, including inflation.
Inflation	3.00%.
Projected salary increases	3.75% - 6.15%, includes inflation.
Cost-of-living adjustments	2.00%.
Mortality	Post-retirement Healthy: RP-2014 White Collar Healthy Annuitant Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, set forward one year.
Other assumptions	Same as those used in the July 1, 2018 funding actuarial valuation.

UC-VERIP

The University's schedule of changes in net pension liability for UC-VERIP as of June 30 is:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**
TOTAL PENSION LIABILITY				
Interest on the total pension liability	$2,042	$2,463	$2,533	$2,704
Difference between expected and actual experience	(436)	(189)	(650)	242
Changes of assumptions or other inputs				1,837
Benefits paid, including refunds of employee contributions	(4,610)	(4,738)	(4,937)	(5,081)
Net change in total pension liability	**(3,004)**	**(2,464)**	**(3,054)**	**(298)**
Total pension liability - beginning of year	32,544	35,008	38,062	38,360
Total pension liability - end of year	**29,540**	**32,544**	**35,008**	**38,062**
PLAN NET POSITION				
Net investment income	4,885	8,666	(1,425)	2,550
Benefits paid, including refunds of employee contributions	(4,610)	(4,738)	(4,937)	(5,081)
Administrative expense	(5)	(6)	(7)	(6)
Net change in plan net position	**270**	**3,922**	**(6,369)**	**(2,537)**
Plan net position - beginning of year	64,978	61,056	67,425	69,962
Plan net position - end of year	**65,248**	**64,978**	**61,056**	**67,425**
Net pension liability (asset) - end of year	**($35,708)**	**($32,434)**	**($26,048)**	**($29,363)**

(in thousands of dollars)	**2014**	**2013**	**2012**
TOTAL PENSION LIABILITY			
Interest on the total pension liability	$2,857	$3,052	$3,227
Changes of benefit terms			11,186
Difference between expected and actual experience	(436)	(241)	172
Changes of assumptions or other inputs			1,268
Benefits paid, including refunds of employee contributions	(5,169)	(5,278)	(5,369)
Net change in total pension liability	**(2,748)**	**(2,467)**	**10,484**
Total pension liability - beginning of year	41,108	43,575	33,091
Total pension liability - end of year	**38,360**	**41,108**	**43,575**
PLAN NET POSITION			
Net investment income	11,035	7,144	90
Benefits paid, including refunds of employee contributions	(5,169)	(5,278)	(5,369)
Administrative expense	(6)	(7)	(7)
Net change in plan net position	**5,860**	**1,859**	**(5,286)**
Plan net position - beginning of year	64,102	62,243	67,529
Plan net position - end of year	**69,962**	**64,102**	**62,243**
Net pension liability (asset) - end of year	**($31,602)**	**($22,994)**	**($18,668)**

The University's schedule of net pension asset for UC-VERIP as of June 30 is:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**
Total pension liability	$29,540	$32,544	$35,008	$38,062
Plan net position	65,248	64,978	61,056	67,425
Net pension asset	**($35,708)**	**($32,434)**	**($26,048)**	**($29,363)**
Ratio of plan net position to total pension liability (asset)	220.9%	199.7%	174.4%	177.1%

(in thousands of dollars)	**2014**	**2013**	**2012**
Total pension liability	$38,360	$41,108	$43,575
Plan net position	69,962	64,102	62,243
Net pension asset	**($31,602)**	**($22,994)**	**($18,668)**
Ratio of plan net position to total pension liability (asset)	182.4%	155.9%	142.8%

The University is not required to make contributions to the UC-VERIP due to its fully funded status.

CHRCO PENSION PLAN

The schedule of changes in the net pension liability for the CHRCO Pension Plan as of June 30:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**	**2014**
TOTAL PENSION LIABILITY					
Service cost	$11,304	$9,910	$10,410	$9,448	$9,274
Interest on the total pension liability	31,854	29,672	27,782	24,683	22,453
Changes of benefit terms	92	33	24	40	142
Difference between expected and actual experience	3,609	2,442	(3,690)	762	2,487
Changes of assumptions or other inputs			3,613	33,105	
Benefits paid, including refunds of employee contributions	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Net change in total pension liability	**34,057**	**30,290**	**28,630**	**59,956**	**27,362**
Total pension liability - beginning of year	450,152	419,862	391,232	331,276	303,914
Total pension liability - end of year	**484,209**	**450,152**	**419,862**	**391,232**	**331,276**
PLAN NET POSITION					
Contributions - employer	33,600	28,800	24,000	18,000	14,500
Net investment income	33,269	41,256	214	11,797	48,704
Benefits paid, including refunds of employee contributions	(12,802)	(11,767)	(9,509)	(8,082)	(6,994)
Administrative expense	(3,014)	(2,727)	(1,816)	(1,222)	(718)
Net change in plan net position	**51,053**	**55,562**	**12,889**	**20,493**	**55,492**
Plan net position - beginning of year	409,008	353,446	340,557	320,064	264,572
Plan net position - end of year	**460,061**	**409,008**	**353,446**	**340,557**	**320,064**
Net pension liability - end of year	**$24,148**	**$41,144**	**$66,416**	**$50,675**	**$11,212**

The schedule of net pension liability for the CHRCO Pension Plan as of June 30 is:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability	$484,209	$450,152	$419,862	$391,232	$331,276
Plan net position	460,061	409,008	353,446	340,557	320,064
Net pension liability	$24,148	$41,144	$66,416	$50,675	$11,212
Ratio of plan net position to total pension liability	95.0%	90.9%	84.2%	87.0%	96.6%
Covered payroll	$187,639	$184,083	$165,672	$177,986	$175,189
Net pension liability as a percentage of covered payroll	12.9%	22.4%	40.1%	28.5%	6.4%

The schedule of employer contributions for the CHRCO Pension Plan as of June 30 is:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially calculated employer contributions	$7,710	$5,642	$7,823	$12,239	$21,282
Contributions in relation to the actuarially calculated employer contribution	33,600	28,800	24,000	18,000	14,500
Annual contribution deficiency (excess)	**($25,890)**	**($23,158)**	**($16,177)**	**($5,761)**	**$6,782**
Covered payroll	$187,639	$184,083	$165,672	$177,986	$175,189
Actual contributions as a percentage of covered payroll	17.9%	15.6%	14.5%	10.1%	8.3%

Notes to schedule

Methods and assumptions used to determine contribution rates

Valuation date	Actuarially calculated contributions are calculated as of January 1 of the end of the fiscal year in which contributions are reported.
Actuarially determined contribution	The Plan is subject to funding requirements under ERISA. The contribution shown is the IRC Section 430 minimum contribution prior to offset by credit balances prorated for the number of months in the fiscal year. For the period January 1, 2014 to June 30, 2014, the amount shown does not reflect changes in the Highway and Transportation Funding Act of 2014 (HATFA). The contribution for July 1, 2014 and thereafter includes HATFA.
Contributions in relation to the actuarially determined contribution	The amount shown is equal to the contributions contributed to the Plan during the fiscal year shown.
Actuarial cost method	Unit Credit Actuarial Cost Method.
Amortization method	Level dollar, closed amortization.
Remaining amortization period	7 years for changes in unfunded liabilities that occur each valuation date.
Asset valuation method	The actuarial value of assets is equal to the two-year average of Plan asset values as of the valuation date. The two-year average is the average of the two prior years' adjusted market value of assets and the current year's market value of assets. For this purpose, the prior years' market value of assets is adjusted to reflect benefit payments, administrative expenses, contributions and expected returns for the prior years. The resulting actuarial value of assets is adjusted to be within 10% of the market value of assets at the valuation date, as required by IRC Section 430.
Inflation	3.0%.
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation.
Projected salary increases	5.0%, including inflation through 2017, 4.0% afterward.
Cost-of-living adjustments	N/A.
Mortality	Adjusted RP-2014 Mortality Table for males or females with back up base table to 2006, as appropriate, with generational adjustments for mortality improvements based on Scale MP-2016.

OCERS

The schedule of the University's proportionate share of OCERS' net pension liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
2018	0.3%	$13,822	$15	92,146.7%	37.6%
2017	0.3%	18,057	44	41,038.6%	34.5%
2016	0.3%	18,092	285	6,348.1%	34.8%

University Retiree Health Benefits Plan

The schedule of changes in the net retiree health benefits liability includes multi-year trend information about whether the net retiree health benefits liability is increasing or decreasing over time. The University's net retiree health benefits liability includes liabilities for campuses, medical centers and LBNL. The University's schedule of changes in the net retiree health benefits liability as of, and for, the year ending June 30 is:

(in thousands of dollars)	2018	2017	2016	2015
TOTAL RETIREE HEALTH BENEFIT LIABILITY				
Service cost	$835,154	$1,004,644	$830,041	$702,935
Interest on the total retiree health benefits liability	716,777	646,279	735,294	719,853
Difference between expected and actual experience	(1,173,742)	101,280	(1,948,111)	
Changes of assumptions or other inputs	(354,585)	(3,827,924)	3,925,503	1,402,476
Retiree contributions	79,849	72,716	65,705	56,340
Benefits paid	(504,745)	(467,846)	(451,166)	(435,189)
Net change in total retiree health benefits liability	**(401,292)**	**(2,470,851)**	**3,157,266**	**2,446,415**
Total retiree health benefits liability - beginning of year	19,397,138	21,867,989	18,710,723	16,264,308
Total retiree health benefits liability - end of year	**18,995,846**	**19,397,138**	**21,867,989**	**18,710,723**
PLAN NET POSITION				
University contributions	453,988	432,953	410,945	367,416
Retiree contributions	79,849	72,716	65,705	56,340
Net investment income	1,634	606	155	41
Insurance premiums	(504,745)	(467,846)	(451,166)	(435,189)
Other deductions	(3,859)	(4,256)	(3,743)	(3,147)
Net change in UCRHBT net position	**26,867**	**34,173**	**21,896**	**(14,539)**
UCRHBT net position - beginning of year	106,714	72,541	50,645	65,184
UCRHBT net position - end of year	**133,581**	**106,714**	**72,541**	**50,645**
Net retiree health benefits liability - end of year	**$18,862,265**	**$19,290,424**	**$21,795,448**	**$18,660,078**

The University's schedule of net retiree health benefits liability as of June 30 is:

(in thousands of dollars)	2018	2017	2016	2015
Total retiree health benefits liability	$18,995,846	$18,995,846	$21,867,989	$18,710,723
UCRHBT net position	133,581	133,581	72,541	50,645
Net retiree health benefits liability	**$18,862,265**	**$18,862,265**	**$21,795,448**	**$18,660,078**
Ratio of UCRHBT net position to total retiree health benefits liability	0.7%	0.7%	0.3%	0.3%
Covered payroll	$12,381,616	$11,495,997	$10,689,424	$10,047,570
Net retiree health benefits liability as a percentage of covered payroll	152.3%	164.1%	203.9%	185.7%

University of California Retiree Health Benefit Trust

The schedule of changes in the net retiree health benefits liability includes multi-year trend information about whether the trust assets are increasing or decreasing over time relative to the total retiree health benefits liability for the campuses and medical centers. UCRHBT's schedule of changes in net retiree health benefit liability as of, and for, the year ending June 30 is:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**
TOTAL RETIREE HEALTH BENEFIT LIABILITY				
Service cost	$816,483	$981,745	$806,817	$683,220
Interest on the total retiree health benefits liability	694,562	625,947	711,365	695,999
Difference between expected and actual experience	(1,149,032)	95,254	(1,875,009)	
Changes of assumptions or other inputs	(353,516)	(3,707,921)	3,798,113	1,358,761
Retiree contributions	76,873	69,968	65,705	56,340
Benefits paid	(483,479)	(447,604)	(433,849)	(418,244)
Net change in total retiree health benefits liability	**(398,109)**	**(2,382,611)**	**3,073,142**	**2,376,076**
Total retiree health benefits liability - beginning of year	18,786,101	21,168,712	18,095,570	15,719,494
Total retiree health benefits liability - end of year	**18,387,992**	**18,786,101**	**21,168,712**	**18,095,570**
PLAN NET POSITION				
University contributions	435,698	415,459	393,628	350,471
Retiree contributions	76,873	69,968	65,705	56,340
Net investment income	1,634	606	155	41
Insurance premiums	(483,479)	(447,604)	(433,849)	(418,244)
Other deductions	(3,859)	(4,256)	(3,743)	(3,147)
Net change in UCRHBT net position	**26,867**	**34,173**	**21,896**	**(14,539)**
UCRHBT net position - beginning of year	106,714	72,541	50,645	65,184
UCRHBT net position - end of year	**133,581**	**106,714**	**72,541**	**50,645**
Net retiree health benefits liability - end of year	**$18,254,411**	**$18,679,387**	**$21,096,171**	**$18,044,925**

UCRHBT's schedule of net retiree health benefits liability as of June 30 is:

(in thousands of dollars)	**2018**	**2017**	**2016**	**2015**
Total retiree health benefits liability	$18,387,992	$18,786,101	$21,168,712	$18,095,570
UCRHBT net position	133,581	106,714	72,541	50,645
Net retiree health benefits liability	**$18,254,411**	**$18,679,387**	**$21,096,171**	**$18,044,925**
Ratio of UCRHBT net position to total retiree health benefits liability	0.7%	0.6%	0.3%	0.3%
Covered payroll	$12,087,000	$11,196,485	$10,396,827	$9,758,795
Net retiree health benefits liability as a percentage of covered payroll	151.0%	166.8%	202.9%	184.9%

UNIVERSITY OF CALIFORNIA

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS

The following is a brief summary of certain provisions of the Indenture, the Loan Agreement, the Financing Trust Agreement, the Ground Lease and the Dining Facility Agreement not described elsewhere in the Official Statement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture, the Loan Agreement, the Financing Trust Agreement and the Ground Lease in their entirety to which reference is made for the detailed provisions thereof. Capitalized terms not otherwise defined in this Appendix will have the meanings set forth in the relevant document, as applicable.

Definitions Used in the Indenture and Loan Agreement

"Academic Year" means, collectively, the Fall, Winter and Spring Term administered at the University of California, Riverside.

"Accountant" means an independent certified public accountant or firm of independent certified public accountants (which may be the accountant or firm of accountants retained by the Borrower).

"Accounts" means, collectively, all of the accounts within the Funds created pursuant to the Indenture (each, an ***"Account"***).

"Act" means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California, as now in effect, and as it may from time to time hereafter be amended or supplemented.

"Additional Bonds" means any additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of the Indenture.

"Additional Loan Payments" means the Loan Payments payable by the Borrower pursuant to the Loan Agreement that are described under the subheading "Additional Loan Payments" in the Indenture.

"Additions or Alterations" means modifications, repairs, renewals, improvements, replacements, alterations, additions, enlargements, or expansions in, on, or to the Project, including any and all machinery, furnishings, and equipment therefor.

"Affiliate" means any Person (i) directly or indirectly controlling, controlled by, or under common control with the Borrower; or (ii) a majority of the members of the Directing Body of which are members of the Directing Body of the Borrower. For purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than fifty percent (50%) of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a non-profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, "***Directing Body***" means with respect to: (x) a corporation having stock, such corporation's board of directors and owners, directly or indirectly, of more than fifty percent (50%) of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation (both of which groups will be considered a Directing Body); (y) a non-profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the corporation's directors if the corporation's members do not have such discretion; or (z) any other entity, its governing body or board. For the purposes of this definition, all references to directors and members will be deemed to include all entities performing the function of directors or members however denominated. It will not mean the directors, officers, employees and/or agents of the Borrower in their private or individual capacities.

"Agreement Term" means the duration of the Loan Agreement as specified in the Loan Agreement.

"Annual Budget" means the line item operation and capital budget for the Project (excluding the Series 2018 Dining Project) for each Fiscal Year developed by the Manager and approved by the Borrower in accordance with the Loan Agreement and the Ground Lease.

"Annual Debt Service" means the amount required to pay all principal of and interest on a series of Bonds in any Fiscal Year. For purposes of calculating the Annual Debt Service on a series of Bonds the interest rate borne by which is not fixed to the maturity thereof on any date, such series Bonds will be treated as if it bears interest at the 25-year Revenue Bond Index as published by The Bond Buyer on the date of determination plus fifty-hundredths percent (0.50%) per annum.

"Annual Repair and Replacement Fund Requirement" means, with respect to the Series 2018 Housing Project, commencing on the twentieth day of the first month in the first Fiscal Year after occupancy of the Series 2018 Project, an amount each year as set forth in the Indenture, as may be adjusted.

"Assignment of Documents" means the Assignment of Documents, dated as of December 14, 2018, by the Borrower in favor of the Trustee, as the same may be amended and/or supplemented from time to time as permitted by the Indenture.

"Audit Report" means an audit report resulting from an audit conducted by an Accountant in conformity with generally accepted auditing standards prepared in accordance with GAAP.

"Authorized Borrower Representative" means any person at the time designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee, containing the specimen signature of such person and signed on behalf of the Borrower by a duly authorized officer of the sole member of the Borrower. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

"Authorized Issuer Representative" means any member of the Board of Directors of the Issuer or the Executive Director of the Issuer, or any other person designated as an Authorized Issuer Representative by a certificate signed by a member of the Board or such Executive Director and filed with the Trustee.

"Average Annual Occupancy Percentage" means the percentage derived by dividing (x) the actual number of days during such Fiscal Year that the beds in the Series 2018 Housing Project were licensed under Resident Housing Contracts (as that term is defined in the Ground Lease) multiplied by the actual number of beds licensed, by (y) the product of the actual number of days during such Academic Year multiplied by the number of beds available for licensing and for which housing payments will be payable under the applicable Resident Housing Contract during such Academic Year.

"BAM" means Build America Mutual Assurance Company, or any successor thereto.

"Base Management Fee" means any management fee paid pursuant to a Management Agreement as an Expense.

"Basic Loan Payments" means the Loan Payments payable by the Borrower to the Issuer pursuant to the Loan Agreement that are described under the subheading "Basic Loan Payments" therein.

"Bond Counsel" means Independent Counsel nationally recognized as experienced in matters relating to Tax-Exempt Bonds and reasonably acceptable to the Issuer, the Borrower, The Regents and the Trustee.

"Bond Documents" means, collectively, the Financing Trust Agreement, the Indenture, the Loan Agreement, the Dining Facility Agreement, the Dining Facility Usage Fee Assignment Agreement, the Tax Certificate, the Leasehold Deed of Trust, the Assignment of Documents, the Bond Purchase Agreement, the Indemnity Letters, the Ground Lease, the Development Agreement and the Borrower Financing Statements.

"Bond Indenture" will have the meaning set forth in the Financing Trust Agreement.

"Bond Purchase Agreement" means the Bond Purchase Agreement, among the Issuer, the Borrower, and the Representative, on behalf of the Underwriters, dated December 6, 2018.

"Bond Register" means the books for the registration of the Bonds and for the registration of the transfer of the Bonds kept and maintained by the Trustee as bond registrar.

"Bondholders," "Bondowners," or ***"Owners"*** means the Persons in whose names any of the Bonds are registered on the Bond Register.

"Bonds" means the Series 2018 Bonds and all Additional Bonds.

"Borrower" means CHF-Riverside I, L.L.C., an Alabama limited liability company whose sole member is the Foundation, and its successors and assigns.

"Borrower Documents" means the Loan Agreement, the Financing Trust Agreement, the Dining Facility Agreement, the Tax Certificate, the Leasehold Deed of Trust, the Assignment of Documents, the Bond Purchase Agreement, the Borrower Indemnity Letter, the Ground Lease, the Management Agreement, the Development Agreement and the Borrower Financing Statement(s).

"Borrower Fee" means, (a) with respect to the Series 2018 Bonds, the acquisition fee to be paid to the Foundation pursuant to the Ground Lease in the amount of $100,000.00 to compensate the Borrower for the responsibilities assigned to the Borrower under the Bond Documents to which it is a party, relating to the Series 2018 Bonds and the Series 2018 Project, and (b) with respect to any series of Additional Bonds, the meaning set forth in a supplemental indenture relating to such Additional Bonds.

"Borrower Financing Statement(s)" means the UCC-1 Financing Statement(s) filed by the Borrower.

"Borrower Indemnity Letter," with respect to the Series 2018 Bonds, means the indemnity letter dated the Closing Date for such Series of Bonds, from the Borrower to the Issuer and the Underwriters.

"Building" means those certain buildings and all other facilities and improvements constituting part of the Project and not constituting part of the Equipment that are or will be located on the Premises.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banks located in the city in which the Office of the Trustee is located are authorized by law to close and on which the New York Stock Exchange is closed.

"Capitalized Interest" means amounts derived from the proceeds of Bonds deposited in the Capitalized Interest Account of the Bond Fund to pay interest on Bonds and interest earned on such amounts to the extent that such interest earned is required to be applied to pay interest on Bonds.

"Closing Date" means, with respect to the Series 2018 Bonds, the Series 2018 Closing Date.

"Code" means the Internal Revenue Code of 1986, as amended. Reference in the Indenture to any specific provision of the Code will be deemed to include a reference to any successor provision or provisions to such provision and to any Regulations issued or proposed under or with respect to such provision or under or with respect to any predecessor provision of the Internal Revenue Code of 1954, as amended, to the extent any of the foregoing is applicable to the Bonds.

"Completion Date" means, with respect to the Series 2018 Project, the Series 2018 Completion Date.

"Construction Contracts" means, with respect to the Series 2018 Project, the contracts between the Developer, as agent for the Borrower and the general contractor or between the Borrower and the general contractor for the construction of the Series 2018 Project and the Series 2018 Offsite Elements, the contracts relating thereto between the Developer and suppliers of materials and Series 2018 Equipment or between the Borrower and suppliers of materials and Series 2018 Equipment.

"Construction Period," with respect to the Series 2018 Project, means the period between the beginning of construction thereof or the date on which Series 2018 Bonds are first delivered to the Underwriters (whichever is earlier) and the Series 2018 Completion Date.

"Consulting Architect" means the architect or architectural firm at the time employed by the Borrower and designated by written certificate furnished to the Trustee, containing the signature of such person or the signature of a partner or officer of such firm, and signed on behalf of the Borrower by the Authorized Borrower Representative. The Consulting Architect will be registered and qualified to practice under the laws of the State and will not be a full-time employee of the Issuer, The Regents or the Borrower.

"Continuing Disclosure Agreement" means, collectively, with respect to the Series 2018 Bonds, (i) that certain Continuing Disclosure Agreement, dated the date of issuance and delivery of the Series 2018 Bonds, executed and delivered by the Borrower and (ii) that certain Continuing Disclosure Agreement, dated the date of issuance and delivery of the Series 2018 Bonds, executed and delivered by The Regents, each as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs" with respect to a Project, means those costs and expenses in connection with the acquisition, construction, furnishing, and equipping of the Project and Offsite Elements permitted by the Act to be paid or reimbursed from Bond proceeds including, but not limited to, the following:

(i) (a) the cost of the preparation of Plans and Specifications (including any preliminary study or planning thereof or any aspect thereof), (b) the cost of land, acquisition and construction thereof and all construction, acquisition, and installation expenses required to provide utility services or other facilities and all real or personal properties deemed necessary in connection therewith (including development, architectural, engineering, and supervisory services with respect to any of the foregoing), (c) interest on the Bonds during the Construction Period and for such additional period as the Issuer will reasonably determine to be necessary for placing the Project and Offsite Elements in operation but not to exceed one year, and (d) any other costs and expenses relating to the acquisition, construction, and placing in service thereof;

(ii) the purchase price of the Equipment in connection therewith, including all costs incident thereto, payment for labor, services, materials, and supplies used or furnished in site improvement and in the construction thereof, including all costs incident thereto, payment for the cost of the construction, acquisition, and installation of utility services or other facilities in connection therewith, payment for all real and personal property deemed necessary in connection therewith, payment of consulting and development fees in connection therewith, and payment for the miscellaneous expenses incidental to any of the foregoing items including the premium on any surety bond;

(iii) the fees and/or out-of-pocket expenses, if any, of those providing services with respect thereto, including, but not limited to, architectural, engineering, and supervisory services;

(iv) any other costs and expenses relating thereto that are permitted by the Act, other than Issuance Costs of the Bonds; and

(v) reimbursement to the Borrower for any costs described above paid by it, whether before or after the execution of the Loan Agreement; provided, however, that reimbursement for any expenditures made prior to the execution of the Loan Agreement from the Construction Fund will only be permitted for expenditures meeting the requirements of the Regulations, including but not limited to, Section 1.150-2 of the Regulations.

"Defeasance Obligations" means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in item (ii) below), and (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

"Developer," with respect to the Series 2018 Project, means ACC SC Development (California) LP, a Delaware limited partnership organized under the laws of the State of Delaware, and its successors and assigns.

"Developer Indemnity Letter," with respect to the Series 2018 Bonds, means the indemnity letter, dated the Closing Date for such Series 2018 Bonds, from the Developer to the Issuer, the Borrower, and the Underwriters.

"Developer Reimbursements" means amounts relating to services provided in connection with delays in substantial completion for which the Developer is entitled to reimbursement pursuant to the Development Agreement.

"Development Agreement," with respect to the Series 2018 Bonds, means the Development Agreement, dated as of the Closing Date, between the Borrower and the Developer.

"Dining Facility" means that certain 830-seat dining facility located at and serving the University of California, Riverside.

"Dining Facility Agreement" means the Dining Facility Agreement, dated as of the Closing Date, by and between the Borrower and The Regents, relating to the Dining Facility.

"Dining Facility Usage Fee" means a facility usage fee as set forth in the Dining Facility Agreement.

"Dining Facility Usage Fee Assignment Agreement" means the Facility Usage Fee Assignment Agreement, dated as of December 1, 2018, between the Borrower and the Trustee, pursuant to which the Borrower will pay to the Trustee, the Dining Facility Usage Fee.

"Dining Receipts" means fees, receipts and other income in connection with its operation of or services provided through the Dining Facility.

"Distributed Management Fee" means any management fee paid pursuant to a Management Agreement that is not paid as an Expense.

"Equipment" means the equipment, machinery, furnishings, and other personal property described in the Loan Agreement, and all replacements, substitutions, and additions thereto for the Project.

"Expenses," with respect to the Project, means, for any period, the aggregate of all expenses relating thereto calculated under GAAP, including, without limitation, any Base Management Fee, the Lessee's Fee, the Borrower's Fee, any necessary expenses incurred by the Borrower in connection with the inspection of the Project, collection and payment of arbitrage rebate relating to the Bonds as required by federal law, enforcement of the obligations of other parties to documents executed in connection therewith, and the performance of any other obligations of the Borrower, Insurance Consultant or Independent Engineer under the Bond Documents directly related thereto, but excluding (i) any extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans), (ii) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate that do not constitute extraordinary expense, (iii) losses resulting from any reappraisal, revaluation, or write-down of assets, (iv) expenses relating to operation of the Dining Facility, (v) the Distributed Management Fee, (vi) Subordinated Expenses, (vii) any expenses payable from the proceeds of the Bonds and (viii) any payment of Dining Receipts.

"Extraordinary Services of the Trustee" and ***"Extraordinary Expenses of the Trustee"*** mean all services rendered and all expenses incurred by the Trustee under the Indenture, including, without limitation, reasonable counsel fees and expenses, other than Ordinary Services of the Trustee and Ordinary Expenses of the Trustee.

"Financial Consultant" means a firm of Accountants and/or professional management, marketing, housing or financial consultants reasonably acceptable to the Borrower having the skill and experience necessary to render the particular report required. Such firm(s) will not be, and no member, stockholder, director, officer, or employee of which will be, an officer or employee of the Borrower or The Regents. The reports of the Financial Consultant showing forecast financial performances may be in the form of a forecast of the management of the Borrower that is accompanied by a statement of a Financial Consultant to the effect that such Financial Consultant has reviewed the underlying assumptions and procedures used by management and that such assumptions provide a reasonable basis for the forecast of management.

"Financing Trust Agreement" means the Financing Trust Agreement, dated as of December 1, 2018, between the Master Trustee and the Borrower, as supplemented by the First Supplemental Financing Trust Agreement, dated as of December 1, 2018, between the Master Trustee and the Borrower, as the same may be amended and/or further supplemented from time to time in accordance with the provisions of such agreement.

"First Supplemental Financing Trust Agreement" means the First Supplemental Financing Trust Agreement, dated as of December 1, 2018, between the Master Trustee and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions of such agreement.

"Fiscal Year" means any period of twelve (12) consecutive months adopted by the Borrower as its fiscal year for financial reporting purposes and will initially mean the period beginning on the first day of July of each calendar year and ending on the last day of June of the immediately succeeding calendar year.

"Fitch" means Fitch Ratings, its successors and assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, ***"Fitch"*** will be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower and The Regents. Whenever rating categories of Fitch are specified in the Indenture, such categories will be irrespective of gradations within a category.

"Fixed Charges" means, for any period, the sum of all cash outflows related to the Project that the Borrower cannot avoid without violating long-term contractual or legal obligations (those obligations which extend for a period greater than one year), including, but not limited to, (i) interest on Indebtedness other than Short-Term Indebtedness, and (ii) scheduled payments of principal on Indebtedness other than Short-Term Indebtedness. ***"Fixed Charges"*** do not include (i) payments made to the Ground Lessor under the Ground Lease or principal and interest payable on any Indebtedness to the extent that such principal and interest are payable from the proceeds of such Indebtedness, or (ii) principal and interest payable on the Series 2018 Dining Bonds.

"Fixed Charges Coverage Ratio" means, for any period, the ratio of (a) Revenue Available for Fixed Charges to (b) Fixed Charges. During any Interim Period with respect to Additional Bonds, the Fixed Charges Coverage Ratio is calculated without regard to Revenues or Expenses of the Project financed with Additional Bonds.

"Foundation" means Collegiate Housing Foundation, a private non-profit corporation organized and existing under the laws of the state of Alabama, and its successors and assigns.

"Funds" means, collectively, all of the funds created pursuant to the Indenture (each, a ***"Fund"***).

"GAAP" means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting that have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented and amended.

"Government Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which when due are unconditionally guaranteed by the United States of America or any agency or instrumentality thereof and evidences of direct ownership interest in amounts payable upon any of the foregoing.

"Ground Lease" means, with respect to the Series 2018 Bonds, the Series 2018 Ground Lease, as the same has been and may be amended from time to time in accordance with the provisions thereof and the Indenture.

"Ground Lessor" means The Regents, its successors and assigns.

"Indebtedness" means (i) all indebtedness, whether or not represented by bonds, debentures, notes, or other securities, for the repayment of money borrowed by the Borrower in connection with the Project, (ii) all deferred indebtedness for the payment of the purchase price of the Premises and the Equipment, (iii) all guaranties, endorsements (other than endorsements in the ordinary course of business), assumptions, and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others in connection with the Project, (iv) all indebtedness secured by mortgage, pledge, security interest, or lien existing on the Premises that is subject to such mortgage, pledge, security interest, or lien, whether or not the indebtedness secured thereby will have been assumed, (v) all derivatives, including but not limited to credit default and total-rate-of-return swaps, and (vi) all capitalized lease obligations of the Borrower in connection with the Project; provided, however, that for the purpose of computing Indebtedness, there will be excluded any particular Indebtedness if, upon or prior to the maturity thereof, there will have been irrevocably deposited with the proper depository in trust the necessary funds (or direct obligations of the United States of America not redeemable by the issuer thereof) for the payment, redemption, or satisfaction of such Indebtedness, and thereafter such funds and such direct obligations of the United States of America so deposited will not be included in any computation of the assets of the Borrower and the income derived from such funds and such direct obligations of the United States of America so deposited will not be included in any computation of the income of the Borrower.

"Indemnity Letters" means, collectively, the Borrower Indemnity Letter and the Developer Indemnity Letter.

"Indenture" means the Indenture, dated as of December 1, 2018, by and between the Issuer and the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law in the State or any state of the United States or the District of Columbia and not in the full-time employment of the Issuer, The Regents or the Borrower.

"Independent Engineer" means any architect, engineer or firm of architects or engineers which is independent of the Issuer, The Regents and Borrower, and that is selected by the Borrower, at the cost of the Borrower, to report and be accountable solely to the Trustee for the benefit of the Bondholders for the purpose of producing monthly construction monitoring reports, passing on questions relating to the design and construction of any particular facility, and who has all licenses and certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature.

"Inspecting Engineer" means, with respect to the Series 2018 Project, the engineering firm engaged by the Ground Lessor to serve in an advisory capacity to the Ground Lessor for inspections under the Indenture and under the Loan Agreement.

"Insurance Consultant" means initially Acrisure, LLC, doing business as Pentarisk Associates of Georgia, and subsequently any Person that is not the Issuer, The Regents, or the Borrower or an Affiliate of the Issuer, The Regents or the Borrower, appointed by the Borrower, that is qualified to survey risks and to recommend insurance coverage for student housing facilities and organizations engaged in like operations as that of the Borrower in the State, and that has a favorable reputation for skill and experience in such surveys and such recommendations and who may be a broker or agent with whom the Borrower or the Issuer transacts business.

"Insured Series 2018 Bonds" means the Series 2018 Bonds maturing on May 15, 2048.

"Insured Series 2018 Bonds Security Documents" means, collectively, the Indenture, the Loan Agreement and the Financing Trust Agreement, the Leasehold Deed of Trust, the Management Agreement, the Marketing and Licensing Agreement, the Assignment of Documents, and the Ground Lease.

"Interest Payment Dates" means May 15 and November 15 of each year, commencing May 15, 2019, in the case of the Series 2018 Bonds, and the dates on which interest is scheduled to be paid, in the case of Additional Bonds (each, an ***"Interest Payment Date"***).

"Interim Period" means, with respect to a Project financed with Additional Bonds, the period beginning on the date of delivery of such Additional Bonds and ending on the Completion Date of such Project financed with Additional Bonds as set forth in the Supplemental Indenture.

"IRS" means the United States Internal Revenue Service or any successor agency or department.

"Issuance Costs" with respect to the Bonds, means:

(i) the initial or acceptance fee of the Trustee (which includes the administration fee for the first year), the fees and taxes for recording and filing the Leasehold Deed of Trust, the Assignment of Documents, the Borrower Financing Statement(s), and any title curative documents that either the Trustee or Independent Counsel may reasonably deem desirable to file for record in order to perfect or protect the title of the Borrower to the Project or the lien or security interest created or granted by the Leasehold Deed of Trust or the Assignment of Documents and the reasonable fees and expenses in connection with any actions or proceedings that either the Trustee or Independent Counsel may reasonably deem desirable to bring in order to perfect or protect the lien or security interest created or granted by the Leasehold Deed of Trust or the Assignment of Documents in connection with the issuance thereof;

(ii) the costs of legal fees and expenses, Underwriters' spread, underwriting fees, rating agency fees and other financing costs, Issuer's fees and expenses, financial advisor's fees, accounting fees and expenses, consulting fees, Trustee's fees, paying agent and certifying and authenticating agent fees, reasonable fees and expenses of counsel to the Trustee, reasonable fees and expenses of the Borrower, including the Borrower Fee, publication costs, title insurance premiums, and printing and engraving costs incurred in connection with the authorization, sale, issuance and carrying of the Bonds and the preparation of the applicable Bond Documents and all other documents in connection therewith; and

(iii) other costs in connection with the issuance of the Bonds permitted by the Act to be paid or reimbursed from Bond proceeds.

"Issuer" means the California Municipal Finance Authority, or its successors and assigns, a joint exercise of powers authority formed by the Joint Powers Agreement, pursuant to the Act.

"Issuer Annual Fee" means 1.5 basis points (0.015%) times the principal amount of the Series 2018 Bonds outstanding on the issuance date (for the initial Issuer Annual Fee) or on the first day of the month in which the anniversary of the issuance date occurs (for each subsequent Issuer Annual Fee), but not less than $500 for any such annual fee.

"Issuer Documents" means, collectively, the Indenture, the Loan Agreement, the Tax Certificate and the Bond Purchase Agreement.

"Issuer Issuance Fee," with respect to the Series 2018 Bonds, has the meaning set forth in the Indenture.

"Joint Powers Agreement" means a Joint Exercise of Powers Agreement, dated as of January 1, 2004 by and among certain California cities, counties and special districts, as may be amended from time to time.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the city of New York, New York, as its prime or base lending rate (***"Prime Rate"***) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Series 2018 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate will be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, will designate. Interest at the Late Payment Rate on any amount owing to BAM will be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Leasehold Deed of Trust" means the Series 2018 Leasehold Deed of Trust and any other leasehold deed of trust with assignment of rents and fixture filing encumbering the Premises and all improvements thereon executed by the Borrower in favor of the deed of trust trustee named therein for the benefit of the Trustee, in each case as the same may be amended and/or supplemented from time to time as permitted by the Indenture.

"Lessee's Fee" means, (a) with respect to the Series 2018 Project, the membership fee amount to be paid to the Foundation by the Manager on behalf of the Ground Lessor as an Operating Expense pursuant to the Ground Lease and (b) with respect to any Project financed with Additional Bonds, the meaning set forth in a supplemental indenture relating to such Additional Bonds.

"Liquidity Account" means the account of that name created under the Financing Trust Agreement.

"Liquidity Subaccount Loan Payments" means the Loan Payments payable by the Borrower to the Issuer pursuant to the Loan Agreement that are described under the subheading "Liquidity Subaccount Loan Payments" in the Loan Agreement.

"Loan" means the loan by the Issuer to the Borrower of the proceeds of the Bonds pursuant to the Loan Agreement.

"Loan Agreement" means the Original Loan Agreement, as the same may be amended and/or supplemented from time to time in accordance with the provisions of the Indenture, which pursuant to its terms is stated to be a Loan Agreement under the Indenture and which satisfies all of the requirements for a Loan Agreement set forth in the Financing Trust Agreement.

"Loan Payments" means the Basic Loan Payments, the Additional Loan Payments and the Liquidity Subaccount Loan Payments.

"Majority of the Bondholders" means the Owners of more than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding.

"Management Agreement" means (i) the Management Agreement, dated as of the Closing Date, between the Borrower and the Manager, as the same may be replaced, amended and/or supplemented from time to time, and (ii) any management or similar agreement between the Borrower and any successor Manager relating to the management of the Series 2018 Housing Project or any additional extension of the Project, as the same may be amended and/or supplemented from time to time; in each case the Management Agreement will specify the character of any fee to the Manager payable thereunder as an Expense or not an Expense.

"Manager" means, with respect to the Series 2018 Housing Project, ACC SC Management (California) LP, a Delaware limited partnership, or any management company or entity employed by the Borrower to manage the Series 2018 Housing Project.

"Master Trustee" means the master trustee at the time serving as such under the Financing Trust Agreement. Wilmington Trust, National Association, a national banking association, is the initial Master Trustee.

"Maximum Annual Debt Service," with respect to a series of Bonds, means the maximum Annual Debt Service thereon in the then current Fiscal Year or in any future Fiscal Year, whether at maturity or subject to mandatory sinking fund redemption.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, ***"Moody's"*** will be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower and The Regents. Whenever rating categories of Moody's are specified in the Indenture, such categories will be irrespective of gradations within a category.

"Net Proceeds," when used with respect to any insurance or condemnation award or with respect to any other recovery on a contractual claim or claim for damage to or for taking of property, means the gross proceeds from the insurance or condemnation award or recovery remaining after payment of all expenses (including reasonable attorneys' fees and any Extraordinary Expenses of the Trustee) incurred in the collection of such gross proceeds; provided, however, that gross proceeds relating to the Series 2018 Dining Project will be excluded.

"Office of the Trustee" means the principal corporate trust office of the Trustee in Birmingham, Alabama, as set forth in the Indenture, or such other location as may be designated by it to the Borrower and the Issuer in writing, or the principal corporate trust office of, or such other location as may be designated to the Borrower and the Issuer in writing by, any successor or temporary Trustee under the Indenture.

"Offsite Elements" means the Series 2018 Offsite Elements and any additional offsite elements financed with the proceeds of Additional Bonds as set forth in a supplemental indenture entered into with respect to such Additional Bonds.

"Operating Account Surplus" means the amount, if any, by which the amounts paid to the Borrower by the Trustee for deposit into the Operating Account in a Fiscal Year pursuant to the Indenture exceed the amounts paid, incurred, or accrued in respect of Operating Expenses of the Project during such Fiscal Year, such amount to be determined with reference to, and simultaneously with the delivery of, the audited financial statements delivered to the Trustee in accordance with the provisions of the Loan Agreement, as such amount may be adjusted in accordance with the provisions of the Indenture.

"Operating Expenses" means Expenses excluding (i) depreciation, amortization and other noncash expenses, (ii) fees of the Insurance Consultant and Independent Engineer and (iii) fees paid to the Issuer and the Trustee.

"Ordinary Services of the Trustee" and ***"Ordinary Expenses of the Trustee"*** mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties under the Loan Agreement of the type ordinarily performed by corporate trustees under like indentures, including, without limitation, reasonable counsel fees and expenses.

"Original Loan Agreement" means the Loan Agreement, dated as of December 1, 2018, by and between the Borrower and the Issuer.

"Outstanding Bonds" or ***"Bonds Outstanding"*** means all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except: (i) Bonds theretofore canceled or required to be canceled by the Trustee; (ii) Bonds that are deemed to have been paid in accordance with the Indenture; and (iii) Bonds in substitution for which other Bonds have been authenticated and delivered under the Indenture. If the Indenture will be discharged pursuant to its terms, no Bonds will be deemed to be Outstanding within the meaning of this definition.

"Permitted Encumbrances" means, as of any particular time:

(1) undetermined liens and charges incident to construction or maintenance now or hereafter, and liens and charges incident to construction or maintenance filed of record which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided (a) that the Borrower will have set aside reserves with respect thereto which, in the opinion of an Authorized Borrower Representative, are adequate, and (b) that no written objection has been filed by the Trustee with the Borrower not later than 30 days after a notice describing such proposed Permitted Encumbrance is given to the Trustee by the Borrower;

(2) notices of lis pendens or other notices of or liens with respect to pending actions which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided (a) that the Borrower will have set aside reserves with respect thereto which, in the opinion of an Authorized Borrower Representative, are adequate, and (b) that no written objection

has been filed by the Trustee with the Borrower not later than 30 days after a notice describing such proposed Permitted Encumbrance is given to the Trustee by the Borrower;

(3) the lien of taxes and assessments which are not delinquent, or which are being contested in good faith, provided (a) that the Borrower will have set aside reserves with respect thereto which, in the opinion of an Authorized Borrower Representative, are adequate, and (b) that non-payment of such taxes and assessments will not result in any loss of property;

(4) minor defects and irregularities in title which in the aggregate do not materially adversely affect the value or operation of the property to which such encumbrance relates for the purposes for which it is or may reasonably be expected to be used;

(5) easements, exceptions or reservations for the purpose of ingress and egress, parking, pipelines, telephone lines, telegraph lines, cable television lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which, in the reasonable judgment of the Ground Lessor, in the aggregate do not materially interfere with or impair the operation of the property to which such encumbrance relates for the purposes for which it is or may reasonably be expected to be used;

(6) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Project which do not materially impair the operation of the Project to which such encumbrance relates for the purposes for which it is or may reasonably be expected to be used;

(7) present or future valid zoning laws and ordinances;

(8) the rights of the Borrower and the Trustee (for the benefit of the holders of the Bonds) under the Bond Documents and the rights of The Regents under the Dining Facility Agreement;

(9) liens securing indebtedness for the payment, prepayment or satisfaction of which money (or evidences of indebtedness) in the necessary amount will have been deposited in trust with a trustee or other holder of such indebtedness;

(10) purchase money security interests and security interests existing on the Project prior to the time of its acquisition through purchase, merger, consolidation or otherwise, whether or not assumed by the purchaser thereof, or placed upon property being acquired to secure a portion of the purchase price thereof, or upon equipment acquired through a capital lease or installment purchase arrangement, or lessor's interests in leases required to be capitalized in accordance with generally accepted accounting principles, and security interests in property granted to secure indebtedness ("Refinancing Indebtedness") incurred to refinance indebtedness initially secured by a purchase money security interest in the Project to the extent that the initial principal amount of such Refinancing Indebtedness does not exceed the principal amount of the refinanced indebtedness that is outstanding immediately prior to such refinancing;

(11) statutory liens arising in the ordinary course of business which are not delinquent or are being contested in good faith;

(12) mortgages of or security interests in property permitted under the Bond Documents;

(13) leases, licenses and occupancy agreements permitted under the Bond Documents;

(14) other liens or encumbrances existing as of the date of initial issuance of the Bonds; and

(15) any other liens or encumbrances to which the Borrower, The Regents and the Trustee consent in writing.

"Permitted Investments" means any of the following securities to the extent permitted under State law:

(i) Defeasance Obligations;

(ii) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly the Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association (GNMA), U.S. Department of Housing & Urban Development (PHA's), Federal Housing Administration, and Federal Financing Bank;

(iii) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(A) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); and

(B) senior debt obligations of the Federal Home Loan Bank System;

(iv) dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks that: (1) have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P; (2) are insured at all times by the Federal Deposit Insurance Corporation; (3) are collateralized with direct obligations of the United States of America at one hundred percent (100%) valued daily; and (4) mature no more than three hundred sixty (360) calendar days after the date of purchase, it being understood that ratings on holding companies are not considered as the rating of the bank;

(v) commercial paper that is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and that matures not more than two hundred seventy (270) calendar days after the date of purchase;

(vi) investments in (a) money market funds subject to SEC Rule 2a-7 and rated at the highest applicable rating by S&P or Moody's and (b) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the Issuer's deposit of funds under the Indenture will not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies;

(vii) Pre-Refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), "Aaa" by Moody's and "AAA" by S&P; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(viii) general obligations of states with a short-term rating in one of the two highest rating categories and a long-term rating in one of the two highest rating categories of at least two nationally recognized rating agencies (and in the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually);

(ix) investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; and

(x) repurchase agreements with any financial institution which is rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds.

"***Person***" means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities, whether for profit or non-profit.

"***Plans and Specifications***," with respect to the Series 2018 Project and Series 2018 Offsite Elements, means the detailed plans and specifications prepared by the Consulting Architect or by architects and engineers acceptable to the Consulting Architect, as amended from time to time by the Borrower with the consent of the University, a copy of which is or will be on file with the Trustee.

"Policy" means the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Series 2018 Bonds when due.

"Premises" means, with respect to the Series 2018 Project, the land described in the Ground Lease and the Indenture, which is incorporated in the Indenture.

"Project" means the Series 2018 Project and any additional project acquired, constructed, expanded, remodeled, renovated, improved, furnished, and/or equipped with the proceeds of Additional Bonds, excluding Offsite Elements.

"Project Gross Revenues" means (i) the gross receipts and operating and non-operating revenues of the Borrower, and interest earnings thereon, derived from the ground leasing or operation of the Project, all as determined in accordance with GAAP, and interest earned on all Funds, but excluding, in any event, (ii) the sum of (a) earnings on amounts that are irrevocably deposited in escrow to achieve defeasance or similar arrangement for the payment of the principal of or interest on Indebtedness, and (b) security deposits received from student residents of the Project and held by the Borrower until such time, if any, as the Borrower will be permitted to apply such deposits to the payment of rent or to the repair and maintenance of the Project in accordance with the terms of a lease or residency agreement, (c) Dining Facility Usage Fees and (d) Dining Receipts..

"Rating Agency" means, each and collectively, Fitch, Moody's and S&P.

"Regular Record Date" means the first (1st) day of the month (whether or not such day is a Business Day) immediately preceding each Interest Payment Date.

"Regulations" means the applicable treasury regulations promulgated under the Code or under Section 103 of the Internal Revenue Code of 1954, as amended, whether at the time proposed, temporary, final, or otherwise. Reference in the Indenture to any specific provision of the Regulations will be deemed to include a reference to any successor provision or provisions to such provision.

"Representative" means Jefferies LLC, and its successors and assigns, as representative of the Underwriters pursuant to the Bond Purchase Agreement.

"Requisite Number of Bondholders" means the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

"Revenue Available for Fixed Charges" means, for any period, the excess of Revenues over Expenses (including for purposes of this calculation payments in the Repair and Replacement Fund as an Expense), plus amounts deducted in arriving at such excess of Revenues for (i) interest on Indebtedness other than Short-Term Indebtedness, (ii) depreciation, (iii) amortization and (iv) rent payable to the Ground Lessor under the Ground Lease.

"Revenues," for any period, means (i) the gross receipts and operating and non-operating revenues of the Borrower derived from the ownership or operation of the Project, all as determined in accordance with GAAP, but excluding in any event (ii) the sum of (a) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business, and (b) earnings or gains resulting from any reappraisal, revaluation, or write-up of assets, and (c) contributions from any Affiliate, and (d) earnings that constitute Capitalized Interest, and (e) security deposits received from student residents of the Project and held by the Borrower until such time, if any, as the Borrower will be permitted to apply such deposits to the payment of rent or to the repair and maintenance of the Project in accordance with the terms of a lease or residency agreement, and (f) Net Proceeds of insurance (other than business interruption insurance) and condemnation awards, and (g) earnings on amounts irrevocably deposited in escrow to pay the principal and interest on Indebtedness, and (h) Dining Facility Usage Fees and (i) Dining Receipts.

"S&P" means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, ***"S&P"*** will be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower and The Regents. Whenever rating categories of S&P are specified in the Indenture, such categories will be irrespective of gradations within a category.

"SEC" means the United States Securities and Exchange Commission.

"Security" means any of the property subject to the operation of the granting clauses contained in the Leasehold Deed of Trust, the Assignment of Documents, the Loan Agreement, the Financing Trust Agreement, the Dining Facility Usage Fee Assignment Agreement and the Indenture that is part of the Trust Estate and that serves as collateral for the Bonds excluding in any event the Dining Facility and the Dining Receipts.

"Series Pooling Subaccount" means, for each Series of Bonds, an account by that name created pursuant to a Supplemental Financing Trust Agreement for such Series of Bonds in accordance with the Financing Trust Agreement.

"Series 2018 Bonds" means the California Municipal Finance Authority Student Housing Revenue Bonds (CHF-Riverside I, L.L.C – UCR Dundee-Glasgow Student Housing Project), Series 2018, issued pursuant to the Indenture.

"Series 2018 Building" means the Series 2018 Housing Building and the Series 2018 Dining Building.

"Series 2018 Closing Date" means the date upon which the Series 2018 Bonds are issued in exchange for payment by the Underwriters.

"Series 2018 Completion Date" means the date of completion of the Series 2018 Project, as certified by the Borrower and approved by the Developer and evidenced by delivery of a temporary certificate of occupancy as provided in the Loan Agreement.

"Series 2018 Dining Bonds" means the portion of the Series 2018 Bonds allocable to the financing of the Series 2018 Dining Project, as set forth in the Indenture.

"Series 2018 Dining Building" means those certain buildings and all other facilities and improvements constituting part of the Series 2018 Dining Project and not constituting part of the Series 2018 Equipment.

"Series 2018 Dining Equipment" means the equipment, machinery, furnishings, and other personal property acquired with the proceeds of the Series 2018 Bonds in connection with the Series 2018 Dining Project and described in the Loan Agreement, and all replacements, substitutions, and additions thereto, excluding the Series 2018 Offsite Elements.

"Series 2018 Equipment" means the Series 2018 Dining Equipment and the Series 2018 Housing Equipment, and all replacements, substitutions, and additions thereto, excluding the Series 2018 Offsite Elements.

"Series 2018 Financing Trust Agreement" means the Financing Trust Agreement, dated December 1, 2018, herewith between the Master Trustee and the Borrower, as supplemented by the First Supplemental Financing Trust Agreement, dated December 1, 2018, between the Master Trustee and the Borrower.

"Series 2018 Ground Lease" means the Ground Lease Agreement, dated as of the Closing Date, between the Ground Lessor and the Borrower.

"Series 2018 Housing Bonds" means the portion of the Series 2018 Bonds allocable to the financing of the Series 2018 Housing Project, as set forth in the Indenture.

"Series 2018 Housing Building" means those certain buildings and all other facilities and improvements constituting part of the Series 2018 Housing Project and not constituting part of the Series 2018 Equipment that are or will be located on the Premises.

"Series 2018 Housing Equipment" means the equipment, machinery, furnishings, and other personal property acquired with the proceeds of the Series 2018 Bonds in connection with the Series 2018 Housing Project and described in the Loan Agreement, and all replacements, substitutions, and additions thereto, excluding the Series 2018 Offsite Elements.

"Series 2018 Leasehold Deed of Trust" means the Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of December 1, 2018, relating to the Series 2018 Bonds, encumbering the Premises and all improvements thereon including the Series 2018 Housing Building executed by the Borrower in favor of the deed of trust trustee named therein for the benefit of the Trustee.

"Series 2018 Loan" means the loan by the Issuer to the Borrower of the proceeds of the Series 2018 Bonds pursuant to the Loan Agreement.

"Series 2018 Offsite Elements" means certain landscaping, hardscaping, utility lines, access roads, loading docks and sidewalks on land owned by The Regents, but not leased to the Borrower.

"Series 2018 Project" means an approximately 820-bed student housing facility and 830-seat dining facility constructed on land owned by The Regents and leased to the Borrower.

"Series 2018 Tax Certificate" means the Tax Certificate and Agreement relating to the Series 2018 Bonds, dated as of the Closing Date, among the Issuer, the Borrower and the Foundation.

"Short-Term Indebtedness" means any Indebtedness maturing not more than three hundred sixty-five (365) days after it is incurred or that is payable on demand, except for any such Indebtedness that is renewable or extendable at the sole option of the debtor to a date more than three hundred sixty-five (365) days after it is incurred, or any such Indebtedness that, although payable within three hundred sixty-five (365) days, constitutes payments required to be made on account of Indebtedness expressed to mature more than three hundred sixty-five (365) days after it was incurred.

"State" means the State of California.

"Student Housing Facility" means the student housing facility consisting of approximately 820 beds in an approximately 398-unit student apartment complex, located at and serving the University of California, Riverside.

"Subordinated Expenses" means the Developer Reimbursements.

"Tax Certificate" means, with respect to the Series 2018 Bonds, the Series 2018 Tax Certificate.

"Tax-Exempt Bonds" means any Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes.

"The Regents" means The Regents of the University of California.

"Trust Estate" means any and all property subject to the operation of the granting clauses of the Indenture.

"UCR Bonds Pooling Subaccount" means the subaccount by that name created under the Financing Trust Agreement**.**

"UCR Bonds Redemption Subaccount" means the subaccount by that name created under the Financing Trust Agreement.

"UCR Series 2018 Bonds Pooling Subaccount" means the subaccount of the UCR Bonds Pooling Subaccount by that name created under the Financing Trust Agreement.

"UCR Series 2018 Bonds Redemption Subaccount" means the subaccount by that name created under the Financing Trust Agreement.

"Unassigned Rights" means all of the rights of the Issuer to receive reimbursements and payments pursuant to the Loan Agreement, to be held harmless and indemnified pursuant thereof, to execute and deliver supplements to and amendments of the Loan Agreement pursuant thereof, to enforce venue provisions pursuant thereof, and to receive notices pursuant thereof.

"Underwriters" means the Representative and the underwriters designated as such in the Bond Purchase Agreement.

"University" means the University of California, Riverside in Riverside, California.

"Value" means (i) with respect to securities, means (A) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination, or (B) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (ii) with respect to certificates of deposit and bankers' acceptances, means the face amount thereof, plus accrued interest; and (iii) with respect to any investment not specified above, means the value thereof established by prior agreement between the Borrower and the Trustee.

THE INDENTURE

Limited Obligation

None of the Issuer, any Issuer member or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Issuer, payable solely from the Security, including the revenues and receipts derived from or in connection with the Series 2018 Project, including all moneys received under the Loan Agreement, which are required to be set apart and transferred to the Bond Fund and the Redemption Fund, which revenues and receipts (except for the Unassigned Rights) are specifically pledged and assigned to the Trustee for the equal and ratable payment of the Bonds and will be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Indenture. Neither the Issuer, its members, the State of California, any of its political subdivisions, or The Regents of the University of California will be directly, indirectly, contingently or morally obligated to use any other moneys or assets to pay all or any portion of the debt service due on the Bonds, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Bonds are not a pledge of the faith and credit of the Issuer, its members, the State of California, any of its political subdivisions or The Regents of the University of California nor do they constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The Issuer has no taxing power.

The Issuer will not be liable for payment of the principal of, Redemption Price or interest on the Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Indenture, the Bonds or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement

Tax Covenants

(a) The Issuer will not use or permit the use of any proceeds of Series 2018 Bonds or any funds of the Issuer, directly or indirectly, to acquire any securities or obligations, nor take or permit to be taken any other action or actions, which would cause any Series 2018 Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, "private activity bond" within the meaning of Section 141(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder. The Issuer will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Issuer will comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds. In the event that at any time the Issuer is of the opinion that for purposes of this section it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Issuer will so instruct the Trustee under the Indenture in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

(b) The Issuer and the Trustee (as directed by the Issuer) specifically covenant to comply with the provisions and procedures of the Series 2018 Tax Certificate.

(c) The Issuer will not use or permit the use of any proceeds of the Series 2018 Bonds or any funds of the Issuer, directly or indirectly, in any manner, nor take or omit to take any action, that would cause any of the Series 2018 Bonds to be treated as an obligation not described in Section 103(a) of the Code.

(d) Notwithstanding any provisions of this section if the Issuer will provide to the Trustee an Opinion of Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee and the Issuer may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding the article of the Indenture with respect to amendment of Indenture, the covenants under the Indenture will be deemed to be modified to that extent.

Terms Relating to The Regents

Unless otherwise agreed to in writing by The Regents, the terms and conditions set forth in this section will be in effect so long as any of the Series 2018 Bonds are Outstanding.

Notice of Redemption or Defeasance. The Trustee will promptly provide notice to The Regents of any redemption or defeasance of the Series 2018 Bonds.

Amendments of the Series 2018 Bonds or Amendments or Supplements to the Indenture. Any amendments of the Series 2018 Bonds or amendments or supplements to the Indenture will also require the prior written consent of The Regents.

Change in Trustee. Any appointment of a successor Trustee under the Indenture will require the prior written consent of The Regents.

Notices to be Sent to The Regents. The Regents will receive notice upon the occurrence of certain events, to be provided in writing and sent as provided in the Indenture.

Limitations on Arrangements to Tender or Purchase the Series 2018 Bonds. The Trustee will not enter into any agreement nor will it consent to or participate in any arrangement pursuant to which the Series 2018 Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of the Series 2018 Bonds.

No Acceleration. As long as The Regents is obligated to pay Dining Facility Usage Fees, there will be no acceleration of the Series 2018 Bonds upon the occurrence of an Event of Default without the prior written consent of The Regents.

The Regents as a Third Party Beneficiary. The Regents is a third party beneficiary under the Indenture.

Rights Under Certain Documents

The Bond Documents, duly executed counterparts of which have been filed with the Trustee, set forth the covenants and obligations of the Issuer and the Borrower, including provisions that subsequent to the initial issuance of the Series 2018 Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Bond Documents may not be effectively amended, changed, modified, altered, or terminated (other than as provided in the Indenture) without the written consent of the Trustee, and reference is made to the Bond Documents for a detailed statement of said covenants and obligations of the Borrower thereunder, and the Trustee may enforce all rights of the Issuer, except the Unassigned Rights, and all obligations of the Borrower under and pursuant to the Bond Documents, and may enforce all rights of the Issuer, except the Unassigned Rights, for and on behalf of the Bondholders, whether or not the Issuer is in default under the Indenture.

Notwithstanding anything to the contrary set forth in the Indenture or any of the other Bond Documents (other than the Financing Trust Agreement), the Financing Trust Agreement may be amended from time to time in accordance with its terms.

So long as any of the Bonds remains Outstanding, and for such longer period when required by the Loan Agreement, the Issuer will faithfully and punctually perform and observe all obligations and undertakings on its part to be performed and observed under the Issuer Documents. The Issuer covenants to maintain, at all times, the validity and effectiveness of the Borrower Documents to which it is a party or in respect of which it is a beneficiary, and (except as expressly permitted by the Loan Agreement) will take no action, will permit no action to be taken by others, and will not omit to take any action or permit others to omit to take any action, which action or omission might release the Borrower from its liabilities or obligations thereunder, or result in the surrender, termination, amendment, or modification of, or impair the validity thereof.

The Issuer covenants to enforce diligently all covenants, undertakings, and obligations of the Borrower under the Borrower Documents to which it is a party or in respect of which it is a beneficiary, and the Issuer authorizes and directs the Trustee to enforce any and all of the Issuer's rights thereunder on behalf of the Issuer and the Owners of the Bonds.

Funds and Accounts

Revenue Fund. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Revenue Fund" into which the Borrower has agreed to deposit or cause to be deposited the Project Gross Revenues on a weekly basis including any amounts required to be deposited therein pursuant to the Development Agreement; provided, however, the Borrower will require the Manager under the Management Agreement to deposit with the Trustee such received Project Gross Revenues on a daily basis during any period that the deposits in the Temporary Deposit Account (as defined in the Management Agreement) exceed $100,000. The amounts so transferred and deposited into the Revenue Fund maintained by the Trustee will be disbursed by the Trustee each month or at such other times described below in the following order:

(a) there will be transferred to the Bond Fund:

(i) on or before January 20, 2019, a sum equal to one-fourth (1/4th) of the amount payable as interest on the Series 2018 Housing Bonds on May 15, 2019, and thereafter on or before the twentieth (20th) day of each month, a sum equal to one-sixth (1/6th) of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2018 Housing Bonds, or in each case, such lesser amount that, together with amounts already on deposit in the Bond Fund and amounts to be transferred from the Capitalized Interest Fund pursuant to the Indenture on such Interest Payment Date, will be sufficient to cause amounts in the Bond Fund to be sufficient to pay interest on the Series 2018 Housing Bonds to become due on May 15, 2019 and such immediately succeeding Interest Payment Date;

(ii) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of interest on such Additional Bonds;

(iii) on or before May 20, 2021, and on or before the twentieth (20th) day of each month thereafter, a sum equal to (A) one-twelfth (1/12th) of the principal due on the immediately succeeding May 15 that is a maturity date of the Series 2018 Housing Bonds; and (B) one-twelfth (1/12th) of the amount required to retire Series 2018 Housing Bonds under the mandatory sinking fund redemption requirements of the Indenture on the immediately succeeding May 15, to cause the amount in the Bond Fund to be sufficient to pay such amounts as provided in the Indenture, as the case may be;

(iv) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of the principal of such Additional Bonds (whether at maturity or under any mandatory sinking fund or other similar redemption requirements of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds); and

(v) on the Business Day prior to any date on which the Series 2018 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant to the Indenture), an amount equal to the principal of, and premium, if any, and interest on, the Series 2018 Housing Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Series 2018 Housing Bonds to be redeemed);

(vi) on the Business Day prior to any date on which any Additional Bonds are to be redeemed pursuant to the mandatory redemption provisions of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds (other than mandatory sinking fund redemption or other similar redemption pursuant to such supplemental indenture or indentures), an amount equal to the principal of, and premium, if any, and interest on, such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Additional Bonds to be redeemed);

(b) there will be transferred to the Rebate Fund the amount the Borrower is obligated to pay pursuant to the Indenture in accordance with the Tax Certificate;

(c) there will be paid to the Issuer (as certified in writing to the Trustee by the Issuer) and the Trustee any amounts owed as Additional Loan Payments pursuant to the Loan Agreement;

(d) there will be paid to the Trustee: (i) on an annual basis, the annual fee of the Trustee for the Ordinary Services of the Trustee payable each year, plus the Ordinary Expenses of the Trustee incurred under the Indenture and under the other Bond Documents, as and when the same becomes due; (ii) except as included in clause (i) above, the reasonable fees and charges of any paying agents on the Bonds for acting as paying agents as provided in the Indenture, payable as and when the same becomes due; and (iii) the reasonable fees and charges of the Trustee for the

Extraordinary Services of the Trustee rendered by it and the Extraordinary Expenses of the Trustee incurred by it under the Indenture and under the other Bond Documents, as and when the same becomes due; provided, that the Borrower may, without creating an Event of Default under the Indenture, contest in good faith the reasonableness of any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses;

(e) there will be paid to the Issuer (as certified in writing to the Trustee by the Issuer) on the twentieth day of each month (or the immediately succeeding Business Day if the twentieth day of a month is not a Business Day), an amount sufficient to reimburse the Issuer for all unpaid fees and expenses reasonably incurred by the Issuer under the Loan Agreement in connection with the Project, including, but not limited to, the reasonable fees and expenses of counsel for the Issuer and Bond Counsel;

(f) there will be paid to the Manager on the twentieth day of each month (or the immediately succeeding Business Day if the twentieth day of a month is not a Business Day) for deposit into the Operating Account an amount, equal to the lesser of (i) the greater of (A) the amount budgeted in the Annual Budget for Operating Expenses of the Project for the immediately succeeding month and (B) any amount necessary to meet the minimum balance requirement, which for purposes of the Indenture will be an amount equal to 10% of the Operating Expenses shown in the then current Annual Budget or (ii) the excess, if any, of (A) the amount budgeted in the Annual Budget for Expenses for the then current Fiscal Year over (B) the amount theretofore deposited into the Operating Account pursuant to this subsection (e) for the then current Fiscal Year; provided, however, if, during any Fiscal Year, it will be determined that an Operating Account Surplus will have been created with respect to the immediately preceding Fiscal Year, such payment to the Borrower will be reduced by the amount of such Operating Account Surplus, if any, and the amount of the Operating Account Surplus, if any, will then be adjusted by the amount of such reduction;

(g) on the dates set forth in any Supplemental Financing Trust Agreement executed in connection with the issuance of Additional Bonds, there will be transferred to the applicable Series Pooling Subaccount the amount required pursuant to the Supplemental Financing Trust Agreement in order to cause the amount on deposit in the Liquidity Pooling Subaccount to increase from the Initial Liquidity Account Requirement to the Liquidity Subaccount Requirement;

(h) there will be transferred to the Repair and Replacement Fund, commencing on the twentieth day of the first month in the first Fiscal Year after occupancy of the Series 2018 Project, and on the twentieth day of each month thereafter in an amount in equal monthly installments, an amount equal to one-twelfth (1/12) of the Annual Repair and Replacement Fund Requirement;

(i) there will be transferred to the Distributed Management Fee Fund, commencing on the 20th day of the first month following initial occupancy of the Student Housing Facility, an amount equal to the monthly amount required to be set aside to pay the Distributed Management Fee for the then current Fiscal Year pursuant to the Management Agreement, and any Deferred Distributed Management Fee (as defined in the Management Agreement), together with interest thereon;

(j) there will be transferred to the UCR Series 2018 Bonds Pooling Subaccount any amount required to be paid by the Borrower pursuant to the provision of the Loan Agreement described below under "Loan Payments and Other Amounts Payable – *Liquidity Subaccount Loan Payments*," and to any other applicable UCR Bonds Pooling Subaccount any amount required to be paid by the Borrower pursuant to a corresponding provision in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds;

(k) there will be paid to the Independent Engineer and the Insurance Consultant their fees for services rendered as Additional Loan Payments pursuant to the Loan Agreement as will be set forth in a written direction of an Authorized Borrower Representative filed with the Trustee; and

(l) on the last Business Day of each month any remaining amounts will be transferred to the Operations Contingency Fund.

Bond Fund. (a) There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Bond Fund." In connection with the issuance of the Series 2018 Bonds, there is also created by the Issuer and ordered established with the Trustee subaccounts designated the "2018 Account" and the "2018 Dining Facility Account." There will be deposited into the Bond Fund (1) to the 2018 Account of the Bond Fund, from the Revenue Fund amounts described above, (2) to the 2018 Dining Facility Account, all Dining Facility Usage Fees, when received by the Trustee under the Dining Facility Agreement to pay debt service on the Series 2018 Dining Bonds or to redeem the Series 2018 Dining Bonds pursuant to the Indenture and (3) all other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement and the Indenture when accompanied by written directions from the Borrower that such moneys are to be paid into the Bond Fund. Except as otherwise provided in the Indenture, moneys in the Bond Fund will be used solely to pay the principal of, and premium, if any, and interest on the Bonds. Not later than 1:00 p.m., New York time, on any date principal of, or premium or interest on any Bond is due (other than principal of Bonds to be paid from moneys in the Redemption Fund pursuant to the Indenture), the Trustee will withdraw moneys from the Bond Fund sufficient to make such payment and will make such payment to the Owner of such Bond entitled thereto.

(b) There is created by the Issuer and ordered established with the Trustee an account within the Bond Fund, to be designated the "Capitalized Interest Account." In connection with the issuance of the Series 2018 Bonds, there is also created by the Issuer and ordered established with the Trustee a subaccount designated the "2018 Subaccount."

(c) There will be deposited into the Capitalized Interest Account the amounts set forth in the Indenture.

(d) Upon the occurrence of an Event of Default, the Trustee may use moneys in the Bond Fund to pay the fees and expenses of the Trustee and to deposit amounts to the Rebate Fund pursuant to the Indenture prior to the making of any payments to the Bondholders. Except as provided in the article of the Indenture with respect to redemption or any corresponding article in an indenture supplemental to the Indenture, no part of Basic Loan Payments in the Bond Fund will be used to redeem, prior to maturity, a part of the Bonds Outstanding; provided, that whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds Outstanding under the Indenture, to pay interest to accrue thereon to such redemption date and to pay all costs and expenses accrued and to accrue to such redemption date, if so directed by the Borrower pursuant to the Loan Agreement, the Issuer covenants and agrees to take and cause to be taken the necessary steps to redeem all of said Bonds on the immediately succeeding redemption date for which the required redemption notice may be given.

(e) The Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of, interest, and premium, if any, on the Bonds as the same become due and payable and to make said funds so withdrawn available to the paying agent or agents, if any, for the purpose of paying said principal, interest, and premium, if any, which authorization and direction the Trustee accepts.

(f) If on any Interest Payment Date there are insufficient funds in the Bond Fund with which to pay interest on, premium (if any) for and principal of the Bonds, the Trustee will transfer money to the Bond Fund from the following funds in the following order of priority (and in each case only to the extent necessary to pay such amounts on such date): first, the Surplus Fund, second, the Operations Contingency Fund, third, the Repair and Replacement Fund, and fourth, the funds available to the Trustee under the Financing Trust Agreement.

Redemption Fund. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Redemption Fund." Within the Redemption Fund, there is created by the Issuer and ordered established a separate account designated as the "2018 Account." There will be deposited into the Redemption Fund all moneys required to be transferred thereto or deposited therein pursuant to the Indenture, Loan Agreement. Moneys in the Redemption Fund will be used only to pay the principal of Bonds or that portion of the purchase price of Bonds corresponding to principal in the manner specified in the Indenture.

When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, the balance of the Repair and Replacement Fund, and the amount, if any, available to be paid to the Trustee for the Bonds under the Financing Trust Agreement, and (ii) all other amounts owed under the Loan Agreement and the Indenture will have been paid, moneys held in the Redemption Fund may be deposited into the Bond Fund and credited against payments of Loan Payments required under the Loan Agreement.

Issuance Cost Fund. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Issuance Cost Fund," which will be used as a fund to pay Issuance Costs. Within the Issuance Cost Fund, there is created by the Issuer and ordered established a separate account designated as the "2018 Account." There will be deposited into the Issuance Cost Fund, the amounts specified in the Indenture. If any funds remain in the Issuance Cost Fund after payment of all Issuance Costs, upon the earlier of: (i) receipt of a certificate of the Borrower stating that all Issuance Costs have been paid or (ii) 180 days from the Series 2018 Closing Date, the Trustee will transfer any funds remaining in the Issuance Cost Fund to the 2018 Account of the Construction Fund (as referred to in the Indenture).

Construction Fund. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Construction Fund." Within the Construction Fund, there is created by the Issuer and ordered established a separate account designated as the "2018 Account." The Trustee will deposit into the Construction Fund as and when received by the Trustee any moneys paid to the Trustee under the Loan Agreement or the Indenture for credit or transfer to the Construction Fund. Moneys in the 2018 Account of the Construction Fund will be expended for Costs of the Series 2018 Project (and Series 2018 Offsite Elements) in accordance with the provisions of the Loan Agreement. Moneys in the Construction Fund will be disbursed upon receipt of a requisition for payment. The Trustee is authorized and directed to issue its checks for each disbursement required by the Loan Agreement. In the event that funds in the Construction Fund are not sufficient for the payment of Costs of the Project in full, the Trustee, upon the written request of an Authorized Borrower Representative approved by the Ground Lessor, transfer the amount of such deficiency from any of the following Funds: Operations Contingency Fund, the Repair and Replacement Fund and/or the Surplus Fund.

Liquidity Account under the Financing Trust Agreement. There has been created pursuant to the Financing Trust Agreement a Liquidity Account and a UCR Bonds Pooling Subaccount and a UCR Bonds Redemption Subaccount therein, which will be used for the purposes set forth in the Financing Trust Agreement, including making payments of principal and interest and redemption premiums, if any, on the Bonds to the extent that insufficient funds are on deposit in the Bond Fund or the other Funds described in paragraph (g) under the subheading "Bond Fund" above for such purposes.

There will be transferred to the Master Trustee for deposit into the UCR Bonds Pooling Subaccount any funds paid to the Trustee under the Loan Agreement or the Indenture for credit or transfer to the applicable UCR Bonds Pooling Subaccount. If the Borrower has exercised its option or is obligated to prepay the Loan in whole and not in part pursuant to the terms of the Loan Agreement, and has paid the sums as provided therein, the funds then in the respective UCR Bonds Pooling Subaccount and the UCR Bonds Redemption Subaccount within the Liquidity Account, subject to the provisions of the Financing Trust Agreement, may be transferred from the Master Trustee to the Trustee for deposit into the Bond Fund or Redemption Fund, at the direction of the Borrower, or otherwise returned to the Borrower, provided the Borrower delivers to the Trustee a Favorable Opinion of Bond Counsel. If the Trustee will receive written notice from the Master Trustee of any diminution in Value or net losses from the investment of funds in the UCR Bonds Pooling Subaccount that reduce the amount deposited therein or credited thereto to less than the respective Liquidity Subaccount Requirement as determined in accordance with the Financing Trust Agreement, the Trustee will send notice of such deficit to the Borrower. If the Trustee sends notice to the Borrower pursuant to the preceding sentence, the Borrower will make payments sufficient to restore the respective UCR Bonds Pooling Subaccount to an amount equal to the Liquidity Subaccount Requirement in accordance with the Loan Agreement.

The Issuer authorizes and directs the Trustee to request the Master Trustee to withdraw funds from the respective UCR Bonds Pooling Subaccount pursuant to the Financing Trust Agreement to pay the principal of, and interest and premium, if any, on the Bonds to the extent that there are insufficient funds in the Bond Fund and the other Funds described in paragraph (g) under the subheading "Bond Fund" above therefor on the date such interest, principal, and premium, if any, is due, which authorization and direction the Trustee accepts.

If, as a result of the valuation of the investments held in the UCR Bonds Pooling Subaccount the balance therein is greater than the amount required to be on deposit therein pursuant to the Financing Trust Agreement, any such amounts that are released from such subaccount will be applied in accordance with the Financing Trust Agreement.

Insurance and Condemnation Funds. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Insurance Fund," a trust fund to be designated the "Condemnation Fund," and, within each of such Funds, a Series 2018 Account, all of which will be opened only if funds are required to be deposited therein as provided in the Loan Agreement. Notwithstanding anything to the contrary in the Indenture, any amounts required to be deposited in the Insurance Fund or in the Condemnation Fund in accordance with the Loan Agreement will be deposited in the applicable Account thereof, and, prior to the occurrence of an Event of Default, any amounts in an Account of the Insurance Fund or the Condemnation Fund may be used only to restore that portion of the Project (except the Series 2018 Dining Project) in respect of which such Account was established, to acquire land and/or improvements in substitution for that portion of the Project (except the Series 2018 Dining Project) in respect of which such Account was established, or to make payments on the series of Bonds (except the Series 2018 Dining Bonds) in respect of which such Account was established.

Operations Contingency Fund. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Operations Contingency Fund" into which will be transferred moneys remaining in the Revenue Fund after the disbursements described in the section of the Indenture titled "Revenue Fund."

Moneys on deposit in the Operations Contingency Fund may be used at any time to make deposits required to be made pursuant to subsections (a) to (k) under the subheading "Revenue Fund" above.

Subject to the immediately preceding paragraph, all amounts remaining in the Operations Contingency Fund on the last day of each Fiscal Year will be applied to pay Subordinated Expenses then outstanding to the extent available and the balance thereafter, if any, will be transferred to the Surplus Fund.

Surplus Fund. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Surplus Fund." There will be deposited therein amounts from the Operations Contingency Fund as set forth in the Indenture.

Commencing twelve (12) months after the Series 2018 Completion Date, if (i) there is then no uncured Event of Default, and (ii) the most recent audited financial statements filed with the Trustee pursuant to the Loan Agreement show a Fixed Charges Coverage Ratio of at least 1.2:1.0, then, amounts held in the Surplus Fund may be applied in accordance with a written requisition of the Borrower, approved by the Ground Lessor and filed with the Trustee for any of the following purposes: (i) to pay Ground Rent; and (ii) to the Ground Lessor for any lawful purpose.

Until such time as the foregoing release test in paragraph above is satisfied, the Issuer authorizes and directs the Trustee to transfer funds from the Surplus Fund to the Revenue Fund for all purposes set forth in the Indenture under the heading "Revenue Fund." The Trustee will give written notice to the Borrower, the Issuer and the Ground Lessor of any transfer pursuant to this paragraph.

Repair and Replacement Fund. There is created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Repair and Replacement Fund," which will be used solely for the purposes set forth in this section. The Trustee will deposit into the Repair and Replacement Fund as and when received by the Trustee any moneys paid to the Issuer under the Loan Agreement and the Indenture for credit or transfer to the Repair and Replacement Fund in order to establish or maintain the Repair and Replacement Fund.

The Issuer authorizes and directs the Trustee to withdraw funds from the Repair and Replacement Fund to pay (i) the budgeted maintenance and repair costs related to the Project (excluding the Series 2018 Dining Project), and (ii) the principal of, premium, if any, and interest on the Bonds pursuant to the Indenture.

When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, the balance of the Repair and Replacement Fund and the balance, if any, available to the Trustee pursuant to the Financing Trust Agreement, and (ii) all other amounts owed under the Loan Agreement and the Indenture will have been paid, moneys held in the

Repair and Replacement Fund may be deposited into the Bond Fund and credited against payments of Loan Payments required under the Loan Agreement.

Rebate Fund and Rebate Requirements. A special Rebate Fund is established by the Issuer. Such fund will be for the sole benefit of the United States of America and will not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the purpose of complying with Section 148 of the Code and the Treasury Regulations promulgated pursuant thereto.

Distributed Management Fee Fund. The Trustee will apply amounts on deposit in the Distributed Management Fee Fund in accordance with the Indenture and the Management Agreement, including all or any portion of the Distributed Management Fee previously deposited but not paid (whether for the current Fiscal Year or prior Fiscal Years), and any interest thereon, subject to the Management Agreement.

Moneys to be Held in Trust

All moneys required to be deposited with or paid to the Trustee for the account of the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operations Contingency Fund, the Distributed Management Fee Fund, the Working Capital and Marketing Fund, the Surplus Fund, or any other trust fund or reserve under any provision of the Indenture, exclusive of the Dining Receipts, will be held by the Trustee in trust and will, while held by the Trustee, constitute part of the Trust Estate and be subject to the trust created by the Indenture and any lien or security interest granted with respect to the Trust Estate and will be and remain entitled to the benefit and will be subject to the security of the Indenture for the benefit of the Owners of the Bonds. The Trustee covenants that all moneys held in any fund under the Indenture and any collateral securing such funds, exclusive of the Dining Receipts, are a part of the Trust Estate, and that the rights and interests of the Bondholders in and to such moneys and collateral are and, subject to the provisions of the Indenture with respect to the payment of the fees and expenses of the Trustee, will be superior to the claims of the creditors and depositors of the Trustee.

Investment of Funds and Accounts

Subject to the article of the Indenture concerning discharge of liens, any moneys held as part of the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Working Capital and Marketing Fund, the Operations Contingency Fund, the Distributed Management Fee Fund, the Surplus Fund, reserves in connection with contested liens, or other special trust funds created under the Indenture, or other accounts or funds held by the Trustee, to the extent permitted by law will be invested and reinvested by the Trustee, at the written direction of and as specified by the Authorized Borrower Representative in accordance with the investment provisions of the Loan Agreement. In the absence of written investment instructions from the Authorized Borrower Representative, any moneys in such funds will be invested in investments of the type described in clause (vi) of the definition of Permitted Investments. Any such investments will be held by or under the control of the Trustee and will be deemed at all times a part of the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Distributed Management Fee Fund, the Operations Contingency Fund, the Surplus Fund, reserve, other special trust fund, or other account or fund, as the case may be, and the interest accruing thereon and any profit realized from such investments will be credited as set forth in the Indenture, and any loss resulting from such investments will be charged to such fund. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient for the uses prescribed for moneys held in such fund or account.

Release of Indenture

When (i) if the Bonds or a series of Bonds will have become due and payable in accordance with the terms thereof or otherwise as provided in the Indenture, the whole amount of the principal and the interest and premium, if any, so due and payable on all such Bonds or a portion thereof is paid, and (ii) if the Bonds or a series of Bonds will not have become due and payable in accordance with the terms thereof, the Trustee holds sufficient Government Obligations, cash, or a combination of both, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all such Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof and the Issuer causes to be delivered to the Trustee a verification or other appropriate report to such effect issued by a nationally recognized firm of certified public accountants, and (iii) if such Bonds are to be called for redemption, irrevocable instructions to call such Bonds for redemption have been given by the Issuer to the Trustee and (iv) sufficient funds have also been provided or provision made for paying all other obligations payable under the Indenture with respect thereto by the Issuer, then and in that case the right, title, and interest of the Trustee in the Funds and Accounts, if any, established with respect to such Bonds or series of Bonds or a portion thereof will then cease, determine, and become void and, on demand of the Issuer and on being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Indenture or that portion of the Trust Estate relating to such series of Bonds or a portion thereof will have been satisfied, the Trustee will release the Indenture or that portion of the Trust Estate relating to such series of Bonds and will execute such documents to evidence such release as may be reasonably required by the Issuer and will transfer to the Borrower any surplus in, and all balances remaining in, all such Funds and Accounts.

In addition, whenever Bonds are to be defeased pursuant to the Indenture, the Trustee will have received the following:

(i) in the event that the Bonds are issued in connection with a refunding, an escrow agreement that will provide the following:

(A) any substitution of securities will require a verification report prepared and furnished by a certified public accountant; and

(B) the Borrower will not exercise any optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition of any such redemption there will be provided to the Trustee a verification report prepared and furnished by a certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption;

(ii) in the event that the Bonds are issued in connection with a refunding, an opinion of counsel regarding the validity and enforceability of the escrow agreement;

(iii) in the event that the Bonds are issued in connection with a refunding, a verification report prepared and furnished by a certified public accountant; and

(iv) in the event that the Bonds are issued in connection with a refunding, an opinion of counsel that (A) the escrow deposit will not constitute a voidable preference or transfer under the Federal Bankruptcy Code or any other similar state or federal statute in the event the Borrower becomes a debtor within the meaning of the Federal Bankruptcy Code or comes within the protection of such similar state or federal statute ("Insolvency Event"), and (B) in such Insolvency Event, the escrow deposit will not be treated as part of the estate of the Borrower.

Events of Default

Each of the following events is declared an Event of Default under the Indenture:

(a) payment of any installment of interest on any Bond will not be made by or on behalf of the Issuer when the same becomes due and payable; or

(b) payment of the principal of or the redemption premium, if any, on any Bond will not be made by or on behalf of the Issuer when the same becomes due and payable, whether at maturity or by proceedings for redemption or pursuant to a Sinking Fund Requirement or otherwise; or

(c) the failure to perform in a punctual manner any other of the covenants, conditions, agreements, or provisions contained in the Indenture or any agreement supplemental to the Indenture or thereto and the continuation of such failure for thirty (30) days after receipt by the Issuer of a written notice from the Trustee specifying such default and requiring the same to be remedied, provided, however, that if such performance requires work to be done, action to be taken, or conditions to be remedied, that by their nature cannot reasonably be done, taken or remedied, as the case may be, within such thirty (30) day period or other period, no Event of Default will be deemed to have occurred or to exist if, and so long as, the Issuer (or the Borrower, The Regents or the Manager on behalf of the Issuer) will begin such performance within such period and will diligently and continuously prosecute the same to completion; or

(d) subject to the terms of the final paragraph under the heading "Events of Default Defined" in the summary of the Loan Agreement below, an "Event of Default" will have occurred and be continuing after expiration of any notice and cure period under any of the Borrower Documents other than the Financing Trust Agreement or the Continuing Disclosure Agreement.

Acceleration of Maturities

Subject to the terms set forth in the Indenture under the heading "Terms Relating to The Regents," on the happening and continuance of any Event of Default, the Trustee may, and at the written request of the Requisite Number of Bondholders will, by notice in writing to the Issuer, the Borrower, and the Trustee, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and on such declaration the same will become and be immediately due and payable. Upon such declaration, interest on the Bonds will cease to accrue, and the Trustee will promptly notify the Owners of the Bonds of such declaration and that interest on the Bonds will have ceased to accrue on and as of the date of such declaration. If at any time after the principal of Bonds will have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action, or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under the Indenture, money will have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, on all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date), and the charges, compensations, expenses, disbursements, advances, and liabilities of the Trustee and all other amounts then payable by the Issuer under the Indenture will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee, and every other failure known to the Trustee in the observance or performance of any covenant, condition, or agreement contained in the Bonds or in the Indenture (other than a failure to pay the principal of such Bonds then due only because of a declaration under the Indenture) will have been remedied to the reasonable satisfaction of the Trustee, then and in every such case the Trustee may, and at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under the Indenture will not be deemed to be due and payable by their terms) will, by written notice to the Issuer, the Borrower, the Owners of the Bonds, and the Dissemination Agent, rescind and annul such declaration and its consequences, but no such rescission or annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon. Upon any declaration of acceleration under the Indenture, the Trustee will immediately proceed to exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable and, to the extent it has not already done so.

Any amounts due and payable under the Loan Agreement may be separately and independently accelerated pursuant to the terms of the Loan Agreement, with or without the acceleration of the Bonds under the Indenture.

Remedies Upon the Occurrence of an Event of Default

Whenever any Event of Default will have occurred and be continuing, the Trustee may, and at the written request of the Owners of not less than twenty-five percent (25%) in principal amount of Bonds then Outstanding, will proceed, subject in all cases to the provisions of the Indenture, to protect and enforce its rights and the rights of the Owners under the laws of the State or under the Indenture by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, will deem most effectual to protect and enforce such rights.

Trustee May Bring Suit

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding under the Indenture, will, proceed, subject in all cases to the provisions of the Indenture, to protect and enforce its rights and the rights of the Owners under the laws of the State under the Loan Agreement and the Indenture by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition, or agreement contained in the Indenture or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights.

Pro Rata Application of Funds

All money received by the Trustee pursuant to any right given or action taken under the Indenture will, after payment of the costs and expenses of the proceedings resulting in the collection of such money and the fees and expenses of the Trustee, be deposited in the Bond Fund and applied to the payment of the principal of, redemption premium (if any) and interest then due and unpaid on the Bonds in accordance with the provisions of the Indenture. Anything in the Indenture to the contrary notwithstanding, if at any time the money in the Bond Fund is not sufficient to pay the interest on or the principal of Bonds as the same becomes due and payable (either by their terms or by acceleration of maturities under the provisions of the Indenture), such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Indenture or otherwise, will be applied as follows:

(i) if the principal of all Bonds will not have become or will not have been declared due and payable, all such money will be applied as follows:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that have become due and payable (other than Bonds deemed to have been paid under the "Discharge of Liens" section of the Indenture), in the order of their due dates, and, if the amount available will not be sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the Indenture;

(ii) if the principal of all Bonds will have become or have been declared due and payable, all such money will be applied to the payment of principal and interest then due on the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and

(iii) if the principal of all Bonds has been declared due and payable and if such declaration thereafter will have been rescinded and annulled under the Indenture, then, subject to clause (ii) above, if the principal of all Bonds later becomes due and payable or is declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund will be applied in accordance with clause (i) above.

Acceptance of the Trusts

The Trustee accepts the trusts imposed upon it by the Indenture, represents and covenants that it is fully empowered under applicable laws and regulations to accept said trusts, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations will be read into the Indenture against the Trustee:

The Trustee, prior to the occurrence of an Event of Default and after the waiving or curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee would exercise or use under the circumstances.

The Trustee will not be responsible for any recital contained in the Indenture or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds) or for insuring the property conveyed by the Indenture or for collecting any insurance moneys or for the validity of the execution by the Issuer of the Indenture or any supplemental indentures to the Indenture or instruments of further assurance or for the sufficiency of the Security for the Bonds issued under the Indenture or intended to be secured by the Indenture or for the value or title of the property conveyed by the Indenture or otherwise as to the maintenance of the security of the Indenture; except that in the event the Trustee enters into possession of a part or all of the property conveyed by the Indenture pursuant to any provision of the Indenture, it will use the same degree of care and skill in the performance of its duties as a prudent corporate trustee would exercise under the circumstances. The Trustee will not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the Issuer or on the part of the Borrower under the Indenture or the Loan Agreement except as expressly set forth in the Indenture. The Trustee will perform all of the duties or obligations set forth for it under the Loan Agreement, but will not be answerable for the performance of any such duty or obligation for other than its negligence, bad faith or willful misconduct.

The Trustee will not be required to take notice or be deemed to have notice of any failure on the part of the Issuer to comply with the terms of the Indenture or the Borrower to comply with the terms of the Loan Agreement except as may be specified in the Indenture.

The Trustee will not be liable and will be fully protected with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

Notice to Bondholders if Payment Default Occurs

If a failure to comply occurs of which the Trustee is by the Indenture required to take notice or if notice of a failure to comply is given by the Issuer or the Borrower, the Trustee will give such notice to the Borrower and the Issuer as is specified in the Indenture and such notice to the Borrower as is specified in the Loan Agreement and will give written notice thereof by first-class mail, within fifteen (15) days (unless such failure to comply is cured or waived), to the Owners of all Bonds then Outstanding shown by the Bond Register, provided that, except in the case of a failure to make due and punctual payment of the principal of, or premium, if any, or interest on any Bond, the Trustee may withhold such notice to the Bondholders if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders.

Successor Trustee

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell, lease, or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, ipso facto, will, upon prior written notice to the Issuer, be and become successor trustee under the Indenture and vested with all of the title to the Trust Estate and all the trusts, powers, rights, obligations, duties, remedies, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instruments (other than such prior written notice to the Issuer) or any further act, deed, or conveyance on the part of any of the parties to the Indenture.

Resignation by the Trustee

The Trustee and any successor trustee may at any time resign from the trusts created by the Indenture by giving thirty (30) days' written notice to the Issuer, to the Borrower, to each Rating Agency, if any, then rating any series of Bonds, and, by first-class (postage prepaid) mail, to each Bondholder shown on the Bond Register, and such resignation will take effect at the appointment of a successor trustee pursuant to the Indenture and acceptance by the successor trustee of such trusts. Such notice to the Issuer, to the Borrower, and to each Rating Agency, if any, then rating any series of Bonds may be served personally or sent by registered or certified mail.

Removal of the Trustee

The Trustee may be removed at any time (i) by the Issuer, (ii) by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and signed by a Majority of the Bondholders, or (iii) by an instrument in writing delivered to the Trustee and to the Issuer signed by the Borrower, provided no Event of Default under the Indenture or the Loan Agreement will have occurred and be continuing. Removal of the Trustee pursuant to (i) or (ii) above will not be effective until a successor or temporary Trustee will have been appointed pursuant to the Indenture and the Trustee will have paid for all Ordinary Services and Extraordinary Services of the Trustee rendered under the Indenture and for all Ordinary Expenses and Extraordinary Expenses of the Trustee incurred under the Indenture.

Appointment of Successor Trustee

(a) Subject to the terms set forth in the Indenture under the heading "Terms Relating to The Regents," in case the Trustee under the Indenture will (i) resign or be removed or (ii) be dissolved or will be in the course of dissolution or liquidation, or in case it will be taken under the control of any public officer or officers or of a receiver appointed by a court or otherwise become incapable of acting under the Indenture, a successor may be appointed by an instrument executed and signed by an Authorized Issuer Representative and executed by an officer of the Borrower; provided, that if a successor trustee is not so appointed within ten (10) days after notice of resignation is mailed or an instrument of removal is delivered in connection with resignation by the Trustee or removal of the Trustee, respectively, or within ten (10) days of the Issuer's knowledge of any of the events specified in (ii) above, then a Majority of the Bondholders, by an instrument or concurrent instruments in writing signed by or on behalf of such Owners, delivered personally or sent by registered or certified mail to the Issuer and the Borrower, may designate a successor trustee. Every such successor trustee appointed pursuant to the provisions of this section will be a trust company or bank organized under the laws of the United States of America or any state thereof that is in good standing within or outside the State, will be eligible to serve as trustee, bond registrar, and paying agent under applicable law, will be duly authorized to exercise trust powers and subject to examination by federal or state authority, will have a reported combined capital, surplus, and undivided profits of not less than Seventy-Five Million Dollars ($75,000,000) and will be an institution willing, qualified, and able to accept the trusteeship upon the terms and conditions of the Indenture.

(b) In case at any time the Trustee will resign and no appointment of a successor trustee will be made pursuant to the foregoing provisions of this section prior to the date specified in the notice of resignation as the date when such resignation will take effect, the Owner of any Bond or the resigning Trustee may apply to any court of competent jurisdiction to appoint a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor Trustee.

Amendments to Indenture and Supplemental Indentures Not Requiring Consent of Bondholders

Subject to the terms set forth in the Indenture under the heading "Terms Relating to The Regents," the Issuer and the Trustee may, without the consent of or notice to any of the Bondholders, enter into an amendment to the Indenture or an indenture supplemental to the Indenture for any one or more of the following purposes: (i) to cure any error, ambiguity, or formal defect or omission in, or to correct or supplement any defective provision of, the Indenture, (ii) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations, and restrictions to be observed by the Issuer for the protection of the Bondholders, (iii) to evidence the appointment of a separate trustee or a co-trustee, or the succession of a new trustee or the appointment of a new or additional paying agent or bond registrar, (iv) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, benefits, security, liabilities, duties, or authority that may lawfully be granted to or conferred or imposed upon the Bondholders or the Trustee or either of them, (v) to subject to the lien and security interest of the Indenture additional revenues, properties, or collateral, (vi) to modify, amend, or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under the securities laws of any state, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions, and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or any similar federal statute, (vii) to modify, amend, or supplement the Indenture in such manner to assure the continued exclusion of the interest on any Tax-Exempt Bonds from the gross income of the Owners thereof for federal income tax purposes, (viii) to comply with any provisions of the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended, or any rules or regulations promulgated thereunder, (ix) to reflect a change in applicable law provided that the Trustee will determine that such amendment or supplemental indenture does not prejudice the rights of Bondholders, (x) to make any other change in the Indenture that, in the judgment of the Trustee (which may be in reliance upon an opinion of counsel), will not prejudice or materially adversely affect the Bondholders or impair the Security, or (xi) to make any other change in the Indenture other than as described in items (i) through (vii) in the following section.

Amendments to Indenture and Supplemental Indentures Requiring Consent of Bondholders

Subject to the terms set forth in the Indenture under the heading "Terms Relating to The Regents,", exclusive of amendments and indentures supplemental to the Indenture not requiring Bondholder consent and subject to the terms and provisions contained in this section and not otherwise, the Requisite Number of Bondholders will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of an amendment to the Indenture or such indenture supplemental to the Indenture as will be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture, in any amendment to the Indenture, or in any supplemental indenture; provided, however, that nothing contained in this section will permit, or be construed as permitting: (i) an extension of the stated maturity or reduction in the principal amount of, or a reduction in the rate or an extension of the time of payment of interest on, or a reduction of any premium payable on the redemption of, any Bonds, without the consent of every Owner of such Bonds, or (ii) the creation of any lien or security interest (other than any Permitted Encumbrances exclusive of that described in clause (vi) of the definition thereof) prior to or on a parity with the lien and security interest of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken, or (iii) a reduction in the amount, or an extension of the time of any payment, required by the mandatory sinking fund redemption provisions of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken, or (iv) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment or supplemental indenture, without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken, or (v) the modification of the trusts, powers, obligations, remedies, privileges, rights, duties, or immunities of the Trustee, without the written consent of the Trustee, or (vi) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (vii) the release of or requirements for the release of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken.

Anything in the Indenture to the contrary notwithstanding, if the Borrower is not in default under the Loan Agreement at such time, an amendment to the Indenture or supplemental indenture under the Indenture that affects any rights or obligations of the Borrower or that changes the priority or use of moneys under the Indenture will not become effective unless and until the Borrower will have consented to the execution and delivery of such amendment or supplemental indenture.

Provisions Relating to the Insured Series 2018 Bonds

Notwithstanding anything to the contrary contained in the Indenture, the following provisions will apply to the Insured Series 2018 Bonds.

Notice and Other Information to be given to BAM. The Issuer will provide BAM with all notices and other information it is obligated to provide to the holders of Insured Series 2018 Bonds or the Trustee under the Indenture.

Defeasance. The investments in the defeasance escrow relating to Insured Series 2018 Bonds will be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by BAM.

At least (three) 3 Business Days prior to any defeasance with respect to the Insured Series 2018 Bonds, the Trustee will deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the defeasance of the Insured Series 2018 Bonds, a verification report (a ***"Verification Report"***) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report will be addressed to BAM and will be in form and substance satisfactory to BAM. In addition, the escrow agreement will provide that:

(i) The Borrower will not exercise any prior optional redemption of Insured Series 2018 Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there will be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(ii) The Borrower will not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

Trustee and Paying Agent.

(i) BAM will receive prior written notice of any name change of the trustee (the ***"Trustee"***) or, if applicable, the paying agent (the ***"Paying Agent"***) for the Insured Series 2018 Bonds or the resignation or removal of the Trustee or, if applicable, the Paying Agent. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (C) otherwise approved by BAM in writing.

(ii) No removal, resignation or termination of the Trustee or, if applicable, the Paying Agent will take effect until a successor, meeting the requirements above or acceptable to BAM, will be qualified and appointed.

Amendments, Supplements and Consents. BAM's prior written consent is required for all amendments and supplements to the Indenture, with the exceptions noted below. Any amendments or supplements to the Indenture will require the prior written consent of BAM with the exception of amendments or supplements:

(i) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the Insured Series 2018 Bonds Security Documents or in any supplement thereto, or

(ii) To grant or confer upon the holders of the Insured Series 2018 Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Series 2018 Bonds, or

(iii) To add to the conditions, limitations and restrictions on the issuance of Bonds or other obligations under the provisions of the Insured Series 2018 Bonds Security Documents, or other conditions, limitations and restrictions thereafter to be observed, or

(iv) To add to the covenants and agreements of the Issuer or the Borrower in the Insured Series 2018 Bonds Security Documents other covenants and agreements thereafter to be observed by the Issuer or the Borrower or to surrender any right or power therein reserved to or conferred upon the Issuer or the Borrower, or

(v) To issue Additional Bonds under the Indenture and Series of Bonds under the Financing Trust Agreement in accordance with the requirements set forth in the Indenture and the Financing Trust Agreement, respectively.

Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, any of the Insured Series 2018 Bonds Security Documents that requires the consent of holders of the Insured Series 2018 Bonds or adversely affects the rights or interests of BAM will be subject to the prior written consent of BAM.

Insolvency. Any reorganization or liquidation plan with respect to the Borrower must be acceptable to BAM. The Trustee and each owner of the Insured Series 2018 Bonds hereby appoint BAM as their agent and attorney-in-fact with respect to the Insured Series 2018 Bonds and agree that BAM may at any time during the continuation of any proceeding by or against the Issuer or Borrower under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an ***"Insolvency Proceeding"***) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a ***"Claim"***), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Insured Series 2018 Bonds delegate and assign to BAM, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Insured Series 2018 Bonds with respect to the Insured Series 2018 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

Control by BAM Upon Default. Anything in the Insured Series 2018 Bonds Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, subject to the limitations set forth under the paragraph "Terms Relating to The Regents – *No Acceleration*" above, BAM will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2018 Bonds or the Trustee or Paying Agent for the benefit of the holders of the Insured Series 2018 Bonds under any Insured Series 2018 Bonds Security Document. No default or event of default may be waived without BAM's written consent.

BAM as Owner. Upon the occurrence and continuance of a default or an event of default, BAM will be deemed to be the sole owner of the Insured Series 2018 Bonds for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.

Grace Period for Payment Defaults. No grace period will be permitted for payment defaults on the Insured Series 2018 Bonds. No grace period for a covenant default will exceed 30 days without the prior written consent of BAM.

Special Provisions for Insurer Default. If an Insurer Default will occur and be continuing, then, notwithstanding anything in the preceding paragraphs to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM will be treated like any other holder of the Insured Series 2018 Bonds for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM will have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) will control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM will (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality will order the suspension of payments on the Policy or will obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

BAM As Third Party Beneficiary. BAM is recognized as and will be deemed to be a third party beneficiary of the Insured Series 2018 Bond Security Documents and may enforce the provisions of the Insured Series 2018 Bond Security Documents as if it were a party thereto.

Payment Procedure Under the Policy.

(i) In the event that principal and/or interest due on the Insured Series 2018 Bonds will be paid by BAM pursuant to the Policy, the Insured Series 2018 Bonds will remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered owners will continue to exist and will run to the benefit of BAM, and BAM will be subrogated to the rights of such registered owners.

(ii) In the event that on the second (2^{nd}) Business Day prior to any payment date on the Insured Series 2018 Bonds, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Series 2018 Bonds due on such payment date, the Paying Agent or Trustee will immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee will so notify BAM or its designee.

(iii) In addition, if the Paying Agent or Trustee has notice that any holder of the Insured Series 2018 Bonds has been required to disgorge payments of principal of or interest on the Insured Series 2018 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee will notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

(iv) The Paying Agent or Trustee will irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Series 2018 Bonds as follows:

(A) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Series 2018 Bonds, the Paying Agent or Trustee will (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Series 2018 Bonds in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Series 2018 Bonds, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the ***"BAM Policy Payment Account"***) to only be used to make scheduled payments of principal of and interest on the Insured Series 2018 Bond, and (iv) disburse the same to such respective holders; and

(B) If there is a deficiency in amounts required to pay principal of the Insured Series 2018 Bonds, the Paying Agent or Trustee will (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Series 2018 Bonds in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Series 2018 Bonds surrendered to BAM,

(ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from BAM, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Series 2018 Bond, and (iv) disburse the same to such holders.

(v) The Trustee will designate any portion of payment of principal on Insured Series 2018 Bonds paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Series 2018 Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and will issue a replacement Insured Series 2018 Bond to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Series 2018 Bond will have no effect on the amount of principal or interest payable by the Issuer on any Insured Series 2018 Bond or the subrogation or assignment rights of BAM.

(vi) Payments with respect to claims for interest on and principal of Insured Series 2018 Bonds disbursed by the Paying Agent or Trustee from proceeds of the Policy will not be considered to discharge the obligation of the Issuer with respect to such Insured Series 2018 Bonds, and BAM will become the owner of such unpaid Insured Series 2018 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Insured Series 2018 Bonds Security Documents will not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

(vii) Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent and Trustee agree for the benefit of BAM that:

(A) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Paying Agent or Trustee), on account of principal of or interest on the Insured Series 2018 Bonds, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in the Indenture and the Insured Series 2018 Bonds; and

(B) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Series 2018 Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Series 2018 Bonds to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

Liquidity Account. The prior written consent of BAM will be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Liquidity Account, if any.

Exercise of Rights by BAM. The rights granted to BAM under the Insured Series 2018 Bonds Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of BAM's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Series 2018 Bonds and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Series 2018 Bonds or any other person is required in addition to the consent of BAM.

Other Provisions.

(i) BAM will be entitled to pay principal or interest on the Insured Series 2018 Bonds that will become due for payment but will be unpaid by reason of nonpayment by the Issuer (as such terms are defined in the Policy) and any amounts due on the Insured Series 2018 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not BAM has received a claim upon the Policy.

(ii) No contract will be entered into or any action taken by which the rights of BAM or security for or source of payment of the Insured Series 2018 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of BAM.

(iii) If an event of default occurs under any agreement pursuant to which any Obligation of the Borrower has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Series 2018 Bonds or BAM, as BAM may determine in its sole discretion, then an event of default will be deemed to have occurred under the Indenture. For purposes of the foregoing "Obligation" means any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Series 2018 Bonds.

THE LOAN AGREEMENT

Borrower Constraints

The Borrower covenants to comply with the following constraints throughout the term of the Loan Agreement.

(a) The Borrower covenants and agrees that until all of its indebtedness and obligations under the Loan Agreement have been fully paid and discharged, the Borrower will not directly or indirectly, incur, assume or guarantee any Indebtedness (secured or unsecured) except:

(i) Additional non-recourse indebtedness secured by a lien, which indebtedness is not a general obligation of the Borrower, and the liability for which indebtedness is limited to the property subject to such lien with no recourse, directly or indirectly, to Project Gross Revenues or any other property of the Borrower. Notwithstanding anything to the contrary in the Loan Agreement, the Borrower is authorized to incur additional Indebtedness in the form of capital leases for acquisition of equipment, provided such amount is included in the Annual Budget; or

(ii) Indebtedness with respect to which there will be furnished to the Trustee a certificate of the chief financial officer of the Borrower confirming that (A) for the Fiscal Year immediately preceding the issuance of such Indebtedness the Fixed Charges Coverage Ratio was at least 1.2:1.0, and (B) based on a written report of a Financial Consultant accompanying such certificate, the Fixed Charges Coverage Ratio for the first full Fiscal Year following completion of improvements to the Project financed with the proceeds of such Indebtedness is reasonably expected to be at least 1.2:1.0, or

(iii) Indebtedness with respect to which there will be furnished to the Trustee a certificate of the chief financial officer of the Borrower confirming that (A) such Indebtedness is issued in order to refund Bonds previously issued, and (B) following the issuance of such Indebtedness, Annual Debt Service of the Bonds will be reduced.

(c) The Borrower will take such action necessary to ensure that the Borrower is a separate and distinct entity separate from any other member or Affiliate which action will include:

(i) maintain books, financial records and bank accounts (including checking and other bank accounts and custodian and other securities safekeeping accounts) that are separate and distinct from the books, financial records and bank accounts of any other Person or entity;

(ii) not commingle any of its assets, funds, liabilities or business functions with the assets, funds, liabilities or business functions of an Affiliate or other member;

(iii) pay its own liabilities, losses and expenses only out of its own funds;

(iv) maintain separate annual financial statements prepared in accordance with generally accepted accounting principles, consistently applied, showing its assets and liabilities separate and distinct from those of any other Person or entity;

(v) in the event the financial statements of the Borrower are consolidated with the financial statements of any other Person or entity, cause to be included in such consolidated financial statements a narrative description of the separate assets, liabilities, business functions, operations and existence of the Borrower to ensure that such separate assets, liabilities, business functions, operations and existence are readily distinguishable by any person or entity receiving or relying upon a copy of such consolidated financial statements;

(vi) not guarantee or become obligated for the debts or obligations of any other entity or Person;

(vii) to the extent that the Borrower and any of its Affiliates occupy any premises in the same location, allocate fairly, appropriately and nonarbitrarily any rent and overhead expenses among and between such entities with the result that each entity bears its fair share of all such rent and expenses;

(viii) maintain an arm's-length relationship with its affiliates and enter into transactions with affiliates only on a commercially reasonable basis;

(ix) not pledge its assets for the benefit of any other Persons or entity;

(x) not materially amend, alter or repeal any material provision of the Borrower's Certificate of Formation if any Bonds are outstanding.

The Loan

(a) The Issuer agrees to lend to the Borrower, and the Borrower agrees to borrow from the Issuer, the proceeds of the sale of the Series 2018 Bonds for the purposes of financing the Costs of the Series 2018 Project and the Series 2018 Offsite Elements, funding the UCR Bonds Pooling Subaccount within the Liquidity Account pursuant to the Financing Trust Agreement and such other funds required pursuant to the Indenture, capitalized interest, working capital, costs of marketing the Series 2018 Project and paying certain Issuance Costs in accordance with the terms and conditions of the Loan Agreement and the Indenture. The deposit of the proceeds of the sale of the Series 2018 Bonds, as provided in the Indenture, will constitute the loan of such proceeds from the Issuer to the Borrower. Such proceeds will be applied as provided in the Indenture. The Borrower will repay the Series 2018 Loan as provided in the Loan Agreement.

(b) The Borrower's obligation to repay the Series 2018 Loan, together with premium, if any, and interest thereon, is more fully described in the Loan Agreement under the caption "Basic Loan Payments." The Borrower will make payments on the Series 2018 Loan and will be liable therefor at times and in amounts sufficient to pay when due all principal (whether at maturity, by mandatory redemption or otherwise) of and interest and premium, if any, on all Series 2018 Bonds from time to time Outstanding under the Indenture.

Security for Payments Under the Bonds

As security for the payments under the Loan Agreement and as security for payment of the Bonds, (i) the Issuer will execute and deliver the Indenture, under the terms of which all of the right, title, interest, and remedies of the Issuer in the Loan Agreement (except the Unassigned Rights), the Financing Trust Agreement, the Leasehold Deed of Trust, and the Assignment of Documents, together with all revenues and amounts to be received and all property to be held by the Issuer thereunder, will be assigned and will be the subject of a grant of a first priority security interest to the Trustee and will be pledged as security for, among other things, the payment of the Bonds and (ii) the Borrower will execute and deliver the Dining Facility Usage Fee Assignment Agreement, under the terms of which the Borrower's right to receive Dining Facility Usage Fees will be the subject of a grant of a first priority security interest to the Trustee and will be pledged as security for, among other things, the payment of the Series 2018 Bonds. The Borrower consents to such assignment and grant of a first priority security interest and agrees that its obligations to make all payments under the Loan Agreement will be absolute and will not be subject to any defense, except payment, or to any right of setoff, counterclaim, or recoupment arising out of any breach by the Issuer of any obligation to the Borrower, whether under the Loan Agreement or otherwise, or arising out of any indebtedness or liability relating to the Project at any time owing to the Borrower by the Issuer. The Borrower further agrees that all Basic Loan Payments required to be made under the Loan Agreement will be paid directly to the Trustee for the account of the Issuer. The Trustee will have all rights and remedies accorded to the Issuer in the Loan Agreement (except for Unassigned Rights), and any reference to the Issuer in the Loan Agreement will be deemed, with the necessary changes in detail, to include the Trustee, and the Trustee and the Bondholders are deemed to be and are third party beneficiaries of the representations, covenants, and agreements of the Borrower contained in the Loan Agreement.

Title Insurance

The Borrower will, prior to or simultaneously with the issuance of the Series 2018 Bonds, deliver to the Trustee a pro forma ALTA mortgage policy of title insurance issued by a title insurance company acceptable to the Underwriters, with a commitment to issue the ALTA mortgage policy of title insurance following the Closing Date, in the face amount of at least equal to the initial principal amount of the Series 2018 Housing Bonds. Any Net Proceeds payable either to the Issuer or the Borrower under such policy will be subject to the lien of the Indenture, will be paid to the Trustee and held by the Trustee in the Insurance Fund or the Redemption Fund, as the case may be, and will, at the Borrower's written direction, be either (a) used to acquire or construct replacement or substitute property in Riverside, California for that to which title has been lost, or (b) used to redeem the Series 2018 Housing Bonds pursuant to the Indenture. Any such replacement or substitute property must be approved in writing by the Authorized Issuer Representative and The Regents.

Acquisition, Construction, Furnishing, and Equipping of the Series 2018 Project

Promptly following the issuance and sale of the Series 2018 Bonds, the Borrower will acquire the interest in the Premises and that portion of the Leased Land (as defined in the Series 2018 Ground Lease) on which the Dining Facility will be located created by the Series 2018 Ground Lease, cause the construction, acquisition or installation of the Series 2018 Building, the Series 2018 Equipment and the Series 2018 Offsite Elements. The Issuer authorizes the Borrower to use the proceeds of the Series 2018 Bonds deposited into the Construction Fund to construct, furnish, and equip the Series 2018 Project and the Series 2018 Offsite Elements, and as otherwise provided in the Indenture. The Borrower agrees (i) that it will exercise the foregoing authorizations given to it by the Issuer, (ii) that it will cause the Series 2018 Equipment to be acquired, and (iii) that the Series 2018 Project and the Series 2018 Offsite Elements have been or will be acquired and constructed substantially in accordance with the Plans and Specifications. The Borrower reasonably expects, based upon representations of the Developer, that the Series 2018 Project and the Series 2018 Offsite Elements will be completed and the proceeds of the Series 2018 Bonds deposited in the Construction Fund will be expended within three (3) years from the date of issuance of the Series 2018 Bonds; subject to delays caused by matters outside the reasonable control of the Borrower, including without limitation earthquake, landslide, subsidence, flood, windstorm, collapse, boiler and machinery accidents, strikes, riot, civil commotion, trade wars and sabotage.

The Borrower agrees that it will, at all times during the construction of the Series 2018 Project, maintain or cause to be maintained in full force and effect Builder's Risk-Completed Value Form insurance insuring all buildings, structures, boilers, equipment, facilities, fixtures, supplies and other property constituting part of the Series 2018 Project on an "all risk of loss or damage basis" subject to standard exclusions and sub-limits including perils of earth movement, (including, but not limited to, earthquake, landslide, and subsidence), flood, windstorm, collapse, boiler and machinery accidents, strikes, riot, civil commotion and sabotage to the full replacement cost of the Series 2018 Project, except for flood/water damage coverage which will have a sublimit of Twenty-Five Million Dollars ($25,000,000) with a deductible provision not to exceed One Hundred Thousand Dollars ($100,000) and earth movement/earthquake coverage which will have a sublimit of Twenty-Five Million Dollars ($25,000,000) with the lowest commercially available deductible provisions, but in any case with deductibles not to exceed 5% of value at risk. The all other perils deductible will not exceed One Hundred Thousand Dollars ($100,000) per occurrence or such larger deductible amount as may be approved by the Ground Lessor (as defined in the Ground Lease). Such policy or policies of insurance will name the Issuer, the Borrower, the Developer, the Lessor, the general contractor and all subcontractors and the Trustee as insureds, as their respective interests may appear, and will name the Trustee as mortgagee under a Standard Mortgagee Endorsement and as sole loss payee. Such policy or policies of insurance will also provide that no act or omission or any breach or violation by any insured or any other person of warranties, declarations or conditions contained in the insurance policy or policies, any action or inaction of any insured or any other person or any foreclosure relating to the Series 2018 Project will in any way prejudice the rights of the Issuer and Trustee thereunder, and all Net Proceeds received under such policy or policies will be paid over to the Trustee and deposited into the Insurance Fund to be applied to the restoration and/or completion of the Series 2018 Project or to the redemption of Series 2018 Bonds in accordance with the provisions of the Loan Agreement. Moneys held by the Trustee in the Insurance Fund will be invested and disbursed, from time to time, as provided in the Loan Agreement. Said insurance policy or policies will contain a provision that such insurance may not be canceled by the issuer thereof without at least thirty (30) days' advance written notice (except ten (10) days' advance written notice in the event of nonpayment of premiums). The Borrower will promptly forward any notice of cancellation received to the Issuer, the Lessor and the Trustee. All such policies or copies thereof or certificates that such insurance is in full force and effect will be delivered to the Trustee at or prior to delivery of the Series 2018 Bonds.

In addition, the Borrower will cause the general contractor at all times during the construction of the Series 2018 Project to maintain: (i) commercial general liability insurance on an occurrence basis for liability of the general contractor or borrower, as an additional insured, arising out of claims for bodily injury and death and/or property damage including coverage for (A) explosion, collapse and underground hazards; (B) products-completed operations (which coverage will remain in effect for a period of at least ten years or the applicable statute of repose following the Series 2018 Completion Date); (C) blanket contractual liability; (D) broad form property damage; (E) personal injury and advertising liability; (F) independent contractors; and (G) pollution liability arising out of hostile fire and explosion, in each case in an amount not less than $1,000,000, provided that policy aggregates, if any, will apply separately to claims occurring with respect to the Series 2018 Project; (ii) commercial automobile liability insurance for the liability of the general contractor arising out of claims for bodily injury and/or property damage covering all owned (if any), leased, hired, and non-owned vehicles used in the performance of the general contractor's obligations under the Construction Contracts with a minimum limit of $1,000,000 each accident for combined bodily injury and property damage and including personal injury protection and uninsured motorist protection in the minimum statutory limits where required by law; (iii) worker's compensation insurance as required by applicable state law with statutory limits; (iv) employers' liability insurance for liability of the general contractor arising out of injury to or death of general contractor's employees, with a minimum limit of $1,000,000 per accident; and (v) excess or umbrella liability insurance on an occurrence basis (on at least a following form basis) in excess of the underlying insurance described in this paragraph (c) with a Twenty-Five Million Dollar ($25,000,000) combined bodily injury, death and property damage minimum limit per occurrence and a Twenty-Five Million Dollar ($25,000,000) aggregate. Said insurance policy or policies required in this subsection will contain a provision that such insurance may not be canceled without at least thirty (30) days' advance written notice (except ten (10) days' advance written notice in the event of nonpayment of premiums). In the event the Contractor's insurance policies will not issue direct thirty (30) days' notice of cancellation (except ten (10) days' advance written notice in the event of nonpayment of premiums) to the Issuer, the Borrower, the Lessor, and the Trustee, the Contractor will promptly forward any notices received to the aforementioned parties. Certificates of Insurance evidencing that such insurance is in full force and effect will be delivered to the Trustee and the Issuer at or prior to issuance and delivery of the Series 2018 Bonds.

In addition to the provisions under the "Insurance Requirements" heading in the Loan Agreement, commencing on the Series 2018 Completion Date, the Borrower will maintain business interruption insurance (also referred to as "business income" or "loss of rents insurance") covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in, the operation of the Series 2018 Housing Project caused by covered damage or destruction insured under the property casualty insurance required pursuant to the Series 2018 Ground Lease of the Series 2018 Housing Project in an amount not less than Annual Debt Service on the Series 2018 Housing Bonds for the next succeeding twenty-four months (the deductible provisions for such business interruption insurance will not exceed thirty (30) days per occurrence) or such greater amount as may be approved in writing by the Ground Lessor. Unless otherwise insured under the commercial property policy, flood insurance under the National Flood Insurance Program within the minimum requirements and amounts required for federally financed or assisted loans under the Flood Disaster Protection Action of 1973, as amended, if the Series 2018 Project is eligible under such program.

The Borrower further agrees that the Construction Contracts will require the general contractor thereunder to deliver to the Trustee and the Issuer performance and labor and material payment bonds with respect to the applicable Construction Contracts, and in the full amount of such Construction Contracts, made by the contractor thereunder as the principal and a surety company, or companies, acceptable to the Underwriters; such bonds will be in such forms as are reasonably acceptable to the Underwriters. Said bonds will name the Borrower and the Trustee as the obligees, and all Net Proceeds received under said bonds will become a part of and be deposited into the Construction Fund, or if received after the Series 2018 Completion Date will be used to pay any obligation then owed by the Borrower under the Loan Agreement (including the funding of all reserve accounts to their required balances), and if any Net Proceeds remain, they will be paid to the Borrower.

The Borrower will cause the construction of the Series 2018 Project and the Series 2018 Offsite Elements substantially in accordance with the Plans and Specifications and the Construction Contracts and warrants that the construction of the Series 2018 Project and the Series 2018 Offsite Elements substantially in accordance with the Plans and Specifications will, when supplemented by the Series 2018 Equipment, result in a facility suitable for use by the Borrower as a student housing facility, dining facility, parking and related facilities, and that all real and personal property provided for therein is necessary or appropriate in connection with the Series 2018 Project. The Borrower may make changes in or additions to the Plans and Specifications for the Series 2018 Project and the Series 2018 Offsite Elements; provided, however, that any Material Change Orders will be subject to approval by Lessor pursuant to the terms of the Ground Lease.

Agreement Term

The Loan Agreement became effective upon its execution and delivery and will be in full force and effect until the Bonds will have been fully paid (or provision for such payment will have been made as provided in the Indenture); provided, however, that the covenants and obligations expressed in the Loan Agreement to so survive will survive the termination of the Loan Agreement.

Loan Payments and Other Amounts Payable

(a) _Basic Loan Payments_: (i) Until the principal of, and premium, if any, and interest on the Bonds will have been fully paid or provision for the payment thereof will have been made in accordance with the Indenture, the Borrower will pay or cause to be paid to the Trustee for the account of the Issuer as Basic Loan Payments, in each case for deposit into the Bond Fund, amounts sufficient to pay the principal (whether at maturity, by acceleration, call for redemption, or otherwise) and purchase price of, and premium, if any, and interest on the Bonds as and when the same will become due and all other sums payable under the terms of the Bonds. The Borrower will pay or cause to be paid to the Trustee for the account of the Issuer:

(A) (1) on or before January 20, 2019, a sum equal to one-fourth (1/4th) of the amount payable as interest on the Series 2018 Housing Bonds on May 15, 2019, and thereafter on or before the twentieth (20th) day of each month, a sum equal to one sixth (1/6th) of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2018 Housing Bonds, or in each case such lesser amount that, together with amounts already on deposit in the Bond Fund (including amounts held in the Capitalized Interest Account), will be sufficient to cause amounts in the Bond Fund to be sufficient to pay interest on the Series 2018 Housing Bonds to become due on May 15, 2019 and such immediately succeeding Interest Payment Date, as provided in the Indenture and (2) cause The Regents to deposit the total amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2018 Dining Bonds pursuant to the Dining Facility Agreement three (3) Business Days prior to any Interest Payment Date sufficient to pay interest on the Series 2018 Dining Bonds;

(B) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of interest on such Additional Bonds;

(C) (1) on or before May 20, 2021, and on or before the twentieth (20th) day of each month thereafter, a sum equal to (A) one twelfth (1/12th) of the principal due on the immediately succeeding May 15 that is a maturity date of the Series 2018 Housing Bonds, and (B) one twelfth (1/12th) of the amount required to retire on the Series 2018 Housing Bonds under the mandatory sinking fund redemption requirements of the Indenture on the immediately succeeding May 15, to cause the amount in the Bond Fund to be sufficient to pay such amounts as provided in the Indenture, as the case may be and (2) cause The Regents to deposit (A) the principal due on the immediately succeeding May 15 that is a maturity date of the Series 2018 Dining Bonds and (B) the amount required to retire on the Series 2018 Dining Bonds under the mandatory sinking fund redemption requirements of the Indenture on the immediately succeeding May 15, pursuant to the Dining Facility Agreement three (3) Business Days prior to the Interest Payment Date to be sufficient to pay such amounts as provided in the Indenture, as the case may be;

(D) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of the principal of such Additional Bonds (whether at maturity or under any mandatory sinking fund or other similar redemption requirements of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds);

(E) on the Business Day prior to any date on which the Series 2018 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant to the Indenture), an amount equal to the principal of, and premium, if any, and interest on, the Series 2018 Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Series 2018 Bonds to be redeemed); and

(F) on the Business Day prior to any date on which any Additional Bonds are to be redeemed pursuant to any mandatory redemption provisions of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds (other than mandatory sinking fund or other similar redemption pursuant to such supplemental indenture or indentures), an amount equal to the principal of, and premium, if any, and interest on, such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Additional Bonds to be redeemed).

(ii) Each payment of Basic Loan Payments under clause (i)(A) and (B) above will in all events be sufficient, after giving credit for funds held in the Bond Fund (including amounts held in the Capitalized Interest Account and the Dining Facility Usage Fee paid to the Trustee by The Regents pursuant to the Dining Facility Usage Fee Assignment Agreement) and the Revenue Fund available for such purpose, to pay the total amount of interest payable on the Bonds on the immediately succeeding Interest Payment Date and each payment of Basic Loan Payments under clause (i)(C) and (D) above will in all events be sufficient, after giving credit for funds held in the Bond Fund available for such purpose, including the Dining Facility Usage Fee paid to the Trustee by The Regents pursuant to the Dining Facility Agreement, to pay the total amount of principal payable in respect of the Bonds on the immediately succeeding May 15. Any Basic Loan Payments will be reduced or need not be made to the extent that there are moneys on deposit in the Bond Fund in excess of scheduled payments of Basic Loan Payments plus the amount required for the payment of Bonds theretofore matured or called for redemption, the amount required for the payment of interest for which checks or drafts have been mailed by the Trustee, and past due interest in all cases where Bonds have not been presented for payment. Further, if the lien of the Indenture has been released pursuant to the Indenture, the Borrower will not be obligated to make any further payments of Basic Loan Payments under the provisions of this section. There will also be a credit against remaining Basic Loan Payments for Bonds purchased, redeemed, or canceled, as provided in the Indenture or in any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds as provided therein.

(b) _Additional Loan Payments_: (i) The Borrower will pay:

(A) To the Trustee until the principal of, premium, if any, and interest on the Bonds will have been fully paid (1) for deposit into the Repair and Replacement Fund, the amount set forth in the Indenture, (2) for deposit into any debt service fund or funds created under the Indenture or any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds any amount required to be on deposit therein pursuant to the Indenture or supplemental indenture, (3) promptly upon request, an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered and the Ordinary Expenses of the Trustee incurred under the Indenture, as and when the same become will due, (4) promptly upon request, the reasonable fees and charges of the Trustee, as bond registrar and paying agent, and of any other paying agents on the Bonds for acting as paying agents as provided in the Indenture, as and when the same will become due, (5) promptly upon request, the reasonable fees and charges of the Trustee for the Extraordinary Services of the Trustee rendered by it and Extraordinary Expenses of the Trustee incurred by it under the Indenture, as and when the same will become due; provided, that the Borrower may, without creating a default under the Loan Agreement, contest in good faith the reasonableness of any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses;

(B) To the Issuer or Trustee, as applicable, all payments set forth in the "Additional Payments" section below; and

(C) To the Independent Engineer and Insurance Consultant any fees and expenses owed.

(ii) Such Additional Loan Payments will be billed to the Borrower by the Issuer or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by such party for one or more of the above items. Amounts so billed will be paid by the Borrower within thirty (30) days after receipt of the bill by the Borrower.

(iii) In the event the Borrower will fail to make any of the payments required in this section, the item or installment so in default will continue as an obligation of the Borrower until the amount in default will have been fully paid and will bear interest at the highest rate of interest on the Bonds.

(iv) All amounts deposited in the Funds and Accounts created pursuant to the Indenture and available to be used to pay the amounts, fees, charges, and expenses described in item (i) of this subsection (b) in accordance with the terms of the Indenture will be credited against the Borrower's obligation to make Additional Loan Payments to the extent such amounts are so used.

(c) *Liquidity Subaccount Loan Payments*: In accordance with the Financing Trust Agreement, the Loan Agreement is stated to be a Loan Agreement under the Financing Trust Agreement. The UCR Series 2018 Bonds Pooling Subaccount within the Liquidity Account will be funded in an amount equal to the required amount under the Financing Trust Agreement, and will be available in accordance with, and to the extent permitted by, the terms and conditions of the Financing Trust Agreement, for the purpose of paying principal of, premium, if any, and interest on the Bonds as the same will become due in the event there will be insufficient funds for said purpose in the Bond Fund and the other Funds described in paragraph (g) under the caption "The Indenture – Bond Fund" above, unless provision for their payment in full will have been duly made. In the event any funds from the UCR Series 2018 Bonds Pooling Subaccount will be withdrawn that reduces the amount on deposit in such subaccount to less than its required amount under the Financing Trust Agreement, the Borrower will, beginning on the twentieth (20^{th}) day of the month following notice from the Master Trustee of such withdrawal, and on the twentieth (20^{th}) day of each month thereafter, in addition to any other Loan Payments that may be due, make twelve (12) consecutive monthly payments as Liquidity Subaccount Loan Payments to the Master Trustee for deposit into the UCR Series 2018 Bonds Pooling Subaccount, each equal to the lesser of (i) one-twelfth ($1/12^{th}$) of the amount of such withdrawal or (ii) the excess of the amount required to satisfy the Liquidity Subaccount Requirement with respect to the UCR Series 2018 Bonds Pooling Subaccount in accordance with the Financing Trust Agreement over the amount on deposit in the UCR Series 2018 Bonds Pooling Subaccount.

In the event there is a diminution in Value of the amounts held in the UCR Series 2018 Bonds Pooling Subaccount, as of May 15 of each year or if any net losses result from the investment of amounts held therein that reduces the amount on deposit therein to less than the required amount under the Financing Trust Agreement as of such date, the Borrower will, beginning on the twentieth (20^{th}) day of the month following notice from the Master Trustee of such diminution in Value or losses, and on the twentieth (20^{th}) day of each month thereafter, in addition to any other Loan Payments that may be due, make four (4) consecutive monthly payments as Liquidity Subaccount Loan Payments to the Trustee for deposit into the UCR Series 2018 Bonds Pooling Subaccount, each equal to the lesser of (i) one-fourth ($1/4^{th}$) of the amount of such diminution in Value or loss or (ii) the excess of the amount required to be so deposited in accordance with the Financing Trust Agreement over the amount on deposit in the UCR Series 2018 Bonds Pooling Subaccount.

(d) *Additional Payments*. Pursuant to the "Additional Loan Payments" section above, Borrower will pay; (i) to the Issuer, an amount sufficient to reimburse the Issuer for all expenses reasonably incurred by the Issuer under the Loan Agreement in connection with the Project, including, but not limited to, the reasonable fees and expenses of counsel for the Issuer and Bond Counsel; (ii) all taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee from payments to be received under the Loan Agreement; (iii) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Borrower Documents or the Indenture; (iv) the Issuer Issuance Fee, the Issuer Annual Fee, which will be paid directly to the Issuer as described below, and the reasonable fees and expenses of the Issuer or any agent or attorney selected by the Issuer to act on its behalf in connection with the Borrower Documents, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Loan Agreement, the Leasehold Deed of Trust, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Borrower Documents; and (v) any amounts due and payable by the Borrower as arbitrage rebate under Section 148 of the Code, pursuant to Borrower's covenants and agreements with respect thereto in the Loan Agreement and in the Tax Certificate..

Such Additional Payments will be billed to the Borrower by the Issuer from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Issuer for one or more of the above items. After such a demand, amounts so billed will be paid by the Borrower within thirty (30) days after the date of invoice.

Maintenance and Modification of Project by the Borrower

The Borrower agrees that during the Agreement Term it will at its own expense (i) keep the Project (excluding the Series 2018 Dining Project) or cause the Project (excluding the Series 2018 Dining Project) to be kept in as reasonably safe condition as its operations will permit, (ii) keep the Building (excluding the Series 2018 Dining Building) and all other improvements forming a part of the Project (excluding the Series 2018 Dining Project) in good repair and in good operating condition, subject to normal wear and tear, making from time to time, subject to the Loan Agreement, all necessary and proper repairs thereto and renewals and replacements thereof, including external and structural repairs, renewals, and replacements, and (iii) use the Equipment (excluding the Series 2018 Dining Equipment) in the regular course of its business only, within the normal capacity of the Equipment (excluding the Series 2018 Dining Equipment), without abuse, and in a manner contemplated by the manufacturer thereof, and cause the Series 2018 Housing Equipment to be maintained in accordance with the manufacturer's then currently published standard maintenance contract and recommendations. The Borrower may, also at the expense of the Project (excluding the Series 2018 Dining Project), from time to time make any Additions or Alterations to the Project (excluding the Series 2018 Dining Project) it may deem desirable for its business purposes that do not, in the opinion of a Consulting Architect filed with the Trustee, adversely affect the operation or value of the Project (excluding the Series 2018 Dining Project), provided, that the opinion of a Consulting Architect will only be required in the case of material Additions or Alterations, as defined in the Indenture. Additions or Alterations to the Project (excluding the Series 2018 Dining Project) so made by the Borrower will be on the Premises, will become a part of the Project (excluding the Series 2018 Dining Project), and will become subject to the lien and security interest of the Leasehold Deed of Trust.

Insurance Required

In addition to the insurance otherwise required by the Loan Agreement, throughout the Agreement Term, the Borrower will keep the Series 2018 Housing Project or cause the same to be kept continuously insured against such risks as are customarily insured against with respect to facilities of like size and type, as recommended by an Insurance Consultant, and approved by the Ground Lessor and its consultant.

Destruction and Damage

In the event that the Series 2018 Housing Project is destroyed or damaged (in whole or in part) by fire or other casualty, the Borrower will, unless the Bonds will be paid in full from the Net Proceeds of insurance resulting from such destruction or damage, be obligated to continue to make the Loan Payments and will not be entitled to any postponement, abatement, or diminution thereof.

If such Net Proceeds of insurance will be less than One Million Dollars ($1,000,000), all such insurance proceeds will be paid to the Borrower and the Borrower will, to the extent of such proceeds, repair, replace, rebuild, restore, and/or re-equip the Series 2018 Housing Project promptly to substantially the same condition thereof as existed prior to the event causing such destruction or damage with such changes, alterations, and modifications (including the substitution and addition of other property) as may be desired by the Borrower and as will not impair the value or the character of the Series 2018 Housing Project. In the event the Net Proceeds will not be sufficient to pay in full the costs of any such repair, replacement, rebuilding, restoration and reequipping, the Borrower will, to the extent of proceeds received from the Repair and Replacement Fund and the Project Gross Revenues, if any, complete said work.

Condemnation

(a) In the event that title to or the temporary use of the Series 2018 Housing Project or any part thereof will be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Borrower will, unless the Bonds will be paid in full from the award made in such eminent domain proceedings, be obligated to continue to make the Loan Payments and will not be entitled any postponement, abatement, or diminution thereof.

(b) Except for Net Proceeds received by the Borrower in connection with investments of Net Proceeds under the Loan Agreement, the Issuer, the Borrower, and the Trustee will cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings to be paid to the Trustee and deposited and held in the Condemnation Fund to be applied, as fully as practicable, in one or more of the following ways as will be directed in writing by the Borrower within sixty (60) days from the date of such deposit: (i) subject to the requirements of the Loan Agreement, such Net Proceeds may be applied to the restoration of the Series 2018 Housing Project; or (ii) subject to the requirements of the Loan Agreement, such Net Proceeds may be applied to the acquisition of other suitable land and the acquisition, by construction or otherwise, to the extent permitted by applicable law, of improvements consisting of a building or buildings, facilities, furnishings, machinery, equipment, or other properties suitable for the Borrower's operations at the Series 2018 Housing Project as conducted prior to such taking (which improvements will be deemed a part of the Series 2018 Housing Project and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as provided in the Loan Agreement to the same extent as if such improvements were specifically described in the Loan Agreement and will be acquired by the Borrower subject to no liens, security interests, or encumbrances prior to or on a parity with the lien and security interest of the Series 2018 Leasehold Deed of Trust, other than Permitted Encumbrances); or (iii) such Net Proceeds may be transferred to the Redemption Fund to be applied to the redemption of Series 2018 Housing Bonds; or (iv) such Net Proceeds may be applied in some combination permitted by the foregoing clauses (i), (ii), and (iii) of this subsection (b).

(c) All Net Proceeds deposited into the Redemption Fund pursuant to this section as a result of the condemnation of a portion of the Series 2018 Housing Project will be applied to the redemption of all or a portion of the Series 2018 Housing Bonds issued to finance the acquisition of such portion of the Project or, if such Series 2018 Housing Bonds are no longer Outstanding, the redemption of such other Series 2018 Housing Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture.

Borrower to Maintain Status; Conditions Under Which Exceptions Permitted

(a) The Borrower (i) will not, except as described in this section, consolidate with or merge into another entity or permit another entity to consolidate with or merge into it, (ii) will not dissolve or otherwise dispose of all or substantially all of its assets, (iii) will cause the Foundation to file all required reports and documents with the IRS so as to maintain its status as an organization described in Section 501(c)(3) of the Code, (iv) will not operate the Project in any manner and will not cause the Foundation to engage in any activities or take any action that might reasonably be expected to result in the Foundation's ceasing to be a "501(c)(3) organization," within the meaning of Section 145 of the Code, and (v) will promptly notify the Trustee and the Issuer of any loss of the Foundation's status as a "501(c)(3) organization" or of any investigation, proceeding, or ruling that might result in such loss of status. The

Borrower will preserve and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

(b) The Borrower covenants that it will not, and it will not permit, any of its revenues, income, or profits, whether realized or unrealized, to be distributed to any of its directors, or inure to the benefit of any private Person, other than for the lawful corporate purposes of the Borrower; provided, however, that the Borrower may pay to any Person the value of any service or product performed for, or supplied to, the Borrower by such Person. The Borrower will take such actions as are necessary or appropriate and within its control to take to comply with the provisions of the Code and the regulations promulgated thereunder in order to preserve the exclusion of the interest paid on the Series 2018 Bonds from the gross income of the Owners thereof for federal income tax purposes and will not act or fail to act in any other manner that would adversely affect such exclusion. In connection with the foregoing, the Borrower acknowledges and agrees to comply with the provisions applicable to it in the Tax Certificate.

(c) The Borrower may, without violating the covenant described in this section, consolidate, merge, sell, or otherwise transfer to another Person all or substantially all of its assets as an entirety (and may thereafter dissolve), provided (i) such consolidation, merger, sale, or other transfer does not otherwise cause an Event of Default, (ii) the surviving, resulting, or transferee Person (A) will be authorized to do business in the State, (B) will be a domestic corporation, partnership, or other entity, or if a natural person, is a resident of the United States of America, (C) will have the power to assume and will assume in writing all of the obligations of the Borrower under the Bond Documents and will deliver to the Trustee any security agreement necessary to ensure that after such consolidation, merger, sale, or other transfer, the Trustee will have a security interest in all assets that constitute, or would have constituted, the Project and Project Gross Revenues prior to such consolidation, merger, sale, or transfer, together with an opinion of counsel that all action has been taken to perfect such security interest to the extent perfection can be made by the filing of financing statements, (D) will obtain all licenses and permits required by law to operate the Project, (E) will deliver to the Trustee a title insurance policy insuring that the surviving, resulting, or transferee Person has a valid leasehold interest in the Premises and insuring the Leasehold Deed of Trust as a first lien subject only to the Permitted Encumbrances, (F) will deliver to the Trustee an opinion of Independent Counsel to the effect that the Loan Agreement, as assumed by the surviving, resulting or transferee Person, is valid and enforceable obligations of such Person, subject only to exceptions related to bankruptcy and other customary exceptions, (G) will deliver to the Trustee an opinion of Bond Counsel to the effect that such consolidation, merger, sale, or transfer will not cause the interest on Outstanding Tax-Exempt Bonds to be included in gross income for federal income tax purposes, (H) will have a fund balance or net worth, as the case may be, as reflected in the *pro forma* financial statements required to be furnished pursuant to this section, not less than the fund balance or net worth, as the case may be, of the Borrower, as reflected in the most recent audited balance sheet of the Borrower furnished to the Trustee pursuant to the Loan Agreement, and (I) will have a Fixed Charges Coverage Ratio not less than that of the Borrower for the two (2) consecutive years prior to such consolidation, merger, sale, or transfer, as determined from the surviving, resultant, or transferee Person's financial statements on a pro forma basis that gives effect to such consolidation, merger, sale, or transfer, which *pro forma* basis financial statements will be accompanied by an Audit Report and will be accompanied by a certificate of the Accountant reporting on such historical pro forma basis financial statements stating the Fixed Charges Coverage Ratio for the periods reported on. Nothing in the Loan Agreement will preclude the Borrower from partially transferring assets, other than the Project (with the exception of the Series 2018 Dining Project), for the benefit or use of The Regents or its components provided such transfer does not directly and immediately cause an Event of Default or jeopardize the tax-exempt status of any Tax-Exempt Bonds.

(d) The Borrower may also, without violating any covenants contained in the Loan Agreement, sell, or otherwise transfer the Project to another Person that is controlled solely by the Borrower and that, prior to such sale or transfer, has no assets or liabilities, upon completion or satisfaction of the conditions set forth in items (i) and (ii)(A) through (G) of subsection (c) above, and upon such completion or satisfaction will be released from all liabilities and obligations under the Loan Agreement and the other Bond Documents.

Rate Covenant

(a) The Borrower covenants and agrees to operate the Project (excluding the Series 2018 Dining Project) as a revenue producing student housing facility, parking and related facilities, and to the extent permitted by law and by the Ground Lease, to charge such fees and rates for its facilities and services and to exercise such skill and diligence as will provide Revenue Available for Fixed Charges sufficient to pay promptly all expenses of operation, maintenance, and repair of the Project (excluding the Series 2018 Dining Project), to provide all payments required to be made by the Borrower under the Loan Agreement and to maintain the Fixed Charges Coverage Ratio of at least 1.20:1.0.

(b) Such rates, fees, and charges in each Fiscal Year beginning with the Fiscal Year ending June 30, 2021, will be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.20:1.0. In the event that, based upon the financial statements of the Borrower required by the Loan Agreement, for any Fiscal Year such Fixed Charges Coverage Ratio was not maintained at a level of at least 1.15:1.0, such failure to maintain such Fixed Charges Coverage Ratio will not constitute an Event of Default so long as the Borrower will (i) promptly (and in no event later than thirty (30) days after such determination) employ a Financial Consultant to submit (not later than thirty (30) days after commencing such employment) a report of such firm containing recommendations as to changes in the operating policies of the Borrower designed to maintain such Fixed Charges Coverage Ratio; and (ii) promptly follow such recommendations to the extent permitted by law and by the Ground Lease. Notwithstanding the retention of a Financial Consultant, an Event of Default will occur under the Loan Agreement, if the Fixed Charges Coverage Ratio is less than 1.0:1.0 as of the end of any Fiscal Year.

(c) The Borrower will, from time to time as often as necessary and to the extent permitted by law and by the Ground Lease, revise the rates, fees, and charges aforesaid in such manner as may be necessary or proper so that the Revenue Available for Fixed Charges will be sufficient to meet the requirements of the Loan Agreement, and further, that it will, in order to comply with the provisions of the Loan Agreement, take all action within its power to obtain approvals of any regulatory or supervisory authority to implement any rates, fees, and charges required by the Loan Agreement.

Annual Budget

At least thirty (30) days prior to the first day of each Fiscal Year commencing the Fiscal Year ending June 30, 2021, the Borrower will prepare or cause the Manager to prepare in accordance with the Ground Lease, the Annual Budget for the immediately succeeding Fiscal Year which will include the monthly budgeted Expenses of the Project, Subordinated Expenses of the Project (excluding the Series 2018 Dining Project) for such Fiscal Year and the Distributed Management Fee, including any Deferred Distributed Management Fee unpaid in any prior year. If the Manager will fail to prepare and/or the Borrower will fail to approve the Annual Budget for any Fiscal Year, the Annual Budget for the immediately preceding Fiscal Year will continue in effect until the Annual Budget will be prepared for the remainder of the applicable Fiscal Year. To the extent that the Borrower will deem it necessary at any time during any Fiscal Year, the Borrower will submit or cause the Manager to submit a revised Annual Budget, as approved by the Borrower to the Trustee and the Underwriter declaring that the revisions are necessary to operate or maintain the Project and setting forth the reasons therefor which revised Annual Budget will, for all purposes of the Loan Agreement, be deemed the Annual Budget for the remainder of the applicable Fiscal Year. Promptly following preparation by the Borrower, a copy of each Annual Budget or revised Annual Budget will be furnished to the Trustee and the Representative. Upon the occurrence and continuation of an Event of Default, all Annual Budgets and modifications thereto will be approved by the Trustee in its reasonable discretion.

Operation of Project and Safety Code

The Borrower will operate the Project as a student housing, dining and/or academic facility, parking or related facility or cause the same to be operated as a student housing or related facility and will continue to maintain or cause to maintain the Project in compliance with all applicable life and safety codes and all applicable building and zoning, health, environmental, and safety ordinances and laws and all other applicable laws, rules, and regulations of the United States of America, the State, and any political subdivision or agency thereof having jurisdiction over the Project. The Borrower will at all times comply with the terms and conditions of the Ground Lease.

Covenant Regarding Manager

The Borrower agrees that if the initial Manager will cease to serve as Manager, the Borrower will promptly employ and at all times thereafter employ as the Manager either the University or a recognized manager of student housing facilities that then manages, and will have for the past five (5) years managed, at least 5,000 beds of student housing facilities. The Borrower agrees that the Manager may be replaced upon the prior written approval of the

Ground Lessor if (i) the Fixed Charges Coverage Ratio (excluding, until after the Series 2018 Completion Date, Revenues and Fixed Charges relating to the Series 2018 Project) is not at least 1.0:1.0 for any Fiscal Year or 1.20:1.0 for two consecutive Fiscal Years as shown in the financial statements provided in the Loan Agreement, (ii) the Average Annual Occupancy Percentage for the Student Housing Facility falls below eighty percent (80%) for two consecutive Fiscal Years, or (iii) the Borrower has the right to terminate the Manager for cause under the Management Agreement. Prior to entering into a contract with any successor Manager, the Borrower will first deliver to the Trustee an opinion of Bond Counsel to the effect that the terms of the proposed Management Agreement will not cause the interest on Outstanding Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

Assignment and Subleasing

The Borrower may enter into subleases and agreements with residents of the Project or with the Ground Lessor or University without complying with the provisions described in this section other than subparagraph (vii). The rights and obligations of the Borrower under the Loan Agreement may be assigned and delegated, and the Project may be subleased, as a whole or in part, by the Borrower without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(i) No assignment (other than pursuant to the provisions described under the subheading "Borrower to Maintain Status") or sublease will relieve the Borrower from primary liability for any of its obligations under the Loan Agreement, and in the event of any such assignment or sublease, the Borrower will continue to remain primarily liable for payment of the Loan Payments and for the payment, performance, and observance of the other obligations and agreements on its part provided in the Loan Agreement to be performed and observed by it.

(ii) The assignee will assume in writing the obligations of the Borrower under the Loan Agreement to the extent of the interest assigned.

(iii) The Borrower will furnish or cause to be furnished to the Issuer and the Trustee assurances reasonably satisfactory to the Issuer and the Trustee that the Project will continue to be operated as a qualified facility, within the meaning of the Act.

(iv) No assignment or sublease with any Person will be entered into by the Borrower without the Borrower's first furnishing to the Trustee an opinion of Bond Counsel or a ruling from the IRS to the effect that such assignment or sublease will not cause the interest on Outstanding Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

(v) No such assignment or sublease will give rise to a novation.

(vi) The Borrower will, within thirty (30) days after the execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment or sublease, as the case may be. The Issuer and the Trustee will have the right, at any time and from time to time, to notify any assignee or sublessee of the rights of the Issuer and the Trustee, as provided by this paragraph. From time to time, upon the request of the Issuer or the Trustee, the Borrower will specifically assign and grant a security interest to the Issuer, as additional security for the Loan Payments, in writing and in the form approved by the Issuer, the Trustee, and the Borrower all the right, title, and interest of the Borrower in and to any and all subleases hereafter on or affecting the Premises or the Project, together with all security therefor and all moneys payable thereunder, subject to the conditional right of the Borrower to collect the rentals under any such subleases, and the Issuer will in turn specifically assign and grant a security interest in its right, title, and interest in the foregoing to the Trustee pursuant to a supplemental indenture, as security for the Bonds. The Borrower and the Issuer will also execute and deliver to the Trustee any notification, financing statement, or other document reasonably required by the Trustee to perfect the foregoing assignment and security interest created as to any such subleases and other properties.

(vii) All subleases will contain an attornment clause providing in effect that if at any time during the term of the sublease, the Trustee or the designee of the Trustee, or a subsequent purchaser at a foreclosure sale from the Trustee, will become the owner of the Project, such sublessee agrees, at the election and upon demand of any owner of the Project, to attorn, from time to time, to any such owner upon the terms and conditions set forth in the sublease. Such sublessee will agree, at the request of the party to whom it has attorned, to execute, acknowledge, and deliver, without charge, from time to time, instruments acknowledging such attornment. The attornment clause will provide that upon such attornment, the sublease will continue in full force and effect as, or as if it were, a direct sublease between the successor and the sublessee, except that the successor landlord will not (A) have any liability for any previous act or omission of a predecessor landlord under the sublease, (B) be bound by any previous modification of the sublease, unless such modification or prepayment will have been expressly approved in writing by the Issuer and the Trustee, or (C) have any liability for refusal or failure to perform or complete landlord's work or otherwise prepare the demised premises for occupancy in accordance with the provisions of the sublease.

The provisions in this section will not apply to the Dining Facility Agreement.

Events of Default Defined

The following will be "Events of Default" under the Loan Agreement, and the terms "Event of Default" or "Default" will mean, whenever they are used in the Loan Agreement, any one or more of the following events:

(a) The Borrower's failure to pay or cause to be paid Basic Loan Payments required to be paid under the Loan Agreement on or before any Interest Payment Date on which the principal of, interest on or the redemption price is due.

(b) The Borrower's failure to pay or cause to be paid the Basic Loan Payments required to be paid under the Loan Agreement at the times specified therein.

(b) Any representation or warranty made by the Borrower in any statement or certificate furnished to the Issuer or the Trustee or the purchaser of any Bonds, in connection with the sale of any Bonds or furnished by the Borrower pursuant to the Loan Agreement, will prove inaccurate in any material respect as of the date of the issuance or making thereof and will not be corrected within thirty (30) days after written notice specifying such inaccuracy is given to the Borrower by the Issuer, the Trustee, or such purchaser. In the case of any such inaccuracy that cannot with due diligence be corrected within such thirty (30) day period, but can be wholly corrected within a period of time not materially detrimental to the rights of the Trustee, it will not constitute an Event of Default if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the inaccuracy is corrected in accordance with and subject to any reasonable directions or limitations of time established in writing by the Trustee.

(c) The Borrower's failure to perform or cause to be performed any other covenant, condition, or provision of the Loan Agreement, other than as referred to in (a) above, and to correct such failure within thirty (30) days after written notice specifying such is given to the Borrower by the Issuer or the Trustee. In the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period, it will not constitute an Event of Default if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected; provided that if such failure is not corrected within a ninety (90) day period, any time period beyond ninety (90) days must be approved in writing by the Trustee.

(d) The Borrower will (i) apply for or consent to the appointment of or the taking of possession by a receiver, custodian, trustee, or liquidator of it or of all or a substantial part of its property or of the Project (except for the Series 2018 Dining Project), (ii) fail to promptly lift or bond (if legally permissible) any execution, garnishment, or attachment of such consequence as will impair the ability of the Borrower to carry on its operations at the Project (except for that portion of the Project on which the Series 2018 Dining Project is located), (iii) enter into an agreement of composition with its creditors, (iv) admit in writing its inability to pay its debts as such debts become due, (v) make a general assignment for the benefit of its creditors, (vi) commence a voluntary case under the federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), (vii) file a petition or answer seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (viii) fail to controvert in a timely or appropriate manner or acquiesce in writing to any petition filed against it in an involuntary case under such federal bankruptcy law or any similar law in effect in a foreign jurisdiction, or (ix) take any action for the purpose of effecting any of the foregoing.

(e) A proceeding or case will be commenced, without the application of the Borrower, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts of the Borrower, (ii) the appointment of a trustee, receiver, custodian, liquidator, or the like of the Borrower or of all or any substantial part of the assets of it, or (iii) similar relief in respect of the Borrower under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition and adjustment of debts, and such proceeding or case will continue undismissed or an order, judgment, or decree approving or ordering any of the foregoing will be entered and will continue unvacated and unstayed and in effect for a period of ninety (90) days, whether consecutive or not.

(f) The occurrence of an event of default, subject to any applicable notice and cure period, under any of the Bond Documents other than the Financing Trust Agreement.

(g) Except as otherwise permitted by the Loan Agreement, if for any Fiscal Year commencing with the first full Fiscal Year after the Series 2018 Completion Date, the Fixed Charges Coverage Ratio is not a least 1.2:1.0.

Notwithstanding the foregoing definitions of Events of Default and Default, if (i) the Borrower fails to perform any of its obligations under the Loan Agreement in connection with the development, construction, management, maintenance and operation of the Series 2018 Project or the Series 2018 Offsite Elements, (ii) such failure arises as a result of a default by an Architect under any Architect's Agreement (as such terms are defined in the Development Agreement), a default by the Developer under the Development Agreement and/or a default by the Manager under the Management Agreement, (iii) the Borrower determines in its good faith judgment that in order to cure such default it would be necessary to terminate one or more of such agreements and (iv) the Trustee does not permit the termination of any of such agreements, then, such failure to perform by the Borrower will not be deemed to be a Default or an Event of Default under the Loan Agreement.

Remedies on Default

(a) Whenever any Event of Default will have happened and be subsisting the Trustee as the assignee of the Issuer, may, and at the direction of the owners of not less than fifty-one percent (51%) of the aggregate principal amount of Bonds then Outstanding, will: (i) at its option declare all unpaid installments of Basic Loan Payments and other amounts payable under the Loan Agreement for the remainder of the Agreement Term to be immediately due and payable whereupon the same will become immediately due and payable it being understood that upon a declaration by the Trustee under the Indenture, all unpaid Basic Loan Payments payable under the Loan Agreement will become immediately due and payable; provided, however, that if acceleration of the Bonds will have been rescinded and annulled pursuant to the Indenture, acceleration of the Basic Loan Payments and other amounts payable under the Loan Agreement required by this subsection (a) will similarly be rescinded and annulled and the Event of Default occasioning such acceleration will be waived, but no such waiver, rescission, and annulment will extend to or affect any subsequent default or impair or exhaust any right, power, or remedy consequent thereon; and provided, further, however, that all such unpaid installments of Basic Loan Payments and other amounts payable under the heading "Loan Payments and Other Amounts Payable" above in the summary of the Loan Agreement for the remainder of the Agreement may, upon the written direction of the owners of not less than fifty-one percent (51%) of the aggregate principal amount of Bonds then Outstanding to the Trustee, be separately and independently accelerated with or without an acceleration of the Bonds; or (ii) in the event any of the Bonds at the time will be outstanding and unpaid, have access to and inspect, examine, and make copies of the books and records and any and all accounts, similar data, and income tax and other tax returns of the Borrower; or (iii) initiate remedies under the Leasehold Deed of Trust; or (iv) from time to time take whatever action at law or in equity or under the terms of the Bond Documents may appear necessary or desirable to collect the Loan Payments and other amounts payable by the Borrower under the Loan Agreement then due and/or thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the Borrower under the Loan Agreement.

(b) Amounts collected pursuant to action taken under this section will be applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the Borrower has paid all amounts due under the Loan Agreement, then any amounts remaining will be paid to the Borrower.

General Options to Terminate Loan Agreement

The Borrower will have, and is granted, the following options to terminate the Loan Agreement at any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment in full of any other obligations due under the Bond Documents. The Borrower may terminate the Agreement Term by (a) paying to the Trustee an amount that, when added to the amount on deposit in the Bond Fund and the Redemption Fund, will be sufficient to pay, retire, and redeem all of the Outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, redemption premium, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, expenses of redemption, and Trustee's and paying agents' fees and expenses, including reasonable attorneys' fees), (b) in the case of redemption, making arrangements satisfactory to the Trustee for the giving of the required, irrevocable notice of redemption, (c) paying to the Issuer any and all sums then due to the Issuer under the Loan Agreement, and (d) otherwise complying with the provisions of the Indenture.

Option to Prepay Loan Upon the Occurrence of Certain Extraordinary Events

The Borrower will have, and is granted, the option to prepay the Series 2018 Loan in part prior to the full payment of all of the Series 2018 Housing Bonds (or provision for payment thereof having been made in accordance with provisions of the Indenture), upon certain events causing damage, destruction or condemnation of the Series 2018 Housing Project in accordance with the Loan Agreement. The Basic Loan Payments payable by the Borrower in the event of its exercise of the option granted under this section will be (i), in the case of partial redemption, the amount necessary to pay principal, all interest to accrue to the redemption date and any redemption expense, and (ii) in the case of a total redemption, the amounts set forth in the article of the Indenture concerning discharge of liens and the applicable redemption premium, as provided in of the Indenture.

Option to Prepay Loan in Connection with Optional Redemption of the Bonds

(a) The Borrower will have the option to prepay the Series 2018 Loan by prepaying Basic Loan Payments due under the Loan Agreement in such manner and amounts as will enable the Issuer to redeem the Series 2018 Bonds prior to maturity in whole or in part on any date, as provided in the Indenture. The Basic Loan Payments payable by the Borrower in the event of its exercise of the option granted under the provisions of the Loan Agreement will be (i), in the case of partial redemption, the amount necessary to pay principal, all interest to accrue to the redemption date and any redemption expense, and (ii) in the case of a total redemption, the amounts set forth in the Indenture and the applicable redemption premium, as provided in the Indenture.

(b) To exercise such option, the Borrower will give the Issuer and the Trustee not less than forty-five (45) days prior written notice of the exercise of such option and will specify therein the date of tender of such prepayment and the amount thereof, will direct the redemption of the corresponding amount of Series 2018 Bonds, and will make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

Provisions Relating to the Insured Series 2018 Bonds

Notwithstanding anything to the contrary contained in the Loan Agreement, the following provisions will apply to the Insured Series 2018 Bonds.

Notice and Other Information to be given to BAM. The Borrower will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement, and (ii) to the holders of Insured Series 2018 Bonds or the Trustee under the Loan Agreement.

Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, any of the Insured Series 2018 Bond Security Documents that requires the consent of holders of the Insured Series 2018 Bonds or adversely affects the rights or interests of BAM will be subject to the prior written consent of BAM.

Insolvency. Any reorganization or liquidation plan with respect to the Borrower must be acceptable to BAM. The Trustee and each owner of the Insured Series 2018 Bonds hereby appoint BAM as their agent and attorney-in-fact with respect to the Insured Series 2018 Bonds and agree that BAM may at any time during the continuation of any proceeding by or against the Borrower under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an ***"Insolvency Proceeding"***) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a ***"Claim"***), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Insured Series 2018 Bonds delegate and assign to BAM, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Insured Series 2018 Bonds with respect to the Insured Series 2018 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

Control by BAM Upon Default. Anything in the Loan Agreement to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, subject to the limitations set forth under the paragraph "Terms Relating to The Regents – *No Acceleration*" above, BAM will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2018 Bonds or the Trustee or Paying Agent for the benefit of the holders of the Insured Series 2018 Bonds under the Loan Agreement. No default or event of default may be waived without BAM's written consent.

BAM as Owner. Upon the occurrence and continuance of a default or an event of default, BAM will be deemed to be the sole owner of the Insured Series 2018 Bonds for all purposes under the Loan Agreement, including, without limitations, for purposes of exercising remedies and approving amendments.

Grace Period for Payment Defaults. No grace period will be permitted for payment defaults on the Insured Series 2018 Bonds. No grace period for a covenant default will exceed 30 days without the prior written consent of BAM.

Special Provisions for Insurer Default. If an Insurer Default will occur and be continuing, then, notwithstanding anything in the preceding paragraphs to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM will be treated like any other holder of the Insured Series 2018 Bonds for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM will have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) will control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM will (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality will order the suspension of payments on the Policy or will obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

BAM As Third Party Beneficiary. BAM is recognized as and will be deemed to be a third party beneficiary of the Insured Series 2018 Bond Security Documents and may enforce the provisions of the Insured Series 2018 Bond Security Documents as if it were a party thereto.

Additional Payments. The Borrower agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Insured Series 2018 Bonds

Security Documents (***"Administrative Costs"***). For purposes of the foregoing, costs and expenses will include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Borrower agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

Notwithstanding anything herein to the contrary, the Borrower agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Policy (***"BAM Policy Payment"***); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the Borrower payable to BAM at the Late Payment Rate per annum (collectively, ***"BAM Reimbursement Amounts"***) compounded semi-annually.

Exercise of Rights by BAM. The rights granted to BAM under the Loan Agreement to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Series 2018 Bonds and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Series 2018 Bonds or any other person is required in addition to the consent of BAM.

BAM will be entitled to pay principal or interest on the Insured Series 2018 Bonds that will become due for payment but will be unpaid by reason of nonpayment by the Issuer (as such terms are defined in the Policy) and any amounts due on the Insured Series 2018 Bonds as a result of acceleration of the maturity thereof in accordance with the Insured Series 2018 Bonds Security Documents, whether or not BAM has received a claim upon the Policy.

So long as the Insured Series 2018 Bonds are outstanding or any amounts are due and payable to BAM, the Borrower will not sell, lease, transfer, encumber or otherwise dispose of the Series 2018 Project or any material portion thereof, except upon obtaining the prior written consent of BAM.

If an event of default occurs under any agreement pursuant to which any Obligation of the Borrower has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Series 2018 Bonds or BAM, as BAM may determine in its sole discretion, then an event of default will be deemed to have occurred under the Loan Agreement for which BAM or the Trustee, at the direction of BAM, will be entitle to exercise all available remedies under the Loan Agreement, at law and in equity. For purposes of the foregoing "Obligation" means any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Series 2018 Bonds.

THE FINANCING TRUST AGREEMENT

Definitions Used in the Financing Trust Agreement

"Annual Debt Service" means, as of any date of calculation, the amount required to pay all principal of and interest on a Series of Bonds then Outstanding during a Fiscal Year. For purposes of calculating the Annual Debt Service on a Series of Bonds which bear interest at a rate which is not fixed to the maturity thereof, such Series of Bonds will be treated as if it bears interest at the most recent 25-Revenue Bond Index published by The Bond Buyer (or if such index is no longer published, a comparable index designated in an Officer's Certificate of The Regents Representative).

"Bond Indenture" means the bond indenture, trust agreement or other similar document between the related Issuer and a Bond Trustee, which pursuant to its terms is stated to be a Bond Indenture under the Financing Trust Agreement and which satisfies all of the requirements for a Bond Indenture set forth in the Financing Trust Agreement.

"Bond Payment Date" means May 15 and November 15 of each year, commencing on May 15, 2019 in the case of the Series 2018 Bonds.

"Bond Trustee" means the trustee named under the related Bond Indenture in its capacity as such trustee.

"Bonds" means any or all of the bonds or other type of debt instruments, as the case may be, issued by an Issuer pursuant to one or more Bond Indentures and further secured under the Financing Trust Agreement in accordance with the Financing Trust Agreement, the proceeds of which are used for a Financed Project.

"Borrower" means each borrower under a Loan Agreement relating to a Series of Bonds, including, as the initial Borrower under the Financing Trust Agreement, CHF-Riverside I, L.L.C.

"Borrower Representative" means a Series Borrower Representative specifically identified in a Supplemental Financing Trust Agreement.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banks located in the city in which the Master Trustee or any Bond Trustee is located are authorized by law to close and on which the New York Stock Exchange is closed.

"Collateral" means assets and property securing a Series of Bonds pursuant to the related Bond Indenture.

"Continuing Disclosure Agreement" means a Continuing Disclosure Agreement relating to a Series of Bonds, between a Borrower and a Bond Trustee, as dissemination agent, as originally executed and delivered and as it may from time to time be amended in accordance with its terms.

"Debt Service Account" means, with respect to a Series of Bonds, the fund(s) or account(s) into which amounts are deposited to pay the scheduled principal and interest payments on the Bonds pursuant to a Bond Indenture and which are specifically identified in a Supplemental Financing Trust Agreement.

"Debt Service Account Deficiency" *or* ***"Deficiency"*** means, as of the date of determination by the Bond Trustee, and with respect to any Series of Bonds, the amount, if any, by which the portion of the Annual Debt Service for such Bonds becoming due and payable on the next Bond Payment Date exceeds the amount on deposit in the Debt Service Account for such Bonds.

"Financed Project" means a UCR Project, the costs of construction, acquisition or improvement of which have been funded from the proceeds of a Series of Bonds, and that is specifically identified in a Supplemental Financing Trust Agreement.

"Financing Trust Estate" means the Financing Trust Estate described in the granting clauses of the Financing Trust Agreement.

"First Supplemental Financing Trust Agreement" means the First Supplemental Financing Trust Agreement, dated as of December 1, 2018, by and between the Series 2018 Borrower and the Master Trustee.

"Ground Lease" means a ground lease or similar agreement between The Regents, as lessor, and a Borrower, as lessee which pursuant to its terms is stated to be a Ground Lease under the Financing Trust Agreement and satisfies all of the requirements for a Ground Lease set forth in the Financing Trust Agreement and is specifically identified in a Supplemental Financing Trust Agreement.

"Ground Rent" means, with respect to a Series of Bonds, the ground rent required to be paid by a Borrower under a Ground Lease, as such ground rent will be more particularly defined in the related Supplemental Financing Trust Agreement.

"Initial Liquidity Subaccount Requirement," with respect to a Series of Bonds, has the meaning set forth in the related Supplemental Financing Trust Agreement.

"Investment Grade Rating" means a credit rating characterized as "investment grade" or equivalent from the applicable Rating Agency.

"Issuer" means the State or a political subdivision or other entity of the State which is the issuer of any Series of Bonds and is specifically identified in a Supplemental Financing Trust Agreement.

"Issuer Representative" means a Series Issuer Representative specifically identified in a Supplemental Financing Trust Agreement.

"Liquidity Account" means the account by that name created pursuant to the Financing Trust Agreement.

"Liquidity Account Requirement" means, as of any date of calculation, an amount equal to the sum of each Liquidity Subaccount Requirement for all Series of Bonds then Outstanding.

"Liquidity Subaccount Loan Payments" mean, with respect to a Series of Bonds, the loan payments required to be paid by a Borrower under its related Loan Agreement in order to fund its Series Pooling Subaccount, as such loan payments will be more particularly defined in the related Supplemental Financing Trust Agreement.

"Liquidity Subaccount Requirement" means, as of any date of calculation, an amount equal to the Maximum Annual Debt Service.

"Master Trustee" means Wilmington Trust, National Association, a national banking association, and any successor Master Trustee established in accordance with the Financing Trust Agreement.

"Maximum Annual Debt Service" means, with respect to a Series of Bonds, as of any date of calculation, the Annual Debt Service for the then-current or any future Fiscal Year in which such sum will be the largest for such Series of Bonds.

"Officer's Certificate" means a written certificate of the Issuer signed by an Issuer Representative, or of any Borrower signed by a Borrower Representative, or of The Regents signed by The Regents Representative, which certificate will be deemed to constitute a representation of, and will be binding upon, such Issuer or Borrower or The Regents, respectively, with respect to matters set forth therein, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee.

"Outstanding" when used with respect to a Series of Bonds will have the same meaning as set forth in the related Bond Indenture for the term "Outstanding."

"Owner" means the registered owner of any Bond as provided in the related Bond Indenture.

"Permitted Investments" means any of the following which at the time are legal investments under the laws of the State of California and the policies of The Regents as filed with the Master Trustee from time to time for moneys held under the Financing Trust Agreement and then proposed to be invested therein: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America or tax-exempt obligations which are rated in the highest rating category of each Rating Agency; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Home Loan Bank System, the Farm Credit System, or any other agency or instrumentality of the United States of America; (3) bonds of the State of California or of any county or city of the State of California for which each Rating Agency is maintaining a rating at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; (4) obligations the interest on which is excluded from gross income for federal income taxation pursuant to the Code and which are rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds, or in the highest short term rating category of each Rating Agency; (5) receipts representing direct interests in Investment Securities described in clause (1) and (2) of this definition; (6) repurchase agreements with any financial institution which is rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds, or repurchase agreements fully secured by collateral security described in clauses (1) or (2) of this definition continuously having a market value at least equal to the amount so invested so long as such underlying obligations or securities are in the possession of the Master Trustee or the Securities Investors Protection Corporation; (7) interest bearing bankers acceptances and demand or time deposits (including certificates of deposit) in banks (including the Master Trustee and its affiliates), provided such deposits are either (a) secured at all times, in the manner and to the extent provided by law, by collateral security described in clauses (1) or (2) of this definition of a market value no less than the amount of moneys so invested; or (b) in banks (including the Master Trustee and its affiliates) having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000) and whose rating by each Rating Agency, or the rating of its parent holding company, is at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds or (c) fully insured by the Federal Deposit Insurance Corporation; (8) commercial paper rated in the highest rating category of each Rating Agency, and issued by corporations organized and operating within the United States and having total assets in excess of Five Hundred Million Dollars ($500,000,000); (9) collateralized investment agreements or other collateralized contractual arrangements with corporations, financial institutions or national associations within the United States fully secured by collateral security described in clause (1) or (2) of this definition; or investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; and (10) any money market fund or mutual fund that is comprised of investments described in clauses (1) through (9) of this definition and which fund or investments are continuously rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds.

"Proportionate Share" means, as of any date of calculation, that proportion that the amount on deposit in each Series Pooling Subaccount bears to the total amount on deposit in all Series Pooling Subaccounts, assuming for purposes of this calculation that all amounts that are scheduled to be paid by a Borrower into the related Series Pooling Subaccount pursuant to the related Supplemental Financing Trust Agreement, Indenture and Loan Agreement have been paid.

"Rating Agency" means Fitch, Moody's or S&P, or if any such rating agencies no longer maintains a credit rating on any of the Bonds, then any nationally recognized rating agency that maintains a credit rating on any of the Bonds.

"Series of Bonds" means one or more series of Bonds which is authorized by a Bond Indenture and secured by the Financing Trust Agreement in accordance with the Financing Trust Agreement and specifically identified in a Supplemental Financing Trust Agreement.

"Series Pooling Subaccount" means, for each Series of Bonds, an account by that name created pursuant to a Supplemental Financing Trust Agreement for such Series of Bonds in accordance with the Financing Trust Agreement.

"Series Redemption Subaccount" means, for each Series of Bonds, an account by that name created pursuant to a Supplemental Financing Trust Agreement for such Series of Bonds in accordance with the Financing Trust Agreement.

"Series 2018 Bond Indenture" means the Indenture, dated as of December 1, 2018, by and between the Series 2018 Issuer and the Series 2018 Bond Trustee, as originally executed and delivered and as it may be amended or supplemented from time to time in accordance with its terms, which pursuant to its terms is stated to be a Bond Indenture under the Financing Trust Agreement and which satisfies all of the requirements for a Bond Indenture set forth in the Financing Trust Agreement.

"Series 2018 Bond Trustee" means Wilmington Trust, National Association, as trustee under the Series 2018 Bond Indenture, or its successors established in accordance with the terms of the Series 2018 Bond Indenture.

"Series 2018 Bonds" means the California Municipal Finance Authority Student Housing Revenue Bonds (CHF-Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project), Series 2018.

"Series 2018 Bonds Ground Lease" means the Series 2018 Ground Lease, as originally executed and delivered and as the same may be amended and supplemented from time to time in accordance with its terms, and which pursuant to its terms is stated to be a Ground Lease under the Financing Trust Agreement and which satisfies all of the requirements for a Ground Lease set forth in the Financing Trust Agreement.

"Series 2018 Bonds Ground Rent" means Ground Rent required to be paid by the Series 2018 Borrower pursuant to each Series 2018 Bonds Ground Lease.

"Series 2018 Bonds Liquidity Subaccount Loan Payments" mean the loan payments required to be paid by the Series 2018 Borrower to the UCR Series 2018 Bonds Pooling Subaccount pursuant to the Series 2018 Loan Agreement.

"Series 2018 Borrower" means CHF–Riverside I, L.L.C., an Alabama limited liability company, or its successors and assigns in accordance with the terms of the Series 2018 Loan Agreement.

"Series 2018 Completion Date" means the date of completion of the Series 2018 Project, as certified by the Borrower as provided in the Loan Agreement.

"Series 2018 Dining Bonds" means the portion of the Series 2018 Bonds allocable to the financing of the Series 2018 Dining Project.

"Series 2018 Ground Lease" means the Ground Lease Agreement, dated as of December 14, 2018, between The Regents, as lessor, and the Series 2018 Borrower, as lessee.

"Series 2018 Housing Bonds" means the portion of the Series 2018 Bonds allocable to the financing of the Series 2018 Housing Project.

"Series 2018 Issuer" means the California Municipal Finance Authority, which is the issuer of the Series 2018 Bonds pursuant to the Series 2018 Bond Indenture.

"Series 2018 Loan Agreement" means the Loan Agreement, dated as of December 1, 2018, by and between the Series 2018 Issuer and the Series 2018 Borrower, as originally executed and delivered and as the same may be amended and supplemented from time to time in accordance with its terms, which pursuant to its terms is stated to be a Loan Agreement under the Financing Trust Agreement and which satisfies all of the requirements for a Loan Agreement set forth in the Financing Trust Agreement.

"Series 2018 Project" means the housing facility of approximately 820 beds in an approximately 398-unit student apartment complex, dining facilities with approximately 830 dining seats, and related parking facilities located at and serving the University of California, Riverside and that will be acquired, constructed, furnished, and equipped on a site located on campus at the University, consisting of the Series 2018 Building and the Series 2018 Equipment.

"Sinking Fund Requirement," with respect to the Bonds, means the principal amounts established under the Indenture for the retirement thereof by purchase or redemption on May 15 of such Bond Year.

"State" means the State of California.

"Supplemental Financing Trust Agreement" means a supplemental trust agreement, in substantially the form attached as Exhibit A to the Financing Trust Agreement, by and between the Master Trustee and a Borrower which pursuant to its terms is stated to be a Supplemental Financing Trust Agreement under the Financing Trust Agreement and satisfies all of the requirements for a Supplemental Financing Trust Agreement set forth in the Financing Trust Agreement.

"Tax Agreement" means a tax agreement or certificate relating to a Series of Bonds executed and delivered by the related Borrower upon the issuance of such Series of Bonds, as originally executed and delivered or it may from time to time be amended or supplemented in accordance with its terms.

"The Regents" means The Regents of the University of California, a corporation organized and existing under and by virtue of the Constitution of the State of California.

"The Regents Representative" means any such person as may be authorized by The Regents of the University of California to sign for and on behalf of The Regents for the specified matter.

"UCR Project" means the acquisition, construction, development or improvement of housing facilities, dining facilities and/or any other improvements located at or serving the University of California, Riverside.

"UCR Series 2018 Bonds Pooling Subaccount" means the subaccount created pursuant to the First Supplemental Financing Trust Agreement in accordance with the Financing Trust Agreement.

"UCR Series 2018 Bonds Redemption Subaccount" means the subaccount created pursuant to the First Supplemental Financing Trust Agreement in accordance the Financing Trust Agreement.

Conditions Precedent to Issuance of Bonds Secured under the Financing Trust Agreement

A Series of Bonds will be secured by the Financing Trust Agreement, but only upon receipt by the Master Trustee of each of the following:

(a) An original or certified copy of the rating letter of a Rating Agency evidencing that the rating assigned to such Series of Bonds is not less than an Investment Grade Rating;

(b) An original or certified copy of a Supplemental Financing Trust Agreement for such Series of Bonds, in substantially the form attached to the Financing Trust Agreement as Exhibit A, providing that the related Borrower has become a party to the Financing Trust Agreement, and that such Series of Bonds is secured by, and entitled to the benefits of, the Financing Trust Agreement and directing the Master Trustee to establish a separate Series Pooling Subaccount and Series Redemption Subaccount for such Series of Bonds and providing for the initial deposits of funds, if any, into such subaccounts;

(c) An original or certified copy of the Ground Lease relating to such Series of Bonds, which Ground Lease will provide that: (1) The Regents has approved the use of the Financing Trust Agreement to provide additional security for such Series of Bonds and has agreed to perform certain ministerial acts described in the Financing Trust Agreement; and (2) payments of Ground Rent to The Regents pursuant to such Ground Lease are expressly subordinate to (i) the full and timely payment of Annual Debt Service on such Series of Bonds as the same becomes due and payable pursuant to the applicable Bond Indentures; and (ii) the required use of revenues and other funds of the related Borrower to replenish the subaccounts under the related Supplemental Financing Trust Agreement in accordance with the terms of the Financing Trust Agreement and of the related Bond Indenture and the related Loan Agreement;

(d) An original or certified copy of the Bond Indenture for such Series of Bonds, which Bond Indenture will provide that: (1) the Issuer and the Bond Trustee thereunder will comply with the terms and conditions of the Financing Trust Agreement; (2) the Issuer has pledged, assigned or granted a security interest in the Financing Trust Agreement under such Bond Indenture for the benefit of the Owners of such Series of Bonds; and (3) after the deposit of all required amounts into the Debt Service Accounts under such Bond Indenture the Bond Trustee is required to make payments to the Master Trustee pursuant to the related Supplemental Financing Trust Agreement, such as payments required to initially fund the Series Pooling Subaccount to its Liquidity Subaccount Requirement or to replenish any amount withdrawn from the Series Pooling Subaccount up to its Liquidity Subaccount Requirement;

(e) An original or certified copy of the Loan Agreement for such Series of Bonds, which Loan Agreement will provide that: (1) the Borrower thereunder will comply with the terms and conditions of the Financing Trust Agreement; and (2) immediately after payment of all amounts necessary to deposit all required amounts into the Debt Service Accounts under the related Bond Indenture, the Borrower is required to make payments to the Bond Trustee for transfer to the Master Trustee pursuant to the related Supplemental Financing Trust Agreement, such as payments required to initially fund the Series Pooling Subaccount to its Liquidity Subaccount Requirement or to replenish any amount withdrawn from the Series Pooling Subaccount up to its Liquidity Subaccount Requirement; and

(f) A written certificate of the Master Trustee confirming that, as of the date of issuance of such Series of Bonds: (1) all scheduled deposits to the Repair and Replacement Fund (as that term is defined in the related Bond Indenture) for all Financed Projects under the Bond Indentures and the Loan Agreements for all Series of Bonds then Outstanding have been made; (2) the aggregate amount on deposit in all Series Pooling Subaccounts within the Liquidity Account, including the Series Pooling Subaccount for such Series of Bonds is not less than the Liquidity Subaccount Requirement, assuming for purposes of this paragraph (f) that all amounts that are scheduled to be paid by a Borrower into the related Series Pooling Subaccount pursuant to the related Supplemental Financing Trust Agreement, Bond Indenture and Loan Agreement have been paid.

The Master Trustee is not required to receive duplicate originals or certified copies pursuant to this section if any of the items required by this section have been received by the Master Trustee, whether as Master Trustee or in its capacity as a Bond Trustee.

Bonds are Limited Obligations of the Issuer and not Obligations of The Regents

Each Series of Bonds, and the interest thereon, will be limited obligations of the Issuer secured by the Collateral pledged under the related Bond Indenture and by the Financing Trust Agreement.

Creation and Custody of Liquidity Account and Subaccounts

(a) So long as any of the Bonds remain Outstanding, the Master Trustee will establish, maintain and hold in trust, a separate trust account to be designated as the "UC Riverside Privatized Housing Financing Trust Liquidity Account" (the "Liquidity Account"). The Master Trustee will deposit amounts to, and transfer amounts from, the Liquidity Account and the subaccounts therein from time to time in accordance with the terms and conditions of the Financing Trust Agreement. Each such deposit and transfer by the Master Trustee will be in lawful money of the United States of America. All such moneys will be promptly deposited by the Master Trustee upon receipt thereof and will be held, disbursed, allocated and applied by the Master Trustee only as provided in the Financing Trust Agreement.

(b) For each Series of Bonds secured pursuant to the Financing Trust Agreement, the Master Trustee will establish and maintain (1) a Series Pooling Subaccount within the Liquidity Account, designated as provided in a Supplemental Financing Trust Agreement for such Series of Bonds, and (2) a Series Redemption Subaccount within the Liquidity Account, designated as provided in a Supplemental Financing Trust Agreement for such Series of Bonds. Each such subaccount created from time to time under the Financing Trust Agreement will have such further designations as the Master Trustee deems appropriate in order to properly account for all moneys subject to the Financing Trust Agreement or as provided in an Officer's Certificate of The Regents Representative.

(c) As security for the payment of each Series of Bonds, the Borrower for such Series pledges and assigns its related Series Pooling Subaccount and Series Redemption Subaccount and all other funds and accounts created under the related Supplemental Financing Trust Agreement and all amounts from time to time on deposit therein, for the benefit of all Series of Bonds, in the manner and to the extent provided in, and subject to the terms and conditions of, the Financing Trust Agreement.

(d) The pledge and assignment effected by each Borrower through the Financing Trust Agreement will be valid and binding from the date of execution and delivery of the related Supplemental Financing Trust Agreement, the moneys so pledged and assigned and thereafter received by the Master Trustee will be subject to the lien of such pledge and assignment and such lien will be a continuing, irrevocable and exclusive first lien and will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Master Trustee irrespective of whether such parties have notice thereof.

Deposits to Liquidity Account

(a) On and after the date of issuance of a Series of Bonds the Master Trustee will deposit into the related subaccount of the Liquidity Account the amounts deposited by the related Borrower or the related Bond Trustee, at the times and in the amounts provided for in the related Supplemental Financing Trust Agreement. At the time of issuance of the Series 2018 Bonds, the Liquidity Account Requirement will be $9,070,000.00.

(b) The Master Trustee will also deposit into the related subaccount of the Liquidity Account such amounts as will be transferred from the related Bond Trustee pursuant to the related Bond Indenture.

(c) All amounts deposited to such related subaccount of the Liquidity Account, together with earnings thereon, will be applied as provided in the Financing Trust Agreement or a Supplemental Trust Agreement.

As and to the extent required by the Supplemental Financing Trust Agreements, the Borrowers will maintain funds on deposit in the related subaccount of the Liquidity Account in an amount not less than the Liquidity Subaccount Requirement, assuming for purposes of this paragraph that all amounts that are scheduled to be paid by a Borrower into the related Series Pooling Subaccount pursuant to the related Supplemental Financing Trust Agreement, Bond Indenture and Loan Agreement have been paid.

Withdrawals from Liquidity Account

(a) Upon receipt of notice from a Bond Trustee of a Debt Service Account Deficiency relating to a Series of Bonds, the Master Trustee will ascertain if the amount on deposit in the Series Pooling Subaccount for such Series of Bonds is sufficient to pay such Deficiency. If the amounts on deposit in such Series Pooling Subaccount are not less than such Deficiency, the Master Trustee will transfer the amount of such Deficiency to such Bond Trustee for deposit into such Debt Service Account. If the amounts on deposit in such Series Pooling Subaccount are less than such Deficiency, then the Master Trustee will (1) transfer all amounts on deposit in such Series Pooling Subaccount to such Bond Trustee for deposit into such Debt Service Account and (2) thereafter transfer an amount equal to the difference between such amount and the amount of the Deficiency to such Bond Trustee for deposit into such Debt Service Account by withdrawing an amount from each remaining Series Pooling Subaccount equal to the Proportionate Share of such subaccount.

(b) The Master Trustee will notify each Bond Trustee on or before the Business Day prior to any Bond Payment Date with respect to a Series of Bonds for which there is a Debt Service Account Deficiency that (1) an amount necessary to fund a Debt Service Account Deficiency has been requested by a Bond Trustee and whether the amount in the Series Pooling Subaccount related to such Series of Bonds is sufficient to pay the Debt Service Account Deficiency; and (2) if the Debt Service Account Deficiency cannot be entirely paid from the Series Pooling Subaccount related to such Series of Bonds, then the Master Trustee will also notify each Bond Trustee of the Proportionate Share required to be withdrawn from the Series Pooling Subaccount for such other Series of Outstanding Bonds. On the Business Day prior to any Bond Payment Date with respect to a Series of Bonds for which there is a Debt Service Account Deficiency, the Master Trustee will transfer the Debt Service Account Deficiency to the related Bond Trustee for deposit in the Debt Service Account for the related Series of Bonds in accordance with the Financing Trust Agreement.

(c) If the amounts on deposit in any of the Series Pooling Subaccounts are in excess of the Liquidity Subaccount Requirement, then upon receipt of an Officer's Certificate of The Regents Representative, the Master Trustee will transfer such excess to the related Series Redemption Subaccount as and unless otherwise provided in the related Supplemental Financing Trust Agreement; provided that for purposes of this calculation, the Maximum Annual Debt Service of any Bonds to be redeemed will be excluded.

(d) Each Series Redemption Subaccount will be applied from time to time in accordance with the terms of its related Supplemental Financing Trust Agreement to redeem, purchase or defease the related Series of Bonds in accordance with the terms of the related Bond Indenture.

(e) Each Series Pooling Subaccount may be applied from time to time in accordance with the terms of the related Supplemental Financing Trust Agreement to provide a Proportionate Share of funds in the event of a Debt Service Deficiency and as otherwise permitted by the related Supplemental Financing Trust Agreement.

(f) The amounts required to be on deposit in each Series Pooling Subaccount and each Series Redemption Subaccount may be reduced from time to time in accordance with the terms of a Supplemental Financing Trust Agreement and any amounts withdrawn from such subaccounts after such reduction will be applied in accordance with the terms of such Supplemental Financing Trust Agreement; provided that the amount on in each Series Pooling Subaccount will not be less than the Liquidity Subaccount Requirement, assuming for purposes of this paragraph (f) that all amounts that are scheduled to be paid by a Borrower into the related Series Pooling Subaccount pursuant to the related Supplemental Financing Trust Agreement, Bond Indenture and Loan Agreement have been paid.

(g) If a Series of Bonds is no longer Outstanding, then in accordance with an Officer's Certificate of The Regents Representative for such Series of Bonds, the Master Trustee will transfer all remaining amounts on deposit in the related Series Pooling Subaccount and the related Series Redemption Subaccount in accordance with such Officer's Certificate and thereafter such subaccounts will be closed.

(h) If there are no longer any Bonds Outstanding and all Bond Indentures have been defeased and discharged in accordance with their respective terms, then in accordance with an Officer's Certificate of The Regents Representative for such Series of Bonds, the Master Trustee will transfer all remaining amounts on deposit in the Liquidity Account and any subaccounts therein and any other funds then held by the Master Trustee under the Financing Trust Agreement in accordance with such Officer's Certificate and thereafter the Liquidity Account and all such subaccounts will be closed and the Financing Trust Agreement will be terminated.

Investments

Moneys held in any fund or account created under the Financing Trust Agreement will be invested in Permitted Investments pursuant to an Officer's Certificate of the Borrower, maturing at such times and in such amounts as in the judgment of the Borrower will make cash available for the purposes of such accounts as needed, subject to the restrictions, if any, set forth in the related Tax Agreement. If at any time the Borrower has not directed the Master Trustee to make any such investment, such money will be invested in the Permitted Investments described in clause (10) of the definition thereof.

Amounts on deposit in the Liquidity Account and the subaccounts therein will be valued by the Master Trustee not less than once each year. The trustee may make any or all investments permitted under this section through its own bond or investment department or that of its affiliates.

The Master Trustee

The Borrower appoints Wilmington Trust, National Association, as Master Trustee. The Master Trustee accepts the trusts created by the Financing Trust Agreement, and agrees to perform such trusts, but only upon and subject to the express terms and conditions described in the Financing Trust Agreement, and no implied covenants or obligations will be read into the Financing Trust Agreement against the Master Trustee. The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Financing Trust Agreement.

Intervention by Master Trustee

In any judicial proceeding to which any Issuer, any Borrower or The Regents is a party and which in the opinion of the Master Trustee and its counsel has a substantial bearing on the interests of the Owners of the Bonds with respect to the Financing Trust Agreement, the Master Trustee may, in its discretion, intervene on behalf of the Owners of the Bonds and will do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding, provided that the Master Trustee will first have been provided indemnity as provided in the related Bond Indenture as it may require against the costs, expenses and liabilities which it may incur in or by reason of such proceedings. The rights and obligations of the Master Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Master Trustee

Any corporation into which the Master Trustee may be merged or with which it may be consolidated or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation resulting from any such merger, consolidation or transfer to which it is a party, ipso facto, will be and become successor Master Trustee under the Financing Trust Agreement and vested with all of the title to the Financing Trust Estate and all the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Financing Trust Agreement, anything in the Financing Trust Agreement to the contrary notwithstanding.

Resignation by Master Trustee

The Master Trustee may at any time and for any reason resign and be discharged of the trusts created by the Financing Trust Agreement by executing an instrument in writing resigning such trusts and specifying the date when such resignation will take effect, and mailing the same to The Regents, each Bond Trustee, each Borrower and each Issuer not less than thirty (30) days before the date specified in such instrument when such resignation will take effect, provided the Master Trustee will also resign from its position as Bond Trustee for each Series of Bonds for which the Master Trustee was appointed as Bond Trustee. Subject to the Financing Trust Agreement, such resignation will take effect on the day specified in such instrument and notice, unless previously a successor Master Trustee will be appointed by The Regents, in which event such resignation will take effect immediately on the appointment of such successor Master Trustee. Upon the acceptance of the appointment of a successor Master Trustee, the resigning Master Trustee will receive fees in an amount which represents the proportionate amount of such fees, based on the period of time from the date such fees were paid to the effective date of the Master Trustee's resignation.

Removal of Master Trustee

The Master Trustee may be removed at any time by The Regents by an instrument in writing delivered to the Master Trustee, each Bond Trustee, each Borrower and each Issuer.

Amendments; Supplemental Financing Trust Agreements

The Financing Trust Agreement may be amended by a written instrument executed by the Master Trustee and each Borrower, upon the approval of The Regents, if the Master Trustee receives written confirmation from the Rating Agency that the amendment will not result in the downgrade of its credit rating on any Series of Bonds to less than an Investment Grade Rating. Notwithstanding the preceding sentence, the Financing Agreement may be supplemented by a Supplemental Financing Trust Agreement from time to time in connection with the issuance of a Series of Bonds in accordance with the Financing Trust Agreement.

Continuing Disclosure

There may be a Continuing Disclosure Agreement entered into by a Borrower and a Bond Trustee, as dissemination agent, with respect to a Series of Bonds to comply with the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission. The Master Trustee covenants and agrees that it will cooperate with such Borrower and such Bond Trustee to provide such information as they may reasonably request in order to meet their obligations under such Continuing Disclosure Agreement.

Satisfaction of Conditions Precedent to Issuance of Series 2018 Bonds

It is represented, warranted and covenanted: (1) by the Master Trustee that it has executed and delivered its receipt confirming that it has received all of the documentation required by the Financing Trust Agreement; and (2) by the Series 2018 Borrower that: the Ground Lease provides that payments of Series 2018 Bonds Ground Rent by the Series 2018 Borrower pursuant to the Series 2018 Bonds Ground Lease are expressly subordinate to (i) the full and timely payment of Annual Debt Service on such Series of Bonds as the same becomes due and payable pursuant to the related Bond Indentures; and (ii) the required use of revenues and other funds of the Series 2018 Borrower to replenish the UCR Series 2018 Bonds Pooling Subaccount and all subaccounts therein in accordance with the terms of the Financing Trust Agreement, the Series 2018 Bond Indenture and the Series 2018 Loan Agreement.

Series 2018 Bonds Constitute Bonds under the Financing Trust Agreement

The Series 2018 Bonds constitute a Series of Bonds within the meaning of the Financing Trust Agreement and are entitled to all of the benefits and security provided in the Financing Trust Agreement.

Series 2018 Borrower Bound by the Financing Trust Agreement

The Series 2018 Borrower agrees to be bound by and to perform all of the covenants, terms and conditions of a Borrower under the Financing Trust Agreement.

Creation of Subaccounts; Pledge

In accordance with the Financing Trust Agreement, the Master Trustee will establish, maintain and hold in trust, separate trust subaccounts within the Liquidity Account, as follows: (1) the UCR Series 2018 Bonds Pooling Subaccount; and (2) the UCR Series 2018 Bonds Redemption Subaccount. Each such subaccount will have such further designations as the Master Trustee may deem appropriate in order to properly account for all moneys subject to the Financing Trust Agreement or as provided in an Officer's Certificate. The Master Trustee will deposit amounts to, and transfer amounts from, such subaccounts in accordance with the terms and conditions of the Financing Trust Agreement. All such moneys will be promptly deposited by the Master Trustee upon receipt thereof and will be held, disbursed, allocated and applied by the Master Trustee only as provided in the Financing Trust Agreement.

As security for the payment of the Bonds, the UCR Series 2018 Bonds Pooling Subaccount and the UCR Series 2018 Bonds Redemption Subaccount and all amounts from time to time on deposit therein, and the UCR Series 2018 Bonds Liquidity Subaccount Loan Payments are pledged for the equal and pro rata benefit of all Series of Bonds, in the manner and to the extent provided in, and subject to the terms and conditions of, the Financing Trust Agreement.

Deposits to UCR Series 2018 Bonds Pooling Subaccount

On the date of issuance of the Series 2018 Bonds, the Series 2018 Bond Trustee on behalf of the Series 2018 Borrower will transfer to the Master Trustee from the proceeds of the Series 2018 Bonds in accordance with the Series 2018 Bond Indenture the sum of $9,070,000.00 for deposit in the UCR Series 2018 Bonds Pooling Subaccount, which amount will constitute the Liquidity Subaccount Requirement as of such date.

Subject to the Financing Trust Agreement, pursuant to the Series 2018 Bond Indenture, the Series 2018 Loan Agreement and the Financing Trust Agreement, the Series 2018 Borrower will maintain funds on deposit in the UCR Series 2018 Bonds Pooling Subaccounts in an amount not less than the Liquidity Subaccount Requirement, as such amount will be determined by The Regents and reported in writing to the Master Trustee on or before May 15 of each year.

Upon withdrawal from the UCR Series 2018 Bonds Pooling Subaccount due to a Debt Service Account Deficiency, Series 2018 Bonds Liquidity Subaccount Loan Payments will be made by the Borrower into the UCR Series 2018 Bonds Pooling Subaccount as required pursuant to the Series 2018 Loan Agreement.

Interest earnings allocable to proceeds of the Series 2018 Bonds on investments held in the UCR Series 2018 Bonds Pooling Subaccount will, unless otherwise directed by a written direction of The Regents filed with the Master Trustee with the consent of the Series 2018 Borrower, be transferred (i) prior to the Series 2018 Completion Date, to the Bond Trustee for deposit in the 2018 Account of the Construction Fund, notwithstanding anything contrary in the Financing Trust Agreement, and (ii) on and following the Series 2018 Completion Date, to the Bond Trustee for deposit in the 2018 Account of the Bond Fund, notwithstanding anything contrary in the Financing Trust Agreement.

Amounts on deposit in the UCR Series 2018 Bonds Pooling Subaccount in excess of the Liquidity Subaccount Requirement will, upon the written direction of The Regents with the consent of the Series 2018 Borrower filed with the Master Trustee specifying the amounts to be transferred, be transferred to the UCR Series 2018 Bonds Redemption Subaccount; provided that for purposes of this calculation, the Maximum Annual Debt Service of any Series 2018 Bonds to be redeemed will be excluded.

Application of UCR Series 2018 Bonds Redemption Subaccount

Moneys on deposit in the UCR Series 2018 Bonds Redemption Subaccount will, upon the written direction of The Regents, with the consent of the Series 2018 Borrower, filed with the Master Trustee, be transferred to the Series 2018 Bond Trustee and ratably deposited, based on the principal amount of Outstanding Series 2018 Bonds, between the Series 2018 Dining Bonds and the Series 2018 Housing Bonds into (i) the 2018 Dining Facility Account of the Bond Fund and applied in accordance with the Series 2018 Bond Indenture, and (ii) either (x) the 2018 Account of the Bond Fund and applied to pay principal of and interest on the Series 2018 Housing Bonds as it becomes due and payable in accordance with the Series 2018 Bond Indenture or (y) the Redemption Fund and applied to redeem or purchase the Series 2018 Housing Bonds in accordance with the Series 2018 Bond Indenture.

Provisions Relating to the Insured Series 2018 Bonds

Notwithstanding anything to the contrary contained in the Financing Trust Agreement, the following provisions will apply to the Insured Series 2018 Bonds.

Notice and Other Information to be given to BAM. The Borrower will provide BAM with all notices and other information it is obligated to provide to the holders of Insured Series 2018 Bonds or the Master Trustee under the Financing Trust Agreement.

Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, any of the Financing Trust Agreement that requires the consent of holders of the Insured Series 2018 Bonds or adversely affects the rights or interests of BAM will be subject to the prior written consent of BAM.

Control by BAM Upon Default. Anything in the Financing Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, subject to the limitations set forth under the paragraph "Terms Relating to The Regents – *No Acceleration*" above, BAM will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2018 Bonds or the Master Trustee or Series 2018 Bond Trustee for the benefit of the holders of the Insured Series 2018 Bonds under the Financing Trust Agreement. No default or event of default may be waived without BAM's written consent.

BAM as Owner. Upon the occurrence and continuance of a default or an event of default, BAM will be deemed to be the sole owner of the Insured Series 2018 Bonds for all purposes under the Financing Trust Agreement, including, without limitations, for purposes of exercising remedies and approving amendments.

Grace Period for Payment Defaults. No grace period will be permitted for payment defaults on the Insured Series 2018 Bonds. No grace period for a covenant default will exceed 30 days without the prior written consent of BAM.

Special Provisions for Insurer Default. If an Insurer Default will occur and be continuing, then, notwithstanding anything in the preceding paragraphs to the contrary, (1) if at any time prior to or following an Insurer Default (as defined herein), BAM has made payment under the Policy, to the extent of such payment BAM will be treated like any other holder of the Insured Series 2018 Bonds for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM will have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) will control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM will (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality will order the suspension of payments on the Policy or will obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

BAM As Third Party Beneficiary. BAM is recognized as and will be deemed to be a third party beneficiary of the Insured Series 2018 Bond Security Documents and may enforce the provisions of the Insured Series 2018 Bond Security Documents as if it were a party thereto.

Exercise of Rights by BAM. The rights granted to BAM under the Financing Trust Agreement to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Series 2018 Bonds and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Series 2018 Bonds or any other person is required in addition to the consent of BAM.

Liquidity Account. The prior written consent of BAM will be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Liquidity Account, if any.

THE GROUND LEASE

The following is a summary of the Ground Lease (the "Ground Lease").

Definitions

The following terms have the indicated definitions in the Ground Lease.

"Additional Bonds" shall mean such taxable or tax-exempt bonds issued subsequent to the issuance of the Series 2018 Bonds pursuant to the terms of the Trust Indenture in order to complete the Series 2018 Project, to refund any Bonds, or to finance any subsequent expansion of the Series 2018 Project and any student housing facilities and associated site development and related amenities and improvements other than the Series 2018 Project which the Lessee and Lessor subsequently agree that the Lessee shall acquire, develop, finance, construct, equip, furnish, and/or operate on the Campus.

"Additional Rent" means any amounts designated as Additional Rent pursuant to the Ground Lease which are payable by Lessee to Lessor other than Rent. Additional Rent shall be payable to Lessor from the Surplus Fund pursuant to the Indenture.

"Additional Occupant Payment" means an additional amount that Lessee may charge Occupants of the Dundee Residence Hall in order for the annual Operating Budget to result in a Fixed Charges Coverage Ratio equal to 1.20 for the Dundee Residence Hall.

"Affiliate" means any Person that is Controlled by, in Control of or under common Control with any other Person.

"Agents" means, as to any Person, that Person's officers, employees, contractors, subcontractors, representatives, and successors. With respect to the Series 2018 Project, Lessee's Agents include the Manager, the Architect, the Developer and other Parties performing Work pursuant to the Construction Documents.

"Allocable Dining Receipts" means all fees paid by Occupants pursuant to the payment provisions of any Resident Housing Contracts that are allocable to board.

"Allocable Housing Receipts" means all fees received from Occupants pursuant to the payment provisions of any Resident Housing Contracts that are allocable to housing.

"Alternate Services" means the services that Developer shall provide if, as a result of a delay that is permitted or excused under the terms and conditions of the Construction Contract, Contractor fails to (1) achieve Substantial Completion of any residential unit within the Series 2018 Project on or before the applicable Resident Housing Contract Commencement Date, or (2) achieve Substantial Completion of the Dundee Residence Hall on or before the Residential Completion Date, and, as a result thereof, prospective Occupants of the Series 2018 Project are unable to take occupancy in the Series 2018 Project on or before such Resident Housing Contract Commencement Date.

"Alternate Dining Facility Fees" means liquidated damages, in an amount equal to $25,000.00 per diem for each day after the Dining Completion Date that completion of the Glasgow Dining Facility is delayed.

"Annual Budget" means the Operating Budget and Capital Budget for each Lease Year developed by the Manager and approved by Lessor and Lessee in accordance with the applicable terms and provisions of the Ground Lease.

"Annual Financial Statements" means complete audited financial statements prepared by an independent certified public accountant following its audit of Lessee's operations for the previous Lease Year.

"Applicable Law" means all present and future statutes, regulations, ordinances, resolutions, and orders of any Governmental Authority.

"Approving Agency" means and refers to Lessor as the permitting agency, acting in its sovereign and autonomous governmental capacity under Article IX of the California State Constitution and shall constitute the Authority Having Jurisdiction (AHJ).

"Architect" means a qualified design professional, licensed in the State of California and in good standing approved by Lessor, who performs architectural or engineering services, including analysis of project requirements, creation and development of the design, preparation of drawings, specifications and bidding requirements and general administration of construction contracts. Notwithstanding the foregoing, with respect to the design of any structural, mechanical or electrical elements, Architect means either the Architect, as above-defined, or a licensed professional engineer as approved by Lessor. For the initial improvements comprising the Series 2018 Project and the Offsite Elements, the Architect means, and Lessor has approved, Solomon, Cordwell, Buenz & Associates, Inc., and its successors and assigns.

"Architect's Agreement" means the Standard Form of Agreement AIA B102-2007 dated October 31, 2018 between the Developer and Architect pursuant to which Architect, has agreed to provide certain architectural and engineering services in connection with the design and construction of the Series 2018 Project and the Offsite Elements, and any amendments thereof and/or supplements thereto, which Architect's Agreement has been subsequently assigned by the Developer to Lessee.

"Assessments" means any and all special assessments or levies or charges made by any local, municipal or regional agency or political subdivision for local improvements.

"Assigned Agreements" means, collectively, the Management Agreement and the Construction Documents.

"Assignment of Documents" means the Assignment of Documents of even date herewith executed by Lessee in favor of the Bond Trustee, as the same may be amended and/or supplemented from time to time as permitted by the Indenture.

"Base Reserve Deposit" means the sum of no less than One Hundred and Seventy-Five Dollars ($175.00) per bed to be funded by Lessee into the Repair and Replacement Fund each Lease Year following Substantial Completion of the Series 2018 Project.

"Bond Collateral" means and refers to the interest of the Issuer, the Bond Trustee, and/or any other Leasehold Deed of Trust Trustee in any Assigned Agreements as granted or provided in any of the Bond Documents.

"Bond Documents" means, collectively, the Indenture, the Loan Agreement, the Issuer Deed of Trust, the Assignment of Documents, the Financing Trust Agreement and all other instruments or agreements executed by the Issuer and/or Lessee in connection with the issuance and delivery of the Bonds.

"Bond Trustee" means Wilmington Trust, National Association, as Trustee under the Indenture, and its successors and assigns in such capacity.

"Bonds" means, collectively, the Series 2018 Revenue Bonds and the Additional Bonds.

"Business Day" means any day other than (a) a Saturday or a Sunday, (b) a day on which commercial banks in San Francisco, California or where the Trustee is located are authorized or obligated by law, government decree or executive order to be closed or (c) a day observed as a holiday by the State of California or the Federal government.

"Campus" means any real property owned by Lessor in proximity to its educational facilities in Riverside, California.

"Campus Fee" means a fee to be paid by Lessee to Lessor as reimbursement to the Campus for its pre-development costs with respect to the Series 2018 Project equal to Three Million Seventy-Four Thousand Two Hundred Fourteen Dollars ($3,074,214).

"Campus Regulations" means "Campus Student Housing Policies 2018-2019".

"Capital Budget" means a budget for such period, of expenditures for major repairs, renovations and/or capital improvements and/or replacement of the Personalty in, on or about the Dundee Residence Hall, detailing the anticipated timing and estimated costs of such matters as disclosed in the most recent Condition Assessment and consistent with the O&M Technical Requirements.

"Capitalized Interest Account" means an account established pursuant to, and governed by, the Bond Documents for the purpose of paying interest on the Bonds during construction and for a period of six (6) months following Substantial Completion of the Series 2018 Project.

"Certificate of Occupancy" means a either a temporary or partial Certificate of Occupancy issued by Approving Agency.

"Claims" means all claims, demands, liabilities, losses, costs, or expenses for any loss including but not limited to bodily injury (including death), personal injury, property damage, expenses, and reasonable attorneys' fees.

"Closing" means the date of closing identified by Lessor in its notice of exercise for the purchase of Lessee's Interest or the Glasgow Interest, as applicable.

"Completion Date" means the Residential Completion Date and Dining Completion Date, as applicable.

"Condition Assessment" means a property condition assessment performed as an Operating Expense by a mutually agreeable and qualified independent engineer, and prepared in accordance with ASTM E2018-15 Standard Guide for Property Condition Assessments as may be amended, supplemented or replaced from time to time, or such other mutually acceptable industry standard.

"Construction Contingency" means funds allocated to that certain line item in the Series 2018 Project's development budget as set forth in an exhibit to the Development Agreement.

"Construction Contract" means that certain Standard Form of Agreement AIA Document A102-2007 dated as of December 14, 2018, between Lessee, executed by Developer as agent for Lessee pursuant to the Development

Agreement, and the Contractor, pursuant to which the Contractor has agreed to construct the Series 2018 Project and any amendments thereof and/or supplements thereto.

"Construction Documents" means, as to the initial improvements, collectively, the Development Agreement, the Construction Contract, the Architect's Agreement, the Plans and Specifications, the Schedule of Performance, and, as to any Work in excess of the Threshold Amount performed following the Final Completion Date, all other contracts and/or agreements between Lessee or Developer, as applicable, and any person or firm rendering services, performing Work or supplying materials in connection with the design, acquisition, construction, furnishing and equipping of the Series 2018 Project and the Offsite Elements.

"Consumer Price Index" means the Consumer Price Index for All Urban Consumers, All Items, (CPI-U) Riverside-San Bernardino-Ontario, CA, published by the U.S. Department of Labor, Bureau of Labor Statistics (the ***"BLS"***). If the Consumer Price Index: (i) is not published for a given calendar month, then the Consumer Price Index for that month shall be the Consumer Price Index published for the most recent prior calendar month or other period for which it is so published; (ii) hereafter uses a different standard reference base or is otherwise revised, an adjustment shall be made therein for the purposes of the Ground Lease, using the conversion factor, formula, or table for making that adjustment as is published by the BLS, or if the BLS does not publish the same, then as is published by Prentice-Hall, Inc., the Bureau of National Affairs, Commerce Clearing House, or any other nationally recognized publisher of similar statistical information, as selected by Lessor; or (iii) ceases to be published, then, for the purposes of the Ground Lease, there shall be substituted for it such other index as the parties may agree upon, or in the absence of such an agreement, the Consumer Price Index first issued for the month and year in question.

"Consumer Price Index Change" means the percentage change of the Consumer Price Index for March of the year in question over March of the immediately preceding year.

"Contractor" means a qualified general contractor, licensed in the State of California and in good standing, engaged to perform Work on the Premises or with respect to the Offsite Elements. For the initial improvements comprising the Series 2018 Project and the Offsite Elements, the Contractor is, and Lessor has approved, Benchmark Contractors, Inc., a California corporation, with its principal place of business in Santa Monica, CA, or any replacement thereof to the extent duly approved by Lessor and Lessee.

"Control" when used with respect to any specified Person means the power, directly or indirectly, to direct or cause the direction of the decision making, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract, relation to individuals or otherwise; and the terms "Controlling" or "Controlled" have meanings correlative to the foregoing.

"Deed of Trust Trustee Lease" means a lease of the Dundee Residence Hall entered into between a Leasehold Deed of Trust Trustee, as lessee, and Lessor, as lessor, as a result of a termination of the Ground Lease by reason of any Event of Default for the remainder of the term effective as of the date of termination of the Ground Lease, at the same Rent and upon the same terms, provisions, covenants, and agreements as contained in the Ground Lease and subject to no additional exceptions or encumbrances other than Permitted Encumbrances and to the rights, if any, of the parties then in possession (actual or constructive) of any part of the Dundee Residence Hall.

"Developer" means ACC SC Development (California) LP, a Delaware limited partnership, and its successors and assigns.

"Development Agreement" means that certain Development Agreement dated as of the Effective Date by and between Lessee and ACC SC DEVELOPMENT (CALIFORNIA) LP, a Delaware limited partnership.

"Dining Agreement" means that certain Dining Facility Agreement, of even date herewith, between Lessee and Lessor, and any successor or replacement agreement for operation of the Glasgow Dining Facility.

"Dining Completion Date" means the earlier of the date on which Glasgow Dining Facility shall have reached Substantial Completion, or August 8, 2020.

"Dispute" means a conflict, disagreement or dispute between the Parties arising under the Ground Lease.

"Dundee Residence Hall" means an approximately three-hundred ninety-eight (398) unit student housing complex containing approximately eight-hundred twenty (820) beds and the real property described on Exhibit A-2 to the Ground Lease.

"Effective Date" means the Closing Date of the Series 2018 Bonds.

"Eligible Occupants" means Permitted Occupants, plus, to the extent Lessor has consented pursuant to the applicable provisions of the Ground Lease, (i) other students enrolled at the Campus of the Lessor, (ii) Lessor's Campus faculty and staff members, and (iii) persons attending a program presented and conducted on the Campus by the Lessor or another organization recognized as exempt under Section 501(c)(3) of the Internal Revenue Code whose presence furthers the educational mission of the Lessor.

"Essential Operating Systems" means electrical distribution systems; heating, ventilating, and air-conditioning systems; plumbing and sanitation systems; or communication systems.

"Fair Market Value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both Parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

"Feasibility Tests" means and refers to the tests to be administered by an independent financial consultant to aid in determining the certain matters with respect to the Dundee Residence Hall.

"Final Completion" means the date as of which no additional Work is required to achieve conformance of the initial improvements included in the Series 2018 Project and the Offsite Elements with the Plans and Specifications, as evidenced by the issuance by Approving Agency of a Final Certificate of Occupancy for the improvements included in the Series 2018 Project.

"Final Completion Date" means the date on which Final Completion occurs.

"Final Certificate of Occupancy" means the final Certificate of Occupancy issued by Approving Agency.

"Financial Statements" means unaudited statements for the Premises reporting results of operations to be prepared by Lessee or Manager (at Lessee's direction).

"Financing Trust Agreement" means the Financing Trust Agreement dated as of December 1, 2018, between the Master Trustee and Lessee as the same may be amended or further supplemented from time to time in accordance with the provisions thereof.

"First Class Condition" shall mean, with respect to the Dundee Residence Hall, the condition of a comparable high quality student housing facility of similar age and location that is well maintained in an attractive condition in accordance with maintenance and cleanliness standards meet or exceed the following Association of Physical Plant Administrators (APPA) standards at all times during the Lease Term: Maintenance: Level 2 - Comprehensive Stewardship; Cleaning: Level 2 - Orderly Tidiness; provided this standard shall not apply to the exclusive use areas within residential units cleaned by the Occupants.

"Fixed Charges" shall have the meaning given that term in the Indenture.

"Fixed Charges Coverage Ratio" shall have the meaning given that term in the Indenture.

"Force Majeure" means an Act of God (e.g., fire, flood, inclement weather, epidemic, earthquake); war or act of terrorism; and governmental acts, orders, restrictions or any other reason where failure to perform is beyond the reasonable control, including the action or inaction of the other Party, Lessor or Bond Trustee; and is not caused by the negligence, intentional conduct or misconduct of the performing Party.

"Foundation" means Collegiate Housing Foundation, an Alabama not for profit corporation.

"Full Taking" means the Taking of all of the Dundee Residence Hall.

"GAAP (or Generally Accepted Accounting Principles)" means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and their predecessors, or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting that have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented and amended.

"Glasgow Dining Facility" means a full-service eight-hundred thirty (830) seat dining facility and the real property described on Exhibit A-3 to the Ground Lease.

"Glasgow Interest" means that portion of Lessee's Interest (including all appurtenant tangible and intangible property and funds) comprised and consisting of the Glasgow Dining Facility.

"Governmental Authority" means any and all entities, courts, boards, agencies, commissions, offices, divisions, subdivisions, departments, bodies or authorities of any nature whatsoever of any governmental unit (federal, state, county, city or otherwise) whether now or hereafter in existence, including the Lessor acting in its sovereign capacity.

"Handback Condition" means the condition in which Dundee Residence Hall is required to be returned to Lessor, as required under the O&M Technical Requirements and Exhibit H to the Ground Lease.

"Hazardous Substance" means any material or substance (a) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control law); (b) defined as a "hazardous substance" under Section 26316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (c) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95, "Hazardous Substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (d) petroleum; (e) asbestos; (f) polychlorinated biphenyls; (g) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (h) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq. (33 U.S.C. § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 6903); (i) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9602); (j) defined as a "hazardous waste" pursuant to the Resource Conservation and Recovery Act. 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6901); or (k) found to be a pollutant, contaminant, hazardous waste or hazardous substance in any reported decision of a federal or California state court, or which may give rise to liability under any federal or California common law theory based on nuisance or strict liability.

"Housing Rates" means the rates permitted to be charged for each type of bed accommodation pursuant to the Ground Lease. For purposes of clarity, Housing Rates do not include any rate or amount that is charged to Occupants for board.

"Housing Receipts" means all Allocable Housing Receipts and Additional Occupant Payments, plus all income received by Lessee from all other sources as a result of use of the Dundee Residence Hall, including telecommunication income, parking fees, vending machine income or commercial use of the Dundee Residence Hall during the Term.

"Indemnitees" means Lessor and all of its Regents, officers, employees and directors.

"Indenture" means that certain Indenture (as the same may be amended or supplemented from time to time in accordance with the provisions thereof) by and between Issuer and Trustee.

"Issuer" means California Municipal Finance Authority and its successors and assigns.

"Issuer Deed of Trust" means the Leasehold Deed of Trust and Assignment of Rents and Leases of even date herewith by Lessee in favor of the Issuer, as the same may be amended and/or supplemented from time to time as permitted by the Indenture.

"Issuer Security Interests" means first priority security interests in various items of collateral including the Assigned Agreements and certain rights and remedies with respect thereto.

"Lease Year" means each twelve (12) month period commencing on the first day of July of a calendar year and ending on the last day of June of the immediately succeeding calendar year; provided, however, that the first Lease Year shall be determined as follows: if the Final Completion Date occurs after the beginning of the calendar year but before July 1, the first Lease Year shall commence on such date and shall include the period of time from and after such date until June 30 of the immediately succeeding calendar year, and (b) if the Final Completion Date occurs after July 1 but before the end of the calendar year, the first Lease Year shall commence on such date and shall end on June 30 of the immediately succeeding calendar year.

"Leased Land" means that certain land in Riverside County, California containing approximately 3.55 acres which is more particularly described in Exhibit A-1 attached to the Ground Lease, located at Lessor's Riverside Campus.

"Leasehold Deed of Trust" means, collectively, the Issuer Deed of Trust and any other encumbrance of Lessee's interest in the Ground Lease (excluding therefrom any interest in the Glasgow Dining Facility) as security for any indebtedness Lessee or Lessee's successors and assigns may incur.

"Leasehold Deed of Trust Trustee" means the holder of the indebtedness secured by a Leasehold Deed of Trust (initially, the Bond Trustee) or any agent or fiduciary therefor and any designee thereof for the purpose of taking title to Lessee's interest in the Ground Lease (excluding therefrom any interest in the Glasgow Dining Facility).

"Lessee" means CHF-RIVERSIDE I, L.L.C., an Alabama limited liability company.

"Lessee's Fee" means a fee to be paid as an Operating Expense by the Manager to the Foundation on behalf of Lessor.

"Lessee's Interest" means Lessee's entire interest in (i) the Leased Land, (ii) the Series 2018 Project, (iii) the Personalty, and (iv) the Ground Lease.

"Lessor" means THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California corporation.

"Lessor's Representative" means the acting Executive Director of Real Estate Services and Asset Management and Associate Vice Chancellor of Planning, Design and Construction Services at the Campus or such other Person (or Persons) designated by Lessor, pursuant to the Notices Section of the Ground Lease, to serve as Lessor's exclusive representative(s) in connection with the design, acquisition, construction, furnishing, equipping, and operation of the Premises.

"Licensed Land" means the land described in Exhibit B-4 to the Ground Lease.

"Lien" means any lien, encumbrance, or charge levied on account of any mechanic's, laborer's, or materialman's lien, or any security agreement, conditional bill of sale, title retention agreement, chattel mortgage, or otherwise.

"Loan Agreement" means that certain Loan Agreement (as the same may be amended or supplemented from time to time in accordance with the provisions thereof) between Issuer as lender, and Lessee as borrower.

"Management Agreement" means (i) the Management Agreement dated as of December 14, 2018 between Lessee and the Manager, as the same may be amended and/or supplemented from time to time, and (ii) any management or similar agreement between Lessee and any successor Manager relating to the management of the Dundee Housing Facility, as the same may be amended and/or supplemented from time to time.

"Management Plan" a plan for the management of the Dundee Residence Hall consistent with the O&M Technical Requirements.

"Manager" means (a) initially, ACC SC MANAGEMENT (California) LP, a Delaware limited partnership, or (b) thereafter, any successor management company employed by Lessee, following Lessor's consent, to manage the Dundee Housing Facility.

"Master Trustee" means WILMINGTON TRUST, NATIONAL ASSOCIATION, as Master Trustee under the Financing Trust Agreement, and its successors and assigns in such capacity.

"Material Change" means substantial changes to, or deviations from, the approved Plans and Specifications or the Construction Documents including changes that: i. cost in excess of the Threshold Amount; ii. affect building code, fire or life safety issues; or iii. represent a material change to the final designed elevation(s), site plan, floor plan(s) or square footage.

"Material Change Order" means a change order to the Construction Documents resulting from a Material Change.

"Material Change Order Requests" means proposed changes to or deviations from the Plans and Specifications and other Construction Documents that constitute a Material Change.

"Material Matters" means those matters that could reasonably be anticipated to materially impact any of the services provided pursuant to the Article herein titled Campus, Dining Police and Other Services or any of the residential life aspects of the Project.

"Net Available Cash Flow" means the amount available for release from the Surplus Fund to the Lessor in accordance with the Indenture.

"Net Proceeds" means and applies solely with respect to the Dundee Residence Hall, when used with respect to an insurance or condemnation award, or with respect to any other recovery on a contractual claim or a claim for damage to or for taking of property, the gross proceeds from such award or recovery less the amounts paid for expenses (including attorneys' fees and any extraordinary expenses of the Bond Trustee) incurred in the collection of such gross proceeds.

"O&M Technical Requirements" means the most recent Lessor-approved version of the Operations and Technical Requirements for the Premises, the initial Lessor-approved version of which is attached as an exhibit to the Management Agreement.

"Occupancy Payments" means and refers to the occupancy payments to be made by each resident pursuant to his or her Resident Housing Contract.

"Occupancy Receipts" means all payments and fees received from Occupants pursuant to the payment provisions of any Resident Housing Contracts.

"Occupants" means Eligible Occupants who occupy the Dundee Residence Hall pursuant to a lease or comparable written agreement.

"Offsite Elements" means any improvements, including landscaping and utilities, which are required by the Plans and Specifications, are located outside of the Leased Land, are described on Exhibit B-2 to the Ground Lease, and are located on the property shown on Exhibit B-3 to the Ground Lease.

"Operating Budget" means the annual operating budget for the Premises, which sets forth the detail and summary of anticipated occupancy payments, Additional Occupant Payment, Allocable Housing Receipts and other revenues, Operating Expenses, Lessee's Fee and other disbursements for the applicable Lease Year and each month during such period excluding therefrom content pertaining to the Glasgow Dining Facility.

"Operating Deficiency" means deficiencies in operating the Dundee Residence Hall as more specifically described in the Ground Lease Section titled Failure to Meet Standards of Operation.

"Operating Expense" means and refers to Expenses, as defined in the Indenture.

"Option" shall mean and refer to the exclusive option of Lessor to purchase either (i) all of Lessee's Interest (including all tangible and intangible property and funds), or (ii) that portion of Lessee's Interest (including all appurtenant tangible and intangible property and funds) comprised and consisting of the Glasgow Dining Facility.

"Owner's Policy of Title Insurance" means an ALTA Owner's Policy of Title Insurance with ALTA Endorsement Form 13-06 (Leasehold-Owner's) insuring Lessee's title to the leasehold estate in the Premises subject only to the Permitted Exceptions.

"Partial Taking" means any portion of the Dundee Residence Hall shall be taken, or all of the Dundee Residence Hall shall be temporarily taken.

"Party" means the Lessor or Lessee, individually, and the "Parties" means both Lessor and Lessee.

"Payment Schedule" means and refers to the schedule attached hereto as Exhibit F to the Ground Lease.

"Permitted Encumbrances" shall mean each of the items set forth in Schedule B of Owner's Policy of Title Insurance, together with subsequent liens and other matters of record approved by Lessor.

"Permitted Occupants" means undergraduates enrolled at the Campus of the Lessor.

"Person" means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities, whether for-profit or non-profit.

"Personalty" means all furnishings, machinery, equipment, fixtures, appliances, furniture, and any other personal property of any kind or description owned by Lessee and used in connection with the Premises.

"Plans and Specifications" means the detailed plans and specifications for the initial construction of the Series 2018 Project and the Offsite Elements, or detailed plans and specifications for the performance of material Work following Final Completion, to the extent detailed plans and specifications are required, in each case fully identifying and describing all Essential Operating Systems, materials, signage, design, colors of exterior paints, and other finishes, prepared by the Contractor, as amended from time to time with the consent of Lessor, copies of which must be filed with Lessor. With respect to the initial improvements comprising the Series 2018 Project and the Offsite Elements, the Plans and Specifications means the plan set dated November 8, 2018 and prepared by the Architect which are deemed ninety five percent (95%) complete as of such date.

"Premises" means the Series 2018 Project and the Leased Land and any and all other improvements now or hereafter constructed or installed on the Leased Land during the Term.

"Property Taxes" means ad valorem property taxes and assessments.

"Project Management Plan" means a consolidated development and construction plan for the execution of any material Work that includes, among other things, to the extent applicable, a schedule of performance, demolition, construction, sequencing and housing transition plans and schedules, construction areas, laydown areas, contractor employee parking areas and transportation plans to the Leased Land, construction trailer locations, staging and material storage areas, noise restrictions, ingress and egress plans, permitted days and hours for construction activities and the terms, restrictions and conditions for certain other development and construction activities.

"Punchlist Items" means minor items which do not affect occupancy or use of a portion of the Series 2018 Project and the Offsite Elements.

"Redemption Account" means an account established pursuant to, and governed by the Indenture for the purpose of accumulating funds with which to redeem the Bonds.

"Reference Date" means the date set forth in the preamble of the Ground Lease.

"Rent" means the annual rent payable by Lessee to Lessor in accordance with the Ground Lease.

"Rent Commencement Date" means the earlier of the Substantial Completion Date or the Residential Completion Date.

"Repair and Replacement Fund" means a fund established with the Bond Trustee pursuant to the Indenture for the purpose of funding expenditures approved in the Capital Budget.

"Repair and Replacement Deposit" means that amount to be deposited into the Repair and Replacement Fund pursuant to the Ground Lease.

"Resident Housing Contract Commencement Date" means the date set forth in any Resident Housing Contract as the date for commencement of the lease term of such Resident Housing Contract.

"Resident Housing Contracts" means, collectively, the occupancy agreements of no more than twelve (12) months in duration with Occupants of the Dundee Residence Hall in a form approved by Lessor (each, a "Resident Housing Contract").

"Residential Completion Date" means the earlier of the date on which the residential units in the Series 2018 Project shall have reached Substantial Completion, or September 19, 2020.

"Residual Construction Balance" means all funds then remaining in the Construction Fund (as defined in the Indenture) as of the Final Completion Date.

"Revenue Available for Fixed Charges" shall have the meaning given that term in the Indenture.

"Schedule of Performance" shall mean, as applicable, either the construction schedule contained in the Construction Contract with respect to the Series 2018 Project, or a customary construction schedule prepared by Lessee or its Agents associated with design, planning, execution and completion of any Work with the exception of routine repair, maintenance and replacement that is reflected in the Operating Budget.

"Series 2018 Bonds" means the Student Housing Revenue Bonds (CHF-Riverside I, L.L.C – UCR Dundee-Glasgow Student Housing Project), Series 2018 issued pursuant to the Indenture.

"Series 2018 Project" means, collectively, the Dundee Residence Hall, the Glasgow Dining Facility, all support, amenity, non-assignable spaces, parking, and site improvements (as described below) necessary for full functionality of such improvements, and all program support and amenity spaces to provide a complete and functional facility, all as more particularly described in Exhibit B to the Ground Lease, but excluding any Offsite Elements.

"State" means the State of California.

"Substantial Completion" means (a) as to any portion of the Series 2018 Project satisfaction of each of the following conditions: (i) delivery by Lessee of a certificate of Substantial Completion in a customary form, duly executed by the Architect, certifying completion thereof, other than minor or punch list items which do not affect occupancy or use, and (ii) the issuance of a temporary Certificate of Occupancy by Approving Agency certifying that such portion of the Series 2018 Project is safe, sufficient, suitable, and ready for immediate occupancy for the use intended and (b) as to the Offsite Elements, completion that is safe and sufficient for the intended use and acceptance by Lessor or Applicable Governmental Authority.

"Substantial Completion Date" means the date on which Substantial Completion occurs.

"Surplus Fund" means the fund of that name created in accordance with the provisions of the Indenture.

"Taking" means refers to the appropriation, taking or damage by reason of the exercise of the power of eminent domain, whether by condemnation proceedings or otherwise, or any transfer thereof in avoidance of an exercise of the power of eminent domain.

"Taxes" means all Property Taxes, possessory interest taxes and governmental fees and charges, whether general or special, or ordinary or extraordinary.

"Term" means the period commencing on the Effective Date and terminate at the earlier of (i) the 45th anniversary of the Effective Date at 12:00 midnight or (ii) 12:00 midnight on the first day of the first month following the final repayment, redemption or defeasance of the Bonds and satisfaction of any and all amounts due under the Loan Agreement or the Indenture, unless this Lease is sooner terminated pursuant to the Sections titled Early Termination or Events of Default and Remedies.

"Termination Date" means the date on which the Term hereof ends by termination or expiration of the Ground Lease, as described in the Ground Lease.

"Threshold Amount" means the sum of One Hundred Thousand Dollars ($100,000.00), which amount shall be increased by Fifteen Thousand Dollars ($15,000.00) every five years.

"Transfer" means the assignment or transfer of all or any portion of Lessee's interest in the Ground Lease or any right or privilege appurtenant thereto, or to sublease the Premises or any portion thereof.

"Trustee" means Wilmington Trust, National Association.

"Utility Services" means and refers to any utility services to be provides to either the Dundee Residence Hall, the Glasgow Dining Facility, or both, as applicable, including, gas, water (including water for domestic uses and for irrigation and fire protection), cable (in common areas only), telephone, electricity, internet, sewer service, garbage collection services, or any similar service.

"Work" means Lessee's planning, design, or construction activity with respect to the Premises or Offsite Elements, including original construction, permitted future expansions, changes, alterations and renovations including, site preparation, landscaping, installation of utilities, street construction or improvement and grading or filling in or on the Leased Land.

Condition of Leased Land and Term

Condition of Leased Land. Lessee accepts the Leased Land "as is" without representation or warranty from Lessor, except as expressly set forth in this Lease.

Term. Except as specifically otherwise provided in this Section, the term of this Lease shall commence on the Effective Date and terminate at the earlier of (i) the 45th anniversary of the Effective Date at 12:00 midnight or (ii)

12:00 midnight on the first day of the month following the final redemption or defeasance of the Bonds and satisfaction of any and all amounts due under the Loan Agreement or the Indenture, unless this Lease is sooner terminated pursuant to the Sections titled Early Termination or Events of Default and Remedies. This Lease shall expire without further notice at the expiration of the Term, and no holding over shall be permitted. Any holding over by Lessee after expiration shall not constitute a renewal or extension nor shall it give Lessee any rights in or to the Premises or any part thereof. If on the date this Lease would otherwise terminate under the provisions of this Section, but not under the provisions of Sections concerning Early Termination or Remedies, Rent remains due to Lessor, this Lease shall not then terminate, but shall remain in full force and effect until the day following the date upon which Lessor shall by notice to Lessee elect to terminate this Lease or all such Rent owed to Lessor has been fully paid. Notwithstanding the preceding sentence, in no event shall the Term extend more than fifty (50) years after the Effective Date.

Notwithstanding the foregoing, that portion of this Lease that pertains to the Glasgow Dining Facility and the portion of Leased Land on which the Glasgow Dining Facility is located shall, in addition to the foregoing provisions, terminate on the date on which all Facility Usage Fee payments (as defined in the Dining Agreement) have been made and Operator (as defined in the Dining Agreement) has provided Lessee written notice of termination of the Dining Agreement. In the event of a partial termination of this Lease pursuant to this paragraph, all improvements and intangible property located on, appurtenant to or otherwise used in conjunction with the Glasgow Dining Facility shall automatically transfer to, vest in and become the property of Lessor without any further action on the part of either Lessor or Lessee. Notwithstanding the foregoing, upon request, Lessee shall execute such documentation as may be reasonably required to evidence such change in ownership.

Early Termination. In addition to the remedies provided in the Remedies Section, Lessor may, upon delivery of written notice to Lessee, the Bond Trustee, and the Leasehold Deed of Trust Trustee, terminate this Lease in its entirety before the expiration of the Term upon the failure, subject to the occurrence of Force Majeure, of Lessee to (1) diligently pursue completion of the Series 2018 Project and the Offsite Elements, which may be evidenced by the stoppage of Work of a duration and nature reasonably likely to delay Substantial Completion beyond the Substantial Completion Date, or (2) achieve Substantial Completion of the entire Series 2018 Project by March 20, 2021, unless extended by Lessor, in its sole discretion; provided, however, in either case, that Lessee shall have not less than thirty (30) days prior written notice of Lessor's intent to terminate pursuant to this Section, and the Bond Trustee and the Issuer shall have an additional sixty (60) days to cure Lessee's failure.

If Lessor elects to terminate this Lease pursuant to this Article, Lessor must either: (a) enter into a Deed of Trust Trustee Lease with either the Leasehold Deed of Trust Trustee or a successor lessee which is duly qualified as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, and deliver an opinion of nationally recognized bond counsel to the effect that such replacement does not adversely affect the tax-exempt status of the Bonds, or (b) elect to serve in the role of Lessee for the duration of the Lease while agreeing to not take any action that would adversely impact the tax-exempt status of the Bonds, or (c) acquire the uncompleted Series 2018 Project by paying to the Bond Trustee all amounts then required by the Trustee for defeasance and payment of the Bonds (either at maturity or, if sooner, on their first optional redemption date) in accordance with their terms and to pay any other sums secured by the Leasehold Deed of Trust.

Confirmation of Expiration of Early Termination Right. Upon the written request of Lessee or the Bond Trustee, Lessor shall provide written confirmation of whether the deadline provided above has been met and whether Lessor has an outstanding right to terminate this Lease under the foregoing Section. Lessor or Lessee, within thirty (30) days after receipt of a written request from the other, shall confirm the anticipated Termination Date in writing.

Lease Consideration

Construction Obligations. Lessee shall cause the Developer to construct the Series 2018 Project and Offsite Elements strictly in accordance with the terms and conditions set forth in the Ground Lease and in the Construction Documents.

Campus Fees. Lessee shall pay to Lessor as reimbursement to the Campus for its pre-development costs with respect to the Series 2018 Project a Campus Fee equal to Three Million Seventy-Four Thousand Two Hundred Fourteen Dollars ($3,074,214). The forgoing reimbursement shall be made no later than the Effective Date.

Payment of Rent and Additional Rent. Lessee shall pay Rent and Additional Rent to Lessor as set forth in the Ground Lease and the Indenture, including all payments required to be made to Lessor from the Surplus Fund.

Amount and Adjustment of Rent. The initial Rent shall be Three Hundred and Four Thousand Dollars ($304,000) for each Lease Year. Accrual of Rent shall commence upon the earlier of the Substantial Completion Date or the Residential Completion Date, subject to the provisions of the Ground Lease. Rent shall be subject to increases as set forth below. In those years in which both of the following adjustments occur, only that adjustment which produces the higher rental amount shall be used: (1) Rent shall be increased by two percent (2%) as of each anniversary of the Rent Commencement Date, and (2) On the 10^{th}, $20^{th,}$ 30^{th} and 40^{th} anniversaries of the Rent Commencement Date, Rent shall be the greater of (a) multiplying the Fair Market Value of the Leased Land, as determined in this Article, by eight one-hundredths (0.08) so as to provide Lessor with an eight percent (8.00%) annual return on the Fair Market Value of the Leased Land; or (b) the Rent resulting from the annual rent escalation as described in (1) above. Not less than one hundred twenty (120) days prior to the tenth, twentieth, thirtieth and fortieth anniversaries of the Rent Commencement Date, Lessor and Lessee shall attempt to agree upon the then Fair Market Value of the Leased Land. For that purpose, the Fair Market Value shall be determined on the basis of the use of the Leased Land for its then current use, and subject to the limitations on Housing Rates set forth in the Ground Lease. If no agreement is reached within thirty (30) days, then either Party may elect to have the value determined by appraisal arbitration as set forth in the Article titled Dispute Resolution, and both Parties will be bound by the decision of the arbitrators.

Net Lease. The Rent due hereunder shall be absolutely net to Lessor and shall be paid without the assertion of any counterclaim, offset, deduction or defense and without abatement, suspension, deferment or reduction, except if and solely to the extent expressly provided elsewhere in this Lease. Lessor shall not be expected or required under any circumstances or conditions whatsoever, whether now existing or hereafter arising, and whether now known or unknown to the Parties, to make any payment of any kind whatsoever with respect to the Premises or be under any obligation or liability hereunder, except if and solely to the extent expressly so provided elsewhere in this Lease.

Uses and Restrictions

Construction Period. Lessee is authorized from the Effective Date until the Final Completion Date to construct the Series 2018 Project and the Offsite Elements in accordance with the Articles herein titled Permitting and Inspection by the Approving Agency, General Conditions of the Work and Construction of the Series 2018 Project.

Balance of Term. Thereafter, the Premises shall, except as otherwise permitted in this Lease, be used by Lessee only to lease space and provide support, amenity, parking and other site improvements necessary for full functionality of the Premises to Permitted Occupants and other Eligible Occupants permitted under the Ground Lease and to operate the common areas and facilities incidental to the Premises for the use and enjoyment of such occupants.

Permitted Occupants. Except as provided below, Lessee shall lease beds in the Dundee Residence Hall to Permitted Occupants and permit the use of the Glasgow Dining Facility pursuant to the Dining Agreement by Eligible Occupants. Lessee may lease to Eligible Occupants other than Permitted Occupants following the prior written consent of Lessor (which consent will not be unreasonably withheld). Lessee shall, upon the written instruction of Lessor, lease to Eligible Occupants other than Permitted Occupants.

If at any time during the Term Lessee is unable to lease all of the space in the Dundee Residence Hall to Permitted Occupants, Lessee may seek Lessor's consent, on a case by case basis, to lease to Eligible Occupants other than Permitted Occupants. Lessor will not unreasonably withhold its consent provided, however, that it shall be reasonable for Lessor to (i) require Lessee to lease space to such other Eligible Occupants in an order of priority established by Lessor from among other Eligible Occupants, prior to leasing units to other persons, and (ii) withhold consent to any Resident Housing Contract with a person other than a Permitted Occupant expiring later than the August 31^{st} following the commencement date of such lease.

Lessee may permit the use of the community common areas in the Series 2018 Project for meetings, classroom instruction, and other events, provided each such event is Campus-related and primarily for the benefit of the Campus community.

Environmental Requirements. Lessee shall not use or store, nor permit the use or storage of any Hazardous Substance on, under, or about the Premises in violation of any Applicable Law, including any storage, handling, release, emission, discharge, generation, abatement, disposition or transportation of any Hazardous Substance from, on or otherwise relating to the Premises. Lessee shall, at its own cost and expense, comply, and cause all Occupants of the Premises, licensees and/or concessionaires to comply, with all Applicable Laws relating to any Hazardous Substance, including obtaining and filing all applicable notices, permits, licenses and similar authorizations. Lessee shall establish and maintain a policy to assure and monitor continued compliance by Lessee and all others occupying space in the Premises with all such Applicable Laws. Notwithstanding the foregoing, Lessee may use and store materials or substances (including office and cleaning supplies) normally associated with the operation of a multi-unit residential facility, subject to Applicable Laws and in no greater quantities than necessary.

Environmental Remediation and Indemnification.

Hazardous Substances. If, during the Term, Lessee discovers Hazardous Substances on the Premises in violation of any Applicable Law, it shall immediately report the discovery in writing to Lessor, and the Parties will meet and confer in an attempt to resolve the violation. If Hazardous Substances were present in the soil of the Leased Land as of the Effective Date, Lessor will undertake, at Lessor's expense, to remediate the presence of Hazardous Substances in compliance with Applicable Laws to the extent necessary to permit construction of the improvements and use of the Premises for the uses permitted hereunder to proceed. If Hazardous Substances are released onto the Premises in violation of any Applicable Law during the Term as the result of Lessor's negligent or willful acts, Lessor will remediate the presence of such Hazardous Substances in accordance with the standards in the preceding sentence. If Lessor fails to take reasonable measures to remediate such Hazardous Substances, such failure shall constitute a default.

Indemnification. Lessee shall indemnify, defend, protect and hold Indemnitees harmless from and against any and all liability, Claims, damage, penalties, actions, cost or expense of any kind or nature, including damage to property and injury (including death) to any person, arising directly or indirectly from any breach of Ground Lease Section titled Environmental Requirements. The foregoing indemnity includes any required remediation or disposal of any Hazardous Substance, and reasonable consultants' fees and charges, attorneys' fees and charges, investigation costs and expenses and other similar costs and expenses incurred by any of the Indemnitees. The obligation of Lessee under this Section shall survive the expiration or earlier termination of this Lease.

Community and Other Meetings. Upon the request of Lessor from time to time, Lessee shall, in coordination with and the participation of such Agents as it may choose to involve, prepare for and participate in all meetings and presentations with or to Governmental Authorities, community members and stakeholders, Campus officials, personnel and other Persons relating to the Series 2018 Project. Lessee shall, in coordination with and the participation of such Agents as it may choose to involve, provide such materials to, and shall be accompanied by such Agents at, such meetings and presentations, in each case as Lessor may reasonably request from time to time.

Advertising and Signs. Lessor has approved the comprehensive signage and graphic program set forth in the Plans and Specifications included in the Construction Documents for the initial construction of the Series 2018 Project and the Offsite Elements. Lessee shall prepare and submit to Lessor, for Lessor's review and approval, any modifications to the signage and graphic program included in the Plans and Specifications. Lessee may coordinate and delegate performance of the activities described in this Section to its Agents. Except as set forth in the Plans and Specifications included in the Construction Documents for the initial construction of the Series 2018 Project and the Offsite Elements, Lessee acknowledges and agrees that it shall have no right to place or allow to be placed any sign above the first floor of any portion of the Premises. Lessee shall not have the right to place, construct or maintain on the glass panes or supports of the windows, the doors, or the exterior walls or roofs thereof or any interior portions thereof that may be visible from the exterior of the Premises, any signs, advertisements, names, insignia, trademarks, descriptive material, or any other similar item, except for such items which have been authorized in writing by Lessor in its sole and absolute discretion. Any sign that Lessee has the right to place, construct and maintain shall comply with all Applicable Laws and Permitted Encumbrances, and Lessee shall obtain any required approvals. Lessee shall not have or acquire any property right or interest in Lessor's name or the University's name, including the name "University of California,", "THE REGENTS OF THE UNIVERSITY OF CALIFORNIA," "UC," "University of California Riverside," "UC Riverside" or any permutation thereof, which may imply any connection of Lessee or the

Premises with Lessor. Lessor reserves the reasonable right to change the address of the Premises or any portion thereof at any time, and Lessee waives all claims for damages caused by any such change.

Housing Rates

Initial Rent. Lessee shall initially charge Occupants the monthly Housing Rates set forth in Exhibit F to the Ground Lease, the Payment Schedule. Without the prior written consent of Lessor, which may be withheld in Lessor's sole and absolute discretion Lessee shall not charge Occupants any amounts in addition to the Housing Rates set forth in the Operating Budget, except for security deposits, late charges, interest, reimbursement for damages and utility usage, and Additional Occupant Payment, if any, determined pursuant to the Ground Lease. Housing Rates shall be subject to adjustment pursuant to the Ground Lease Section titled Notification. Housing Rates that have been adjusted as provided herein shall, from the time of adjustment, be deemed to be Housing Rates for purposes of subsequent adjustments. In no event shall the Housing Rates be adjusted to amounts, which, when combined with the Facility Usage Fee (as defined in the Dining Agreement) insufficient to pay all debt service, Operating Expenses and perform all of Lessee's obligations under the Loan Agreement.

Notification. Lessor shall notify Lessee and Manager in writing of the applicable Housing Rates for the following academic year no later than January 10th of each year subject to the limitations set forth in the below Section titled Additional Occupant Payment.

Arbitration of Rates. If Lessee reasonably believes the Housing Rates determined by Lessor, when combined with the Facility Usage Fee (as defined in the Dining Agreement), are insufficient to generate sufficient funds to pay all debt service, Operating Expenses and perform all of Lessee's obligations under the Loan Agreement, Lessee shall provide written notice thereof to Lessor. Thereafter, Lessor and Lessee shall meet and confer in an attempt to ensure sufficient revenues are available to pay the projected Operating Expenses and Fixed Charges set forth in the Operating Budget. If, following such meet and confer, the Housing Rates determined by Lessor are insufficient to generate sufficient funds to pay all debt service, Operating Expenses and perform all of Lessee's obligations under the Loan Agreement, Lessee may provide written notice thereof to Lessor and Lessee may submit the determination of Housing Rates to arbitration under the Article herein titled Dispute Resolution, with directions to the arbitrator(s) to provide reasonable estimates of each such Rate. If Lessee submits the determination of such Rates to arbitration, Lessee shall set Housing Rates for the Lease Year commencing the following July 1st based upon the Housing Rates determined by Lessor, and the Rates determined by arbitration shall govern Housing Rates for the Lease Years thereafter.

Additional Occupant Payment. From and after the end of the first full Lease Year, the following provisions shall apply if the annual Operating Budget prepared in accordance with the Ground Lease does not result in a Fixed Charges Coverage Ratio equal to or greater than 1.20 for the Dundee Residence Hall.

Notwithstanding any other provisions of the Housing Rates Article of the Ground Lease to the contrary, Lessee shall re-budget and use all reasonable efforts to reduce the Operating Expenses for the Dundee Residence Hall wherever possible, without impacting necessary maintenance and services, in order to result in a Fixed Charges Coverage Ratio equal to or greater than 1.20 for the Dundee Residence Hall.

If, after the re-budgeting, the Operating Budget does not result in a Fixed Charges Coverage Ratio equal to or greater than 1.20 for the Dundee Residence Hall then, notwithstanding the provisions of the Ground Lease, Lessee may charge Occupants of the Dundee Residence Hall the Additional Occupant Payment.

The necessity for and amount of any Additional Occupant Payment charged Occupants under this Section shall be determined each Lease Year. In no event shall any Additional Occupant Payment be merged into Housing Rates, and Housing Rates shall be computed under the Housing Rates Article of the Ground Lease without respect to the necessity for, or amount of, any Additional Occupant Payment.

Alternate Rates. Notwithstanding any other provisions of the Housing Rates Article of the Ground Lease to the contrary, Lessee may charge Occupants approved by Lessor under the provisions of the Permitted Occupants Section of the Ground Lease rates which are different from the Housing Rates then in effect; provided such rates shall be subject to Lessor's prior written approval, which shall not be unreasonably withheld.

Financing of Project

Lessee shall, at its own cost and expense, obtain all financing required for the design, acquisition, construction, furnishing, equipping, and operation of the Series 2018 Project, including the issuance of the Bonds in connection with the Series 2018 Project. Lessor has reviewed the Bond Documents and, as of the Effective Date, shall provide to Lessee and the Bond Trustee Lessor's certificate confirming its review of the Bond Documents and consenting to the financing of the Series 2018 Project on the terms set forth therein. Except for the financing contemplated by the Bond Documents, all financing which encumbers Lessee's interest in the Ground Lease, or any amendment, renewal, refinancing, or refunding of any such financing, during the Term of the Ground Lease shall be subject to the prior approval of Lessor, which approval Lessor may grant or withhold at its sole discretion.

Distributions of Surplus Fund Balances

Disposition of Residual Construction Balance. Unless Lessor otherwise directs, by notice to Lessee, after the Final Completion Date and as soon as permitted under the Indenture, Lessee shall cause an amount equal to the Residual Construction Balance to be applied in accordance with the Indenture**.**

Distributions of Surplus Fund Balance. Subject to the Ground Lease Sections addressing Distributions of Cash Flow and the Indenture, and commencing with the first Lease Year after the Series 2018 Project is Substantially Complete, Lessee shall apply, or cause the Bond Trustee to apply, the amounts in the Surplus Fund in accordance with the Indenture, such payments in respect of each Lease Year to be made within sixty (60) days after receipt by Lessee and the Bond Trustee of the Annual Financial Statements as described in the Ground Lease Section titled Annual Financial Reports to Lessor for the corresponding fiscal year of Lessee. Amounts shall be withdrawn from the Surplus Fund and distributed in an order agreed upon by the Lessor and in compliance with the Indenture.

Distributions from Cash Flow in Initial Lease Years. The Rent and the Repair and Replacement Deposit shall neither be accrued nor paid until the first Lease Year following the Substantial Completion Date.

Distributions from Cash Flow in Final Lease Year. If the Termination Date is other than the last day of a Lease Year, resulting in the final Lease Year of this Lease covering less than a full twelve (12) month period, the Repair and Replacement Deposit for such final Lease Year shall only be paid with respect to that portion of the Lease Year that predates the Termination Date, and Rent shall be pro-rated by dividing the number of days in the final Lease Year the Lease was in force by 365 and multiplying by the amount of Rent due in the last preceding full Lease Year. Distributions from the Surplus Fund shall be paid in accordance with the Indenture. Lessee shall pay, or cause to be paid, the amounts set forth in this Section within one hundred eighty (180) days following the Termination Date.

Taxes and Assessments

Taxes and Assessments. The Parties intend and expect that the leasehold estate of Lessee created by the Ground Lease and the Premises will be eligible for exemption, under California law, from ad valorem property taxes and assessments (***"Property Taxes"***). Nonetheless, neither Lessee nor Lessor makes any representation or warranty regarding Property Taxes, and Lessor shall bear no responsibility for the assessment thereof.

Maintenance of Exemption. Lessee shall diligently pursue and attempt to maintain exemption of the Premises from Property Taxes. Provided Lessor incurs no liability, cost, expense, or fees in doing so, Lessor shall cooperate with Lessee in pursuing and maintaining such exemption. Nothing contained in the Ground Lease is intended to change the degree to which the interest or estate of Lessee created by the Ground Lease is subject to Property Taxes; however, to the extent such Property Taxes are assessed, Lessee and Lessor shall have the responsibilities and rights set forth in the balance of this Article.

Tax Obligations. In the absence of an applicable exemption, Lessee will pay prior to the delinquency date thereof all Taxes, which may be levied, assessed, charged or imposed, or may become a lien or charge upon the Premises or any part or parts thereof, or upon Lessee's interest in the Ground Lease, including Taxes on land, any buildings, any parking facilities or any other improvements now or hereafter at any time during the Term located at or on the Premises. Lessee's obligation to pay Taxes includes the obligation to pay all real estate taxes, taxes upon or measured by rents, personal property taxes, privilege taxes, gross receipts taxes, excise taxes, parking taxes, business and occupation taxes, gross sales taxes, occupational license taxes, water charges, sewer charges, or environmental taxes or assessments of any kind and nature whatsoever, levied by the State of California, the government of the United States, or any agency thereof, or any other governmental body or assessment district during the Term, whether or not now customary or within the contemplation of the Parties hereto and regardless of whether the same shall be foreseen or unforeseen, similar or dissimilar to any of the foregoing. Lessor specifically calls to Lessee's attention the fact that this Lease may create a possessory interest subject to property taxation, and, in the absence of a valid exemption, Lessee may be subject to Taxes levied on such interest. Lessee alone shall pay such Taxes.

Assessment Obligations. Specifically, and without in any way limiting the generality of the foregoing, Lessee shall pay, before they become delinquent, any and all special assessments or levies or charges made by any local, municipal or regional agency or political subdivision for local improvements ("**Assessments**"), and as required by the act and proceedings under which any such Assessments or levies or charges are made, and Lessee shall furnish to Lessor written proof of such payment upon written request. If the right is given to pay any of the Taxes, Assessments, or other impositions which Lessee is herein obligated to pay either in one sum or in installments, Lessee may elect either mode of payment.

Tax Indemnity. Lessee defends, indemnifies and holds the Lessor harmless from the payment of all Taxes and Assessments to the extent of Lessee's interest in the Series 2018 Project. Subject to the provisions of Lessee's right to contest, as described in another Ground Lease Section, Lessee further agrees to prevent said Taxes and Assessments from becoming delinquency liens upon the Premises or any part thereof. Lessor shall in no way be obligated to pay such delinquent Taxes and Assessments, but Lessee authorizes Lessor to make such payment, and, if Lessor makes such payment, it will become immediately due and payable to Lessor by Lessee and shall bear interest at the rate provided for in this Lease.

Right to Contest. Lessee, and any successor in interest, shall have the right, at its own expense, to contest the amount or validity of any Taxes and Assessments by appropriate proceedings, diligently conducted in good faith, which shall operate to prevent the collection of any such Tax or Assessment so contested or the sale of the Premises or any part thereof to satisfy the same. Lessee shall, if requested by Lessor to do so in order to protect Lessor from any sale or foreclosure against the Premises or any part thereof, provide a good and sufficient surety bond or other security deemed appropriate by Lessor in the amount of such Tax or Assessment plus estimated penalties and interest which may be imposed, provided further that Lessee shall bear any and all costs, liability, or damage, including attorneys' fees and costs arising out of such contest.

Lessor's Cooperation. Provided Lessor incurs no liability, cost, expense, or fees in doing so, Lessor shall cooperate with Lessee in any proceedings brought by Lessee to contest the validity or the amount of any Taxes or Assessments or to recover any Taxes or Assessments paid by Lessee. If Applicable Law at the time in effect shall require that such proceedings be brought by or in the name of Lessor, then, provided Lessor incurs no liability, cost, expense, or fees in doing so, Lessor shall join in any such proceedings or permit the same to be brought in its name. If any such proceedings shall be brought by Lessee, Lessee shall defend, indemnify and hold the Indemnitees harmless against any and all Claims, losses, costs, or expenses of any kind that may be imposed upon the Indemnitees in connection therewith, including reasonable attorneys' fees and costs.

Exclusion of Certain Taxes. Lessee's obligation to pay Taxes and Assessments levied and assessed against the Premises or any part thereof shall exclude business, income, or profits taxes levied or assessed solely against Lessor by federal, state, or other governmental agencies, unless such Tax or Assessment is levied in lieu of Taxes and Assessments which would have been otherwise payable by Lessee under this Lease.

Utility Services

Dundee Residence Hall. With respect to the Dundee Residence Hall, Lessee shall apply for, obtain and pay for, and be solely responsible for all utility services required, used, or consumed, including, gas, water (including water for domestic uses and for irrigation and fire protection), cable (in common areas only), telephone, electricity, internet, sewer service, garbage collection services, or any similar service. Lessor shall provide, at no expense to the Series 2018 Project, connection points for fire alarm services for the Dundee Residence Hall which services shall be connected to the Campus infrastructure. Lessee shall bear the cost of all such fire alarm services for the Dundee

Residence Hall as well as all necessary Campus infrastructure. The foregoing Utility Services shall be provided through the utility lines to be constructed as required by the Plans and Specifications and include lines that are part of the Offsite Elements and other utility infrastructure located on the Campus but outside the Leased Land. Upon completion of the Dundee Residence Hall, including the utility lines included in the Offsite Elements, Lessor shall grant such easements and rights to the utilities providing the Utility Services as are necessary to allow the operation, maintenance and repair of such utility infrastructure in a manner sufficient to provide such Utility Services in a consistent, uninterrupted manner and in compliance with applicable laws or, alternatively, shall itself keep such infrastructure in good and operable condition.

Glasgow Dining Facility. With respect to the Glasgow Dining Facility, Lessor shall apply for, obtain and pay for, and be solely responsible for all utility services required, used, or consumed, including, gas, water (including water for domestic uses and for irrigation and fire protection), cable (in common areas only), telephone, electricity, internet, sewer service, garbage collection services, or any similar service. Lessor shall provide, at no expense to the Series 2018 Project, connection point for voice, data and fire alarm services for the Glasgow Dining Facility which services shall be connected to the Campus infrastructure. Lessee shall bear the cost of all such voice, data and fire alarm services for the Glasgow Dining Facility, subject to repayment under the Dining Agreement, as well as all necessary Campus infrastructure. The foregoing Utility Services shall be provided through the utility lines to be constructed as required by the Plans and Specifications and include lines that are part of the Offsite Elements and other utility infrastructure located on the Campus but outside the Leased Land. Upon completion of the Glasgow Dining Facility, including the utility lines included in the Offsite Elements, Lessor shall grant such easements and rights to the utilities providing the Utility Services as are necessary to allow the operation, maintenance and repair of such utility infrastructure in a manner sufficient to provide such Utility Services in a consistent, uninterrupted manner and in compliance with applicable laws or, alternatively, shall itself keep such infrastructure in good and operable condition.

Lessee shall not enter into any contract or agreement with any government agency or body or public utility for such Utility Services without the prior written consent of Lessor, which consent shall be subject to the Ground Lease Section titled Submission of Matters to Lessor for Approval. Copies of such executed contracts or agreements shall be provided to Lessor upon execution. In the event that any charge for any Utility Service supplied to the Series 2018 Project is not paid by Lessee to the utility supplier when due, then Lessor may, ten (10) days after written notice to Lessee, but shall not be required to, pay such charge for and on behalf of Lessee, with any such amount paid by Lessor being repaid by Lessee to Lessor, as Additional Rent, within twenty (20) days after demand by Lessor.

Option to Purchase

As further consideration for Lessor's execution of this Lease, Lessee hereby grants to Lessor the Option which shall be binding on successors and assigns of Lessee, to purchase either (i) all of Lessee's Interest (including all tangible and intangible property and funds referenced in the Ground Lease Article addressing Holding Over; Termination and Expiration, below), or (ii) the Glasgow Interest, in either event on the following terms and conditions:

Exercise of Option. Beginning one hundred twenty (120) days prior to the commencement of the tenth (10) year following the Effective Date and continuing through the balance of the Term, Lessor may give notice to Lessee of Lessor's exercise of its option to purchase Lessee's Interest or the Glasgow Interest, as applicable, at the applicable price as set forth below. The closing of such purchase shall be not sooner than one hundred twenty (120) nor later than one hundred eighty (180) days after the date of delivery of the notice of exercise to Lessee. Following receipt of such notice, Lessee shall not be permitted to convey, lien, or otherwise encumber Lessee's Interest or the Glasgow Interest, as applicable, or any portion thereof, and shall not permit the conveyance, lien or encumbrance of Lessee's Interest or the Glasgow Interest, as applicable. Any attempted lien, conveyance, or encumbrance of Lessee's Interest or the Glasgow Interest, as applicable, prohibited by this Article shall be null and void.

Purchase Price. If the option to purchase is exercised with respect to Lessee's Interest, the purchase price shall be equal to all amounts due under the Bond Documents including the principal balance then outstanding of all sums secured by any Leasehold Deed of Trust then in effect, plus costs of defeasance or any premium payable on such indebtedness, plus all interest accrued or to accrue on such indebtedness through the date of payment of such indebtedness. If the option to purchase is exercised with respect to the Glasgow Interest, the purchase price shall be equal to all amounts due under the Bond Documents solely with respect to the Glasgow Dining Facility, plus costs of defeasance or any premium payable on such indebtedness, plus all interest accrued or to accrue on such indebtedness through the date of payment of such indebtedness. This provision for Lessor's option shall not be in derogation of Lessor's power of eminent domain.

Closing. Lessor shall designate, in its notice of exercise, the date of Closing, which shall occur within the period described in the Ground Lease Section titled Exercise of Option. At Closing, upon payment of the purchase price to the Bond Trustee and the amounts payable by Lessor pursuant to the Ground Lease Section pertaining to Closing Costs below, title to Lessee's Interest or the Glasgow Interest, as applicable, shall be conveyed to Lessor by an assignment of Lessee's Interest or the Glasgow Interest, as applicable, and a grant deed, each in recordable form executed by Lessee, and a bill of sale as to all personal property included in Lessee's Interest or the Glasgow Interest, as applicable. With respect to a conveyance of all of Lessee's Interest, Lessee shall convey its interest in the Resident Housing Contracts by an assignment of lease reasonably satisfactory to Lessor and Lessee, and its interest in all other assets associated with the Premises as required by the Ground Lease Article addressing Holding Over; Termination and Expiration. Upon the Closing, this Lease shall terminate.

Title. Lessee's Interest or the Glasgow Interest, as applicable, shall be conveyed free and clear of all loans. In the case of a conveyance of all of Lessee's Interest, such conveyance shall be subject only to the Resident Housing Contracts, Permitted Encumbrances, all matters of record as of the Reference Date, encumbrances permitted in accordance with the terms of this Lease and physical conditions that would be disclosed by an accurate survey and inspection of the Premises. In the case of a conveyance of all of the Glasgow Interest, such conveyance shall be subject only to Permitted Encumbrances, all matters of record as of the Reference Date, encumbrances permitted in accordance with the terms of this Lease and physical conditions that would be disclosed by an accurate survey and inspection of the Glasgow Dining Facility.

Closing Costs. Lessor shall pay all recording fees for the satisfaction of Lessee's loans, all reasonable costs incurred by Lessee in connection with such closing, any transfer taxes in connection with the sale of Lessee's Interest or the Glasgow Interest, as applicable, and all recording fees in connection with the recording of the deed and assignment. The purchase price shall be paid to Bond Trustee on behalf of Lessee in cash at Closing. No broker's fees shall be due or payable by the Parties in connection with the Lessor's exercise of the Option.

Permitting and Inspection by the Approving Agency

Jurisdiction. Lessee and its Agents shall comply with and give notices required by any Applicable Law bearing on the Work on the Premises whether under jurisdiction of the building officials for the Campus, or other Governmental Authorities. The Parties acknowledge and agree that Lessor holds separate functions under this Lease (a) as landlord or owner, in its proprietary capacity, under the Lease, and (b) as Approving Agency, as building official with full power and authority to authorize, approve, permit and inspect the design and construction of buildings and structures, including activities related to design review, building permit issuance, construction inspections, permit sign-off, final inspections, and issuance of Certificates of Occupancy.

Approving Agency. The Campus officials responsible for compliance and enforcement of Campus facilities, as Approving Agency, are the Campus Certified Building Official and Campus Designated State Fire Marshal who provide compliance oversight and enforcement of all Applicable Laws for building and codes and standards (including California Code of Regulations, Title 24) as well as fire and life safety under delegated authority from the California State Fire Marshal. Official acts issued or taken under the authority of the Campus Certified Building Official or the Campus Designated State Fire Marshal shall be made under each official's signature authority or such other Campus official designated by written notice from time to time. Lessee shall pay or cause its Agents to pay all reasonable and customary fees and costs for performing the services provided in this Article.

Permitting. Lessee accepts the rules governing the permitting of the Work and will file, or cause its Agents to file, all submittals reasonably requested by the Approving Agency required in order to ensure compliance of the Work. Lessee agrees to abide by the jurisdiction of the Approving Agency throughout the Term and shall perform, or cause its Agents to perform, all Work and construct, or cause its Agents to construct, any improvements or alterations in conformance with the approved Plans and Specifications, Construction Documents and Applicable Law. The Approving Agency shall review the Plans and Specifications and any other documents required for approval of, and permit issuance for, the Work at key stages of their development. If Approving Agency reasonably believes that any submittals do not conform to Applicable Law, Approving Agency will promptly advise Lessee and its Agents in writing of any questions or objections. In such event, Lessee or its Agents shall make subsequent submissions in order to address such questions or reasonable objections Approving Agency may have.

Access for Inspections. Approving Agency shall, at all times during which construction activities are occurring on the Premises, be afforded reasonable access to the Premises for the purpose of observing and inspecting the Work, and observing any testing or inspections performed by other Governmental Authorities, independent inspection firms and testing laboratories hired by Lessee or its Agents. The Approving Agency shall, at all times, have the right to review and inspect all Work to assess conformance with all Applicable Laws and the approved Construction Documents. Such review and inspection will not relieve Lessee from the obligation during the Term to be in full compliance with all Applicable Laws and in substantial compliance with the Construction Documents.

Inspections. Upon receipt of verification by the Architect that the Work or improvements have been completed, the Approving Agency shall conduct an inspection and may, to the extent applicable to the subject Work, issue either a Certificate of Occupancy subject to completion of Punchlist Items or shall advise Lessee of any deficiencies or additional Work that Approving Agency determines must be completed to achieve full conformance with the permitted final approved Plans and Specifications (if required) and all Applicable Laws and regulations. When Approving Agency determines that the Work has been fully completed in accordance with all Applicable Laws and regulations, Approving Agency shall issue a duly executed Certificate of Occupancy in a customary and legally compliant form provided by the Approving Agency.

Final Inspections. Upon receipt of verification by the Architect that the Work or improvements, or Punchlist Items, have been completed, as applicable, the Approving Agency shall conduct a final inspection and either issue a Final Certificate of Occupancy or advise Lessee of any deficiencies or additional Work that the Approving Agency determines must be completed to achieve conformance with the permitted final approved Plans and Specifications (if required) and all Applicable Laws and regulations. When the Approving Agency determines that the Work has been completed in accordance with all Applicable Laws and regulations, Approving Agency shall issue a duly executed Final Certificate of Occupancy on a customary and legally compliant form provided by the Approving Agency.

Disputes. In the event of any Dispute regarding Approving Agency's approval of any previously submitted Plans and Specifications or other acts and omissions, the Approving Agency's decision, shall be final and binding and not subject to the Dispute resolution process set forth in the Ground Lease.

Disclaimer. Approving Agency's reviews, comments, approvals or disapprovals of any submittals made by Lessee or its Agents, including submittals made prior to execution of the Lease, shall not constitute an opinion or warranty by Lessor or Approving Agency of their adequacy, shall not make Lessor or Approving Agency responsible for the Work or its design, and shall not constitute a waiver of any claim by Lessor or Approving Agency for any defect or deficiency with respect to the Plans and Specifications or any portion of the Work.

Compliance by Lessee with Applicable Laws and Ordinances

General Compliance Obligations of Lessee. At all times during the Term of the Ground Lease, Lessee shall, and shall cause its Agents to, conform to, obey, and comply with all Applicable Laws and all policies, procedures, and regulations promulgated by Lessor, as reasonably applied, pertaining to the use of Lessor's owned or leased property generally and to activities taking place on the Campus, including, those relating to health, safety, and traffic enforcement, existing at any time during the Term of the Ground Lease; provided such policies, procedures, rules, and regulations are not applied or enforced in a manner that discriminates against Lessee. Such requirements include, but are not limited to, the Fair Wage/Fair Work Plan, the Seismic Safety Policy, and Campus Administrative Policies and Procedures Sections 903, 904 and 905, and other policies as applicable, each of which may be amended and supplemented from time to time provided Lessee receives actual notice of such amendments and supplements and for which Lessor approves an adjustment to the Annual Budget, if reasonably necessary for compliance. Lessee, in its own name and at its sole cost and expense, shall have the right to contest the validity of any law, ordinance, rule, regulation, or requirement contemplated under this Article with Lessor's consent, which shall not be unreasonably withheld.

Nuisance. Lessee shall not use, suffer or permit the Premises, or any part thereof to be used for hazardous purposes in violation of Applicable Laws or in any manner that would constitute a legal nuisance or an unreasonable annoyance. Lessee shall promptly take all measures necessary and proper to remove or otherwise abate any conditions or circumstances that constitute or, with the passage of time, could constitute a nuisance. In the event, at any time during the Term of the Ground Lease, or thereafter, as the result of Lessee's acts or omissions during the Term of the Ground Lease, any addition, alteration, change, or repair or other Work of any nature, structural or otherwise, be lawfully required or ordered by an applicable Governmental Authority or become necessary on account of any Applicable Law then in effect, or on account of any other reason with respect to the Premises, the entire expense thereof, regardless of when the same shall be incurred or become due, shall be paid by Lessee and, in no event, shall Lessor be called upon to contribute thereto or do or pay for any Work of any nature whatsoever on or relating to the Premises. To the extent achievable in compliance with the Operating Budget, Lessee further agrees at all times during the Term of the Ground Lease, at its sole cost and expense, to do all things necessary to maintain the Dundee Residence Hall in a good, clean and sanitary order, and in a First Class Condition and as otherwise required pursuant to the O&M Technical Requirements.

Construction Period Compliance Obligations of Lessee. Notwithstanding the above, during the period from the Effective Date until the issuance of the Final Certificate of Occupancy, Lessee shall comply and shall cause Developer to comply only with Lessor's Fair Work/Fair Wage Plan, Seismic Safety Policy, Policy on Sustainable Practices, Chapter 4 of Volume 3 of UC's Facility Manual as set forth in Exhibit D to the Ground Lease, and all other Applicable Laws. Nothing in this Section shall limit Lessor's (i) right to exercise its police powers and impose reasonable policies, procedures, and regulations to ensure the public health, safety, order, and welfare on the Premises and the Campus, or (ii) authority and obligation to act in its sovereign capacity as the Approving Agency.

Environmental Impact Mitigation Measures

Lessee represents and warrants that, with respect to the environmental impact mitigation measures identified in Exhibit C to the Ground Lease as the responsibility of Lessee, it will (i) cause the Developer to incorporate such measures in the construction of the Series 2018 Project and the Offsite Elements and (ii) Lessee shall perform or cause the Manager to perform or comply with such measures in the operation of the Premises during the Term of the Lease.

General Conditions of the Work

General Conditions. Except to the extent approved and included in the Construction Documents for the Series 2018 Project and the Offsite Elements or a Capital Budget, neither Lessee nor its Agents shall commence any Work on the Premises that (a) as to the initial construction of the improvements, requires the implementation of any Material Change Order or (b) as to any Work to be completed after the Final Completion Date, is anticipated to have a cost in excess of the Threshold Amount without the prior written approval of Lessor in accordance with the Ground Lease Sections concerning Design Approval and Material Change Orders, as applicable. The approved Work shall be performed at Lessee's sole cost and expense and in accordance with the terms and conditions specified in this Article. The following provisions shall govern the permitting, construction and inspection processes to be utilized by Lessee and its Agents during the Term.

Design Approval. This Section shall not apply to or otherwise govern any Work completed prior to the Final Completion Date or included in an approved Capital Budget. Before Lessee or Lessee's Agents shall commence any Work on the Premises with a cost in excess of the Threshold Amount, Lessee or its Agents, as applicable, shall obtain Lessor's prior written approval of the design in accordance with the design review process described below.

Conceptual Design. Lessee or its Agents shall initiate the design approval process by submitting to Lessor a set of schematic plans and preliminary specifications showing the nature of the proposed Work. The submittals shall include two (2) sets of schematic plans and preliminary specifications showing in reasonable detail, as appropriate, the location, extent, materials, colors, size, system design and elevation of the proposed Work, including any affected landscaping, exterior lighting effects or parking. If the submittals conform with then-current Campus design framework and will not materially, adversely affect the value of the Premises, Lessor will not unreasonably withhold its approval of the proposed Work. However, without limiting the generality of the foregoing, Lessor may disapprove any proposed Work which is not in compliance with (i) any term or provision of this Lease or the long-range development plan or entitlements for the Campus, (ii) any Applicable Laws, (iii) the Campus physical design framework applicable as of the date of the proposed Work, and (iv) the general aesthetic standards for the Premises.

Detailed Design. If Lessor approves the Work presented in the schematic plans and preliminary specifications submittal, Lessee or its Agents shall prepare, or cause the preparation of detailed Plans and Specifications for the Work and shall provide Lessor the reasonable opportunity to review and comment upon progress versions of the Plans and Specifications as reasonably requested. Lessor and Lessee and its Agents shall confer and develop a reasonable design review process including a level of effort commensurate with the nature of the proposed Work and shall use commercially reasonable efforts to diligently pursue the design work to completion. Lessee acknowledges that prior to approving a permit set of Plans and Specifications for the proposed Work, Lessor may be obligated to meet and consult with certain committees and other persons within Lessor's organization. Lessee or its Agents shall (i) provide Lessor with such information and materials (to the extent reasonably available) as Lessor may reasonably request, (ii) at reasonable times and upon reasonable notice attend committee and other meetings with Lessor and other persons associated with Lessor, and (iii) otherwise respond to the reasonable requirements of such committees and other persons within Lessor's organization in connection with Lessee's request for approval of the proposed Work.

Final Design. If there are any Material Changes to Plans and Specifications submitted for Lessor's review pursuant to the Ground Lease Section pertaining to Conceptual Design, then prior to submittal to the Approving Agency, Lessee or its Agents shall submit to Lessor, for Lessor's review, four (4) duplicates of the permit set of Plans and Specifications for the proposed Work, whether or not such items are required by the Approving Agency to commence the application for governmental design approval. Lessee or its Agents shall not apply for any governmental approvals until after obtaining Lessor's prior written approval of any Material Changes to the permit set of Plans and Specifications.

Design Changes and Disputes. Prior to finalizing any Construction Documents that include any Material Changes to Construction Documents previously approved by Lessor, Lessee or its Agents shall submit to Lessor for Lessor's prior written approval four (4) duplicate sets of such documents, upon which any changes shall be indicated. If Lessor disapproves any item pursuant to this Article, Lessee or its Agents shall make the changes reasonably necessary to address the disapproved item and shall resubmit it for Lessor's approval. Lessee or its Agents shall not proceed with the disapproved item, or any item affected by the disapproved item, until Lessor has approved (or is deemed to have approved) Lessee's changes. If Lessor and Lessee are unable to agree upon a resolution, Lessor and Lessee shall attempt in good faith to resolve the Dispute in accordance with the applicable terms of the Ground Lease.

Approvals. All Plans and Specifications and other Construction Documents required to be submitted for Lessor approval in accordance with this Section shall be approved or disapproved in accordance with the procedure set forth in the Ground Lease Section pertaining to Material Change Orders.

Architect and Contractor. Prior to entering into or materially modifying or amending any contract with any Architect, Contractor or Agent for any Work requiring Lessor's approval, Lessee shall obtain Lessor's prior written approval including the identity of each, which approval shall not be unreasonably withheld, conditioned or delayed. Each such contract shall contain provisions reasonably acceptable to Lessor that permit the contract to be assumed by Lessor or its designee, at Lessor's sole discretion, following a termination of this Lease. Any such assumption shall be on the same terms and conditions (including fees and prices) as set forth in the contract but shall not impose any obligation on Lessor to assume responsibility for Lessee's acts or omissions.

Building Permits. No physical Work shall be undertaken until all permits and authorizations of the Approving Agency (or any other applicable Governmental Authority having jurisdiction over the Work) required to commence the Work shall have been procured and paid for, so far as the same may be required, from time to time, with respect to such portion of the Work being undertaken. All permits, authorizations, reviews, and any documentation obtained in connection with the Ground Lease or the use of the Premises shall be obtained at Lessee's sole cost and expense.

Insurance. Prior to commencement of any Work, Lessee shall deliver, or cause to be delivered the applicable certificates of Insurance and endorsements evidencing satisfaction of the insurance requirements set forth herein which must be maintained, at Lessee's sole cost and expense, at all times when Work is in progress.

Performance and Payment Bonds. Prior to commencement of any Work, Lessee shall obtain, or cause to be obtained, performance and payment bonds in an amount equal to the value of the Construction Contract for the purpose of securing performance of the Contractor's Work and obligation to pay for all labor and materials in connection with the Work. The performance and payment bonds must be in a form approved by Lessor and shall not contain provisions purporting to shorten the statutory limitations period for commencing any action, including actions for recovery due to patent and latent design or construction defects. The bonds shall include a multiple obligee rider and name Lessee as the primary obligee, and Lessor, Issuer, and Bond Trustee as additional obligees. The bonds must be issued by a surety or an insurance company authorized to issue bonds in the State that is rated in the top two categories by two of the three nationally recognized rating agencies, or at least "A" or better and "Class VIII" or better according to A.M. Best's Financial Strength Rating and Financial Size Category.

Project Management Plan. With respect to any Work that may be proposed after the Final Completion Date, Lessor shall have the right, but not the obligation to require that Lessee provide, or cause to be provided, a Project Management Plan for Lessor's review, comment and approval. Upon approval, the Project Management Plan may not be amended, restated, modified, supplemented and/or waived without the prior written consent of the Parties in each instance (such consent not to be unreasonably withheld, conditioned or delayed). Notwithstanding any provision to the contrary, in no event shall Lessor be responsible or liable for any obligations, undertakings or liabilities set forth in the Project Management Plan that Lessor has not expressly undertaken under the terms of this Lease.

Pre-Conditions to Commencement. No Work of any kind shall be commenced on, and no building or other materials shall be delivered to the Premises until: (1) Lessee or Lessee's Agents shall have given to Lessor written notice of the proposed commencement date of Work, in order to permit Lessor to take all necessary actions under California Civil Code Section 8444; (2) Lessor shall have received and approved (such approval not to be unreasonably withheld), Lessee's written Schedule of Performance for completion of the Work which must show the projected date of Substantial Completion; and dates and durations, if any, during which Work will be suspended for any reason; (3) Lessor shall have received and approved Lessee's written Project Management Plan, if applicable to completion of the Work; and (4) Lessor shall have approved the Work or issued a notice to proceed with the Work.

Payment of Bills for Construction. Lessee covenants and agrees to pay or cause to be paid, as a construction expense, currently as they become due and payable in accordance with the terms of any Construction Documents and the Bond Documents, all bills for labor, materials, insurance, and bonds, and all fees of architects, engineers, contractors, and subcontractors and all other costs and expenses incident to any Work in or on the Premises; provided, however, that Lessee may, in good faith, in its own name, dispute and contest any such bill, fee, cost, Lien or expense, and in such event, any such item need not be paid until adjudged to be valid. Unless so contested by Lessee, Lessee shall pay all such items within the time provided by law, and if contested, any such item shall be paid before the issuance of an execution on a final judgment with respect thereto. Any such contest shall be prosecuted with due diligence, and Lessee shall promptly pay (or cause payment of) the amount as finally determined, together with all interest and penalties payable in connection therewith. Notwithstanding any provision of this Section to the contrary, Lessee shall pay or bond any amount which it might otherwise be entitled to contest if a lien is filed with respect to such amount. If Lessee refuses to pay or bond any such amount, Lessor may (but shall not be obligated to) make such payment or bond and Lessee shall reimburse Lessor on demand for all such amounts.

Payments and Lien Releases. Lessee will provide Lessor with copies of each application for payment submitted by Contractors, each certificate of payment issued by the Architect prior to payment thereof and evidence of payment of each such Application for Payment. In addition to the payment procedure described in the Loan Agreement, Lessee shall include, or cause its Agents to include as part of any submittal to Lessor of applications for payment, conditional lien waivers pending construction payments to contractor, subcontractors, and material suppliers, and unconditional lien waivers for all prior construction payments that have been made to contractor, subcontractors, and material suppliers.

All Liens and Rights are Subordinate to Lessor. Lessee's rights, as well as the rights of anyone else, including the rights of the Issuer, and/or another permitted Leasehold Deed of Trust Trustee, or any mortgagee, architect, independent contractor, assignee, sublessee, subcontractor, prime or general contractor, mechanic, laborer, materialman, or other lien or claim holder, shall always be and remain subordinate, inferior, and junior to Lessor's title, interest, and estate in the Leased Land. Except as otherwise expressly permitted hereunder, Lessee shall not create or permit to be created or to remain and shall promptly discharge or bond over, any Lien that might, or does, constitute a lien, encumbrance, or charge upon the Premises, or any part thereof, or the income therefrom, having a priority or preference over or ranking on a parity with the estate, rights, or interest of Lessor in the Leased Land or any part thereof, or the income therefrom.

Reports and Information. Lessee or its Agents shall provide or otherwise make available for review at the main construction office within the Licensed Land, the location of which is depicted on Exhibit B-4 to the Ground Lease and incorporated herein by this reference, copies of all material documents, meeting minutes, and material correspondence provided to or generated in connection with the performance of the Work including those related to the progress of the Work and satisfaction of the items in the Schedule of Performance. Lessee shall provide, or cause Lessee's Agents to provide, Lessor with copies of progress reports, including any updates to the Schedule of Performance, on or before the tenth (10^{th}) day of each month during the course of the Work in a form reasonably satisfactory to Lessor demonstrating compliance with the requirements of this Lease for the previous month. Such reports shall include a report reasonably satisfactory to Lessor as to whether Lessee has knowledge of the presence of any Hazardous Substances on the Premises in violation of Applicable Law, whether or not by accident, Lessee shall notify, or cause Lessee's Agents, to notify Lessor in writing of such presence of Hazardous Substances. Upon Lessor's request, Lessee or its Agents shall deliver or cause to be delivered to Lessor copies of all soil reports, surveys, Hazardous Substance reports, feasibility studies, and other similar written materials prepared for Lessee pursuant to the Construction Documents with respect to the Leased Land within ten (10) days after receipt by Lessee.

Meetings. Lessor may attend and observe routine meetings concerning the design or construction of the Work. Upon Lessor's request therefor, but not less frequently than twice per month after the commencement of the Work, Lessee shall meet, or cause Lessee's Agents to meet with Lessor to review and discuss the progress of the Work

Monitoring. Subject to compliance with applicable construction safety protocols and safety procedures established by Lessee or its Agents and in addition to the rights of the Approving Agency, Lessor shall be afforded reasonable access to the Premises during the performance of any Work for purposes of inspecting, monitoring, observing, making inquiries, and taking samples of materials for testing as may be necessary to evaluate the physical characteristics of the Work as well as such other matters as Lessor deems to be reasonably necessary for Lessor to determine Lessee's compliance with the requirements of the Construction Documents and performance of Lessee's obligations; provided, however, in no event shall any such inspection, monitoring, observation, inquiry or testing interfere with construction activities. The Parties expressly understand and agree that: (i) any such activities by Lessor shall not relieve Lessee of its responsibility for performing the Work pursuant to and substantially in accordance with the Construction Documents; (ii) failure of Lessor to engage in any such activities (including, but not limited to, making any on-site inspection or conducting testing) shall not limit or be construed to limit any of Lessor's rights, powers or remedies under this Lease, nor shall such failure to engage in any such activities (including, but not limited to inspection or conducting testing) be deemed an approval of any activity or work; and (iii) no action by Lessor shall be deemed to be confirmation that the Work shown in the Plans and Specifications complies with Applicable Laws except to the extent such confirmation is expressly provided by the Approving Agency.

Material Change Orders. Lessor's approval shall be required for all Material Change Order Requests. All Material Change Order Requests shall be specifically noted, in writing, in the cover sheet of a submittal from Lessee (or Developer on behalf of Lessee) to Lessor containing the proposed Material Change Order Request. Lessor shall approve or disapprove any Material Change Order Request requiring Lessor's approval within five (5) Business Days after Lessor's receipt of the proposed Material Change Order Request; provided, however, if Lessor fails to respond within such five (5) Business Day period, Lessee (or Developer on behalf of Lessee) shall send a second notice to Lessor by electronic mail to Lessor's Representatives (and/or such other parties as may be specified to Lessee by Lessor, from time to time) which notice shall state, in **CAPITALIZED, BOLD-FACED, 12-POINT TYPE THAT: "FAILURE TO RESPOND TO THIS NOTICE OF PROPOSED CHANGE WITHIN 3 BUSINESS DAYS SHALL RESULT IN LESSOR'S DEEMED APPROVAL OF SUCH CHANGE**". If Lessor does not provide Lessee with written notice of the action taken by Lessor on the Material Change Order Request within such three (3) Business Day period, Lessor shall be deemed to have approved the requested Material Change Order Request. If Lessor disapproves any Material Change Order Request requiring Lessor's approval, then, within three (3) days of such disapproval, Lessor, Lessee and any Agents (including, but not limited to, Developer) that it may require or deem necessary, shall, in good faith, meet and confer in an effort to resolve any Lessor's objections. For the avoidance of doubt, Lessor shall have no right to approve or withhold approval of any changes that are required by any governmental, quasi-governmental or regulatory authority as a condition to obtaining any approvals, permits, licenses or other consents or authorizations from such governmental, quasi-governmental or regulatory authority. Lessor will not unreasonably withhold its approval of proposed Material Change Order Requests.

Construction Documents. All contracts and subcontracts involving the Work shall specifically provide that the contractor and subcontractor(s) agree to indemnify, defend (with counsel reasonably acceptable to Lessor) and hold Lessor harmless from any claims, damages, costs (including reasonable attorney's fees), liability or loss arising from personal injury, death or property damage resulting from the willful or negligent acts, errors, or omissions of the contractor or subcontractor(s) as the case may be. No contracts and subcontracts involving the Work may contain provisions purporting to shorten the statutory limitations period for commencing any action, including actions for recovery due to patent and latent design or construction defects. Lessee will include, and require its agents to include, the forgoing indemnification obligation as well as all other applicable requirements of the Construction Documents in any contracts and subcontracts involving the Work performed on the Premises or the Campus to ensure such contractors comply with the Campus rules for construction site access, safety, work hours and other customary items included in the Construction Documents. All matters of ingress, egress, haul routes, laydown areas, construction activity and disposition of excavated material in connection with this Lease shall be subject to the Construction Documents.

Standard of Work. Work shall be designed, constructed, and performed in a good and workmanlike manner. All building materials for the Work and any Offsite Elements shall be of good quality and substantially in accordance with the approved Plans and Specifications.

Correction of Non-Conformance. In addition to the rights of the Approving Agency, Lessor may reject any Work which does not substantially conform to the approved Construction Documents or with Applicable Law. Lessee shall, at Lessor's request and at its sole cost and expense, correct or cause its Agents to correct, with reasonable promptness, any Work that is not in substantial conformity with the Construction Documents.

Substantial Completion. When Lessee deems it has achieved completion of Work requiring Plans and Specifications, other than Punchlist Items for any one or more of the buildings comprising the Series 2018 Project, Lessee shall cause or cause its Agents to provide Lessor with a certificate of Substantial Completion signed by the Architect of record for the associated Work. The certificate of Substantial Completion may be in the form of AIA Document G704 certificate of Substantial Completion or other customary construction industry form. When Lessee determines that it or its Agents have achieved completion of all Work including any punch list items, Lessee shall cause or cause its Agents to provide Lessor and the Approving Agency with a final certificate of payment issued by the Architect in accordance with the Construction Documents.

Notice of Completion. Within thirty (30) days after Approving Agency issues a Final Certificate of Occupancy for the last portion of the Work, Lessee shall file or cause its Agents to file on behalf of Lessee a notice of completion as defined and provided for in California Civil Code Sections 8180 through 8190.

Deliverables Following Completion. As soon as practicable, but no longer than four (4) calendar months after the Substantial Completion of the applicable Work, with respect to any Work requiring Plans and Specifications, Lessee shall furnish, or cause its Agents to furnish, to Lessor: (1) Two complete sets of final record document plans and specifications of the completed Work in AutoCAD format, and two "as-built" documents to be in redlined PDF format; (2) A narrative summary prepared by the Architect describing material changes in the Work that differ from the approved Plans and Specifications; (3) Two current, accurate, properly labeled "as-built" ALTA survey, prepared and certified by a California registered land surveyor or professional engineer, depicting to scale the location of the completed Work, as constructed; and (4) One complete set of operations and maintenance manuals for all Essential Operating Systems, equipment, and Personalty relating to the Work.

Non-Responsibility. Lessor shall not be deemed to have incurred or assumed any obligation or responsibility in connection with any Work performed on the Premises regardless of any approvals which Lessor may have made. Nothing in this Lease nor any act or failure to act on the part of Lessor shall be construed as a warranty or representation as to the adequacy or fitness of the Premises, the Campus, or any Work, or as a waiver of a claim by Lessor for any defect or deficiency with respect to the any aspect of the Work.

Construction of Series 2018 Project

Lessee shall enter into the Development Agreement with Developer, and in accordance with Developer's obligations thereunder, Developer will execute on behalf of Lessee as agent for Lessee, the Construction Contract with Contractor, and enter into and assign to Lessee the Architect's Agreement. Lessor has reviewed and approved the Construction Documents, including the "guaranteed maximum price" for the initial construction of the Series 2018 Project and the Offsite Elements and the amount of the Construction Contingency. Lessee shall at all times comply with the terms of the Article herein entitled General Conditions of the Work and communicate with Lessor's Representative with respect to all consents sought, or approvals required, under the Ground Lease. The terms and provisions of this Article shall only apply to the initial construction of the Series 2018 Project and the Offsite Elements.

Default in Construction. In the event of a default by Developer under the Development Agreement, the Contractor under the Construction Contract, or the Architect under the Architect's Agreement in connection with the design and/or construction of the Series 2018 Project and the Offsite Elements, Lessee shall exercise, and cause the Developer to exercise, such rights and remedies available to Lessee and/or Developer as reasonably required to complete construction in accordance with the Development Agreement and Construction Contract, in each such instance, after consultation with Lessor. If an Event of Default shall occur or if Lessee or Developer shall default under the Development Agreement, the Construction Contract or the Architect's Agreement, Lessor may, subject to the rights of the Bond Trustee pursuant to the Bond Documents, assert the rights of Lessee under the terms of the Development Agreement, the Construction Contract and the Architect's Agreement. As security for Lessee's performance of the Work, Lessee grants to Lessor a security interest in the Construction Documents.

Commencement of Construction. Lessee shall, under the terms of the Development Agreement cause the Developer and Contractor to commence and pursue to Final Completion the construction of the Series 2018 Project and the Offsite Elements, in accordance with the Construction Documents and in accordance with the Schedule of Performance. Lessee shall enforce or cause Developer to enforce the Construction Documents, and Lessee shall not make Material Changes or modifications or terminate the Construction Contract or the Architect's Agreement without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned, or delayed. Lessee may make (or allow to be made) customary field changes and adjustments.

Completion of Construction by Lessor. Lessor acknowledges that Lessee intends to assign to the Issuer all of Lessee's right, title, interest, and remedies in and to the Construction Documents pursuant to the Assignment of Documents. If (i) Lessee shall abandon or fail to complete the construction of the Series 2018 Project and the Offsite Elements in accordance with all material requirements of the Ground Lease, and (ii), the Issuer or the Bond Trustee (as assignee of the Issuer) shall not elect to complete such Work pursuant to the terms of the Assignment of Documents, Lessor may, at its option (but without any obligation so to do and without prejudice to any other rights Lessor may have under the Ground Lease) complete the Work undertaken by Lessee as an expense of the Series 2018 Project and, as nearly as practicable and proper, according to the final Plans and Specifications previously approved by Lessor.

Title to the Series 2018 Project. Title to the Series 2018 Project including any modifications or additions thereto during the Term shall be vested in Lessee until the Termination Date, at which time all title to and ownership of the Series 2018 Project shall automatically and immediately vest (without the necessity of any further action being taken by Lessee or Lessor or any instrument being executed and delivered by Lessee to Lessor) in Lessor. Notwithstanding the foregoing, Lessee shall execute and deliver any documents reasonably requested by Lessor evidencing conveyance and transfer of title.

Offsite Elements to be Offered to Lessor. Lessee shall notify Lessor when it believes it has achieved Substantial Completion of the Offsite Elements and has fulfilled all mitigation measures required in the Article herein entitled Environmental Impact Mitigation Measures. Subject to the following sentence, Lessor shall, within ten (10) Business Days after Lessor's receipt of such notice from Lessee, execute the Acceptance of the Offsite Elements substantially in the form attached to the Ground Lease as Exhibit E. In the event that Lessor finds Final Completion of the Offsite Elements not to have been achieved, or all mitigation measures have not been fulfilled, Lessor shall deliver to Lessee a description of measures to be taken by Lessee that will result in Lessor's finding Final Completion to have been achieved. Upon receipt of such description, Lessee shall diligently pursue such measures to Final Completion.

Architects, Engineers, and Professional Consultants. Lessee shall, under the terms of the Development Agreement, cause the Developer to require any architects, engineers, and professional consultants engaged in connection with the construction of the Series 2018 Project and the Offsite Elements to perform their respective obligations under the terms of the Construction Documents to be licensed in accordance with law and to obtain and maintain professional (errors and omissions) liability insurance.

Failure to Provide Series 2018 Project on Schedule.

Alternate Services. If, as a result of a delay that is permitted or excused under the terms and conditions of the Construction Contract, Contractor fails to (1) achieve Substantial Completion of any residential unit within the Series 2018 Project on or before the Resident Housing Contract Commencement Date, or (2) achieve Substantial Completion of the Dundee Residence Hall on or before the Residential Completion Date, and, as a result thereof, prospective Occupants of the Series 2018 Project are unable to take occupancy in the Series 2018 Project on or before such Resident Housing Contract Commencement Date, then Developer, shall provide the following Alternate Services: (1) make available bed spaces to Occupants who have executed Resident Housing Contracts, in comparable substitute living quarters which contain, in the aggregate, at least an equal number of bed spaces required under each such executed Resident Housing Contract to be available on such date, but which, in fact, are not available; (2) move Occupants from the substitute living quarters into the Series 2018 Project as units become available therein; (3) provide Occupants occupying any substitute living quarters with regular dedicated transportation to and from the Campus for classes and meals, Monday through Friday every half hour during the hours from 7:00 AM to 9:00 PM and Saturdays every half hour during the hours from 7:00 AM to 3:00 PM; and (4) take such additional ameliorative actions as the Parties and Developer shall mutually agree upon.

Developer will provide Alternate Services subject to the limitations set forth in the Development Agreement and further provided that all costs incurred by Developer in providing Alternate Services under the Alternate Services Section of the Ground Lease shall be reimbursed to Developer as Subordinated Expenses (as defined in the Indenture) in accordance with the terms of the Bond Documents.

Remedies for Delay in Completion.

If Contractor fails to (1) achieve Substantial Completion of any residential unit within the Dundee Residence Hall on or before Resident Housing Contract Commencement Date set forth in any Resident Housing Contract, or (2) achieve Substantial Completion of the Dundee Residence Hall on or before the Residential Completion Date, and, as a result thereof, prospective Occupants of the Project are unable to take occupancy in the Project on or before such Resident Housing Contract Commencement Date, then Developer, shall provide Alternate Services.

If Contractor fails to achieve Substantial Completion of the Glasgow Dining Facility on or before the Dining Completion Date and provided that all of the obligations related to any failure to timely complete the Dundee Residence Hall have been satisfied first, then (i) Developer will pay to Lessor, as liquidated damages, Alternate Dining Facility Fees and (ii) take such additional ameliorative actions as Lessor, Lessee and Developer shall mutually agree upon.

Provided Developer has fulfilled its obligation under Alternate Services Section of the Ground Lease above in accordance with and subject to the Development Agreement, including all of the applicable limitations as set forth therein, Lessee's obligation to enforce Developer's duties and obligations under the Development Agreement (a) relative to Alternate Services Section of the Ground Lease shall automatically terminate on that date which is five (5) days after both Substantial Completion has been achieved relative to such bed spaces and all Occupants have moved into the Series 2018 Project and (b) relative to Remedies for Delay in Completion Section of the Ground Lease shall automatically terminate on that date which is five (5) days after the date on which Substantial Completion has been achieved relative the Glasgow Dining Facility. The obligation of Lessee and Developer to provide Alternate Services will not affect the residents' Resident Housing Contracts, which shall remain in full force and effect, and each such resident must make Occupancy Payments under his or her Resident Housing Contract during the time Developer is providing Occupant with substitute living quarters. In compliance with the procedures set forth in the Development Agreement, Lessee shall collect such Occupancy Payments and deposit same in accordance with the Indenture and cause the Bond Trustee under the Indenture to disburse directly to Developer out of the Operating Account (as defined in the Indenture) under the Indenture an amount equal to (x) the amount budgeted in the Annual Budget (as defined in the Indenture) for Operating Expenses of the Series 2018 Project for such applicable period during which Developer is providing Alternate Services, less (y) the amount, if any, of Operating Expenses actually incurred at the Series 2018 Project during such period.

Development Agreement Enforcement. Lessee shall enforce all provisions of the Development Agreement, and Lessee shall not amend, modify or terminate the Development Agreement without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. If, with the consent of Lessor, Lessee terminates the Development Agreement with the initial Developer, Lessee shall promptly identify and engage a replacement Developer satisfactory to Lessor, on such terms and conditions as may be reasonably satisfactory to Lessor. Lessor and Lessee acknowledge and agree that (i) under certain circumstances it may not be reasonable to require the replacement Developer to be responsible for the payment of the Incremental Costs, and (ii) under such circumstances Lessor shall not withhold its approval of the terms and conditions of the replacement Development Agreement solely as a result of the fact that the replacement Development Agreement may not require the replacement Developer to pay the Incremental Costs.

Licenses and Easements

Access to Leased Land. Lessor agrees and does hereby grant to Lessee a non-exclusive easement over and across the Access Easement Tracts for purposes of providing Lessee and its Agents, successors, assigns, successors-in-title, invitees, employees, sublessees and guests with the Access Easements. Lessor shall at its sole cost and expense, keep, repair, replace and maintain the Access Easement Tracts in a good and open condition sufficient to maintain vehicular and pedestrian ingress and egress and in compliance with Applicable Law at all times. Such access granted shall expire automatically on the Termination Date.

Construction Access. Lessor agrees and does hereby grant to Lessee and its Agents and their respective agents, employees, and contractors a non-exclusive, temporary license on, over, across, and through the Licensed Land for vehicular ingress, egress, storage, parking, landscaping, staging and construction activities in connection with the Series 2018 Project and the Offsite Elements. Such construction license shall expire automatically upon Final Completion of the Series 2018 Project.

Reservation of Rights. Lessor reserves to itself the right to grant to others in the future nonexclusive easements over, under, through, across or on the Leased Land in locations that will not unreasonably interfere with Lessee's use of the Leased Land. Any interference shall be temporary, and all work on the Leased Land shall proceed expeditiously. Lessee shall be given reasonable notice before commencement of any work on the Leased Land. If installation or maintenance of such easements causes any damage to the Leased Land, or any portion thereof, including but not limited to pavement, curbs and sidewalks, Lessor shall repair the same, or cause the same to be repaired, at Lessor's expense. Lessor shall hold harmless and indemnify Lessee from claims arising out of the grant or use of such easement, but only in proportion and to the extent they result from the negligence or wrongful act or omission of Lessor or Lessor's employees, agents or invitees.

Landscape and Utility Easements. Lessor shall grant such easements in favor of Lessee and any utility providers as are reasonably necessary for the installation and operation of utilities serving the Series 2018 Project and for the relocation of utilities existing on the site as of the Reference Date, provided that the location of such easements shall be subject to Lessor's prior written approval, which shall not be unreasonably withheld.

Operation of Series 2018 Project

Lessee's Obligation to Operate. Upon Substantial Completion of the Series 2018 Project, Lessee shall operate or cause the Manager to operate the Premises (other than the Glasgow Dining Facility which shall be operated in accordance with the Dining Agreement) in accordance with the Campus Regulations, as such Campus Regulations may be amended from time to time, which Campus Regulations are incorporated herein by reference (provided Lessee and the Manager receive actual notice of such amendments by Lessor and provided such regulations are enforced on a Campus-wide basis and are not applied or enforced in a manner that discriminates or results in a prejudice to Lessee). Notwithstanding anything herein to the contrary unless and until Lessor specifies otherwise in a written notice to Lessee, (i) the operation of the Glasgow Dining Facility shall not be governed by this Article but rather shall be as set forth in the Dining Agreement, and (ii) Lessee shall be obligated to bifurcate the Occupancy Receipts into the

Allocable Housing Receipts and the Allocable Dining Receipts and to promptly thereafter distribute or otherwise cause the distribution of (through the Management Agreement or otherwise) the Allocable Dining Receipts to Lessor or such third party as Lessor may direct. Allocable Dining Receipts shall be distributed to Lessor free and clear of all security interests and other third party claims. And in any event, all such payments shall, upon receipt by any party, including the Lessee or Manager, as applicable, be deemed to be the property of Lessor and shall be deemed to be held in trust by any party, including the Lessee and/or Manager, pending delivery to Lessor.

Management of Premises. Lessee shall cause the preparation of a Management Plan, which Management Plan shall include an on-site staffing plan appropriate to the size and nature of the Dundee Residence Hall; provide for the enforcement of the Campus Regulations; and provide for the Manager to commence (i) active marketing of the Series 2018 Project no later than November 30, 2019 (ii) taking reservations for the Series 2018 Project no later than March 31, 2020, and entering into Resident Housing Contracts for the Series 2018 Project no later than June 30, 2020. Lessee shall submit or cause the Manager to submit the Management Plan to Lessor prior to June 28, 2020 for Lessor's approval, which shall not be unreasonably withheld. Lessee shall enter into the Management Agreement in connection with the operation of the Dundee Residence Hall, which shall contain terms and provisions consistent with this Agreement and shall further specify the rights, responsibilities and obligations of Manager and the circumstances under which Manager may be terminated and which shall require Manager to provide a Management Plan. The Management Agreement may also specify and obligate Manager to bifurcate and distribute the Occupancy Receipts. Lessor has reviewed and approved the Management Agreement. Lessee shall enforce all provisions of the Management Agreement. Additionally, Lessee shall not amend the Management Agreement without the prior consent of Lessor, nor shall Lessee enter into any other management agreement for the Dundee Residence Hall, without the prior consent of Lessor, and as provided in Ground Lease Section titled Expiration or Termination of Management Agreement.

Standards of Operation. Lessee shall perform its obligations under this Article, or cause them to be performed through the Management Agreement, in a manner which demonstrates managerial skill, knowledge, judgment, and practice which is standard for the management of comparable residential multi-tenant facilities, public or private, in the Campus area which are maintained in a First Class Condition and as otherwise required pursuant to the O&M Technical Requirements. Lessor, in agreeing to the terms of this Lease, is relying on the expertise, experience, and reputation of Lessee and Manager to cause the Dundee Residence Hall to be operated, maintained and managed in such condition. In recognition of the fact that the Occupants of the Dundee Residence Hall are anticipated to be Campus students, Lessee shall, in good faith use its best economically reasonable efforts to provide, and shall require its Manager to provide, a level of professionalism and dedication to serving Permitted Occupants equal to that provided by Campus housing staff to its student occupants, including the following: (1) Respect all students and Permitted Occupants and treat them in a dignified and polite manner; (2) Create, foster and maintain a safe, comfortable living environment within the Dundee Residence Hall that compliments the Campus' academic mission; (3) Be sensitive to, and assist students in transitioning into campus life; (4) Refer Occupants or other students who (i) have created difficulties for either the Manager or for other Occupants or (ii) suffer from extraordinary or special personal circumstances to the Campus Housing Department before taking other remedial actions against such Occupants; and (5) Maximize coordination of management of the Dundee Residence Hall with other Campus student residential facilities.

Failure to Meet Standards of Operation. If Lessor reasonably believes that the operation of the Dundee Residence Hall is materially deficient in (i) observing the Campus Regulations, (ii) meeting the standards of operation set forth in the Standards of Operations Section of the Ground Lease or the Management Plan, (iii) maintaining the Dundee Residence Hall as provided for in the Maintenance Standards Section of the Ground Lease, or (iv) otherwise causing an Event of Default under this Lease relating to the operation of the Dundee Residence Hall, such Operating Deficiency shall be resolved by the following process:

Lessor shall notify Lessee in writing of the nature and specific circumstances or events causing such Operating Deficiency. Lessor and Lessee shall meet and confer within five (5) Business Days following such notification to discuss the existence of the Operating Deficiency and to agree upon a mutually agreeable cure of any agreed Operating Deficiency.

If Lessee agrees that such Operating Deficiency exists, Lessee shall cure, or cause to be cured, the Operating Deficiency within twenty (20) Business Days following such notification, or such other time period as Lessor and

Lessee agree is appropriate, provided that if such Operating Deficiency cannot reasonably be cured within such period, Lessee shall not be in breach of this obligation if it starts reasonable curative efforts in good faith within twenty (20) Business Days, and thereafter diligently prosecutes such efforts to completion.

If Lessee does not agree that such Operating Deficiency exists, then either Party may submit the Dispute for resolution as provided for in the Dispute Resolution Article. If the arbitrator finds that an Operating Deficiency exists, the arbitrator shall also be required to determine the curative action and the period within which Lessee shall be required to cure.

If Lessee fails to cure, or cause to be cured, the Operating Deficiency within the applicable time period, Lessor may take any one or more of the following actions: (a) cure such Operating Deficiency, (b) require Lessee to obtain new management of the Dundee Residence Hall, if such Operating Deficiency resulted from the fault, error or omission of Manager, or (c) pursue the remedies set forth in the Ground Lease Section titled Remedies.

Expiration or Termination of Management Agreement. Not less than 180 days prior to the expiration of the Management Agreement, or any subsequent Management Agreement as applicable: (a) Lessee and Lessor shall meet and confer to determine whether the best interests of the Dundee Residence Hall would be served by renegotiating the then existing Management Agreement (if then any), or by soliciting proposals for a new Management Agreement, and (b) if Lessor concludes that obtaining such proposals would be desirable, Lessee shall solicit and use its best efforts to obtain three (3) proposals for a new Management Agreement, from entities which Lessor and Lessee have agreed have material experience in managing university-related housing. Proposals may be submitted by the then-current Manager (if any), and by Lessee itself. Lessee shall engage the Manager designated by Lessor from among those entities submitting proposals. If Lessee shall terminate the Management Agreement for any reason prior to its expiration, Lessee shall solicit proposals as required by clause (b), above.

Resident Housing Contracts. Any other provisions of the Ground Lease to the contrary notwithstanding, Lessee shall, without the consent or approval of Lessor, have the right, in the ordinary course of business, to enter into, modify and terminate Resident Housing Contracts in accordance with the criteria set forth in the Management Plan and Management Agreement.

Base Reserve Deposit. In addition to Lessee's obligations under the Loan Agreement to fund the Reserve and Replacement Fund, Lessee agrees during the Term to Deposit the Base Reserve Deposit. The Base Reserve Deposit shall be increased by three percent (3%) per annum each year during the Term unless otherwise required in accordance with the Loan Agreement.

Lessor's Financing Trust Covenants. Capitalized terms used in this Section and not otherwise defined herein shall have the meanings set forth in the Financing Trust Agreement. Pursuant to the Financing Trust Agreement, Lessor covenants that: (1) It has approved the use of the Financing Trust Agreement to provide additional security for the Bonds and agreed to perform certain ministerial acts described in the Financing Trust Agreement; (2) Payments of Rent are expressly subordinate to (i) the full and timely payment of Annual Debt Service (as defined in the Indenture) on the Bonds as the same becomes due and payable pursuant to the Indenture; and (ii) the required use of revenues and other funds of the Lessee to replenish the subaccounts under the Supplemental Financing Trust Agreement (as defined in the Financing Trust Agreement) in accordance with the terms of the Financing Trust Agreement and of the Indenture and the Loan Agreement; and (3) This Lease is a "Ground Lease" under the Financing Trust Agreement and satisfies all of the requirements for a Ground Lease set forth in the Financing Trust Agreement.

Lessor's Commitment. Lessor will: (1) Include the Dundee Residence Hall in all information and marketing materials regarding student housing that it provides to students and prospective students to the same extent it provides such information and materials for other housing not owned by Lessor; (2) In the Lessor's mail outs, catalogues, informational brochures, housing website and other literature, identify the Dundee Residence Hall as residential housing available to students to the same extent it identifies other housing not owned by Lessor; and (3) In exchange for the payment described in Ground Lease Section titled Campus Monitoring Fee, provide Permitted Occupants substantially similar residential life services that it provides to students in Lessor-owned Campus housing facilities.

Condition Assessment. At the conclusion of the fifth (5^{th}) complete Lease Year and each fifth (5^{th}) anniversary thereafter during the Term and as an Operating Expense, Lessee shall commission or cause the Manager to commission the preparation of a Condition Assessment of the Dundee Residence Hall. Lessee shall coordinate with the Manager to provide the Lessor the opportunity to review and comment upon the draft Condition Assessment report, including associated exhibits, cost estimates, and immediate repair and replacement reserve tables. Lessee shall promptly provide the Lessor a copy of the Condition Assessment report upon completion and utilize the Condition Assessment in the development and preparation of subsequent Capital Budgets.

Security Interest

Pledge, Assignment, and Grant of Security. As security for Lessee's performance of its obligations hereunder and subject to the rights of the Issuer, the Bond Trustee (as assignee of the Issuer), or the Master Trustee, Lessee hereby collaterally assigns and pledges to Lessor, and hereby grants to Lessor a security interest in, all of Lessee's right, title, and interest in and to the Assigned Agreements, including: (i) all rights of Lessee to receive moneys due and to become due under or pursuant to the Assigned Agreements; (ii) all rights of Lessee to receive proceeds of any insurance, indemnity, warranty, or guaranty with respect to the Assigned Agreements; (iii) claims of Lessee for damages arising out of or for breach of or default under the Assigned Agreements; and (iv) the right of Lessee to terminate the Assigned Agreements, to perform thereunder, and to compel performance and otherwise exercise all remedies thereunder. Notwithstanding the foregoing assignment, pledge, and grant of security, so long as no Event of Default has occurred and is continuing, Lessee shall be entitled to all of the benefit and right under the Assigned Agreements. Lessor acknowledges that, pursuant to the Assignment of Documents, the Financing Trust Agreement and Issuer Deed of Trust, Lessee will grant to Issuer, first priority security interests in various items of collateral including the Assigned Agreements and certain rights and remedies with respect thereto and that Issuer will pledge the Issuer Security Interests to the Bond Trustee. Any and all security interests granted to Lessor by Lessee pursuant to the Ground Lease (including the security interest granted in this Section) shall be subject to the provisions of the Article herein titled Encumbering the Leasehold and subordinate in all respects to the Issuer Security Interests (as defined herein) and the interests of the Bond Trustee, the Master Trustee and any permitted Leasehold Deed of Trust Trustee, including the Bond Trustee.

Further Action and Documents. Lessee agrees that from time to time, at the expense of Lessee, Lessee will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Lessor may reasonably request, in order to perfect and protect any pledge, assignment, or security interest granted or purported to be granted hereby or to enable Lessor to exercise and enforce its rights and remedies hereunder with respect to any Assigned Agreements.

Financing Statements. Lessee hereby authorizes Lessor to file one or more financing and/or continuation statements, and amendments thereto, relating to all or any part of the Assigned Agreements without the signature of Lessee where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Assigned Agreements or any part thereof shall be sufficient as a financing statement where permitted by law.

Lessor May Perform. If Lessee shall fail to perform any agreement contained herein, and if such failure shall continue uncured after the giving of notice and the expiration of any applicable cure period, Lessor may itself perform, or cause performance of, such agreement, and the reasonable expenses of Lessor incurred in connection therewith shall be payable by Lessee to Lessor as Additional Rent hereunder. Lessee hereby irrevocably appoints Lessor as Lessee's attorney-in-fact, with full authority in the place and stead of Lessee and in the name of Lessee or otherwise, if an Event of Default shall have occurred, to take any action and to execute any instrument which Lessor may deem necessary or advisable to accomplish the purposes of this Agreement, subject in all cases to the rights of the Issuer and the Bond Trustee (as assignee of the Issuer), including:

to obtain insurance required pursuant to the Ground Lease in the event Lessee shall fail to obtain such insurance;

to ask, demand, collect, sue for, recover, compromise, receive, and give acquittance and receipts for moneys due and to become due under or in connection with the Assigned Agreements; and to file any claims or take any action or institute any proceedings which Lessor may deem necessary or desirable to enforce compliance with the terms and conditions of any Assigned Agreement or the rights of Lessor with respect to any of the Assigned Agreements.

Lessee shall provide written notice to Lessor if an Event of Default has occurred, as well as any events that constitute “defaults” or “events of default” under the Assigned Agreements to the extent Lessee has knowledge of such “defaults” or “events of default.”

Lessor’s Duties. The powers conferred on Lessor hereunder are solely to protect its interest in the Assigned Agreements and shall not impose any duty upon it to exercise any such powers. Lessor shall have no duty to take any necessary steps to preserve rights against prior parties or any other rights pertaining to the Assigned Agreements.

Assignment of Lease

Assignment. Except as otherwise provided in the Ground Lease, Lessee shall not have the right to make a Transfer, without the prior written consent of Lessor, which consent may be granted or withheld in Lessor’s sole and absolute discretion. A sale of all or any portion of Lessee’s interest in the Ground Lease and the transfer, assignment or hypothecation of any interest in Lessee shall each be deemed an assignment within the meaning of this Article. Except as otherwise provided in this Lease, Lessee shall not be entitled to Transfer less than all of Lessee’s interest under the Ground Lease (other than as sublease) or to Transfer its title to the improvements separately from its interest under this Lease.

Time and Conditions of Lessor’s Actions. Lessor shall grant or deny its approval of, or request additional information or documentation with respect to, a proposed Transfer within thirty (30) days following Lessor’s receipt of notification from Lessee regarding the proposed Transfer. Following a request from Lessor for additional information and/or documentation as provided herein, Lessor shall have thirty (30) days from Lessor’s receipt of such additional information or documentation in which to grant or deny its approval with respect to the proposed Transfer and/or the proposed assignee. Lessee’s notice to Lessor under the Ground Lease Sections pertaining to Right of First Refusal and Right of First Offer shall constitute Lessee’s notification to Lessor for the purposes of this Section, and the time periods set forth therein shall run concurrently.

Assumption in Writing. Upon any Transfer, Lessee shall deliver to Lessor a fully executed copy of the assignment instrument, pursuant to which the proposed transferee shall unconditionally assume and agree to perform and observe all covenants and conditions to be performed and observed by Lessee under this Lease. The consent by Lessor to any Transfer shall not relieve Lessee from the obligation to obtain Lessor’s express consent to any other Transfer requiring Lessor’s consent. Any Transfer or attempted Transfer that fails to comply with this Article shall be void and, at the option of Lessor, shall constitute an Event of Default. No Transfer shall relieve Lessee from liability under this Lease.

Right of First Offer. If Lessee desires to enter into a Transfer, it shall first, before commencing any marketing activity in anticipation of a Transfer, deliver to Lessor an Offer and offering to enter into a Transfer with Lessor on the same terms and conditions (except that if the terms and conditions include financing, Lessor shall have the option to acquire Lessee’s Interest for all cash). Lessor shall have thirty (30) days after receipt in which to accept the Offer by written notice to Lessee. If Lessor does not give Lessee written notice accepting the Offer within such period, Lessee may at any time within the ensuing twelve (12) month period after the expiration of such thirty (30) day period, subject to all of the applicable terms and conditions of this Article, Transfer its interest to a third party without reoffering the interest to Lessor, provided that the terms and conditions of such Transfer shall not be “materially more favorable” to the proposed transferee than those set forth in the Offer. If Lessee does not enter into a Transfer before the expiration of the aforesaid twelve (12) month period, but Lessee still desires to enter into a Transfer, Lessee shall again deliver to Lessor an Offer in accordance with this Section (but offering the interest to Lessor on the same terms as were being offered to a third party), and Lessor shall have the right of first offer for another period of thirty (30) days after receipt of such Offer. This right of first offer shall be ongoing and shall apply to all Transfers proposed at any time during the Term.

Right of First Refusal. If Lessee proposes to enter into a Transfer at any time based upon the receipt of an offer to purchase all or part of Lessee’s Interest, Lessee shall deliver to Lessor an Offer presenting the interest to

Lessor on the same terms and conditions presented to Lessee, and Lessor shall have a right of first refusal for thirty (30) days after receipt thereof to accept such Offer. This right of first refusal shall be ongoing, and shall apply to all Transfers proposed at any time during the Term.

Closing of Transfer. If Lessor accepts an Offer, Lessor and Lessee shall work in good faith to complete a purchase and sale agreement, together with such other appropriate documentation as may be necessary to effect the Transfer to Lessor, and any applicable due diligence within thirty (30) days after Lessor's written notice of acceptance of the Offer. Lessor will promptly deposit in escrow with the title company, as escrow agent, an earnest money deposit upon execution of the purchase and sale agreement, which shall be become nonrefundable if the agreement is not terminated prior to the end of any diligence period, and thereafter to effect the Closing such Transfer within thirty (30) Business Days after the expiration of the diligence period. The Transfer shall be consummated by Lessor's payment of the required consideration and Lessee's delivery to Lessor of such documentation as Lessor may elect consistent with the Offer at the Closing as described in the Article herein titled Option to Purchase.

Maintence of Property, Alterations

Maintenance Standards. Lessee shall, subject to the Annual Budget, at all times during the Term of the Ground Lease, as an Operating Expense, keep and maintain the Dundee Residence Hall and all adjoining areas out to the perimeter pavement, and appurtenances and every part thereof, and all buildings, other structures or improvements that may exist on, in, or be made a part of the Dundee Residence Hall in a safe, sanitary, clean and structurally sound condition in accordance with the Management Plan, and substantially equivalent to or in better than a First Class Condition and that condition required pursuant to the O&M Technical Requirements. All normal maintenance and repair during the Term shall be performed as required under the Ground Lease.

Failure to Perform. If Lessee fails to perform any of its obligations as required hereunder, after notice and right to cure, Lessor may (but shall not be required to) perform and satisfy same, and Lessee hereby agrees to reimburse Lessor, as Additional Rent, for the reasonable cost thereof promptly upon demand.

Alterations. Following the Substantial Completion of the Series 2018 Project, Lessee shall make no material alterations or additions to the Premises with a cost in excess of the Threshold Amount except as specifically provided in this Section or approved in the most recent Capital Budget, or otherwise by Lessor. Lessee may make any alteration with an aggregate cost less than the Threshold Amount without Lessor's prior consent, provided that (a) no Essential Operating Systems shall be materially or adversely affected thereby, and (b) such alteration does not violate any requirements of Applicable Laws. Lessee may not make any additions without Lessor's prior consent. Before Lessee shall commence any alterations or additions requiring Lessor's approval, Lessee shall submit to Lessor the submittals as reasonably required by Lessor for the nature of the proposed Work and otherwise comply with the provision of the Article herein titled General Conditions of the Work.

Annual Budgets; Financial Statements

Annual Budget. No later than ninety (90) days prior to the Residential Completion Date, and one-hundred twenty (120) days prior to the commencement of each Lease Year thereafter, Lessee shall prepare and submit, or cause Manager to prepare and submit, for approval a proposed Annual Budget and Management Plan for the following Lease Year, which Annual Budget shall include the Operating Budget and, in accordance with the Technical Requirements, a Capital Budget.

Submission and Approval. Lessee shall provide Lessor with a copy of the proposed Annual Budget and Management Plan and Lessor shall review, comment and approve or reject such items within thirty (30) days following submission. Any proposed Annual Budget and Management Plan submitted by Lessee to Lessor shall be deemed approved unless, within the thirty (30) day period, Lessor provides written disapproval or provides Lessee with its proposed revisions and adjustments. The Parties agree to use commercially reasonable efforts to promptly meet, confer, discuss and resolve any disputed items or amounts prior to commencement of the next Lease Year and further agree to supply any supporting documentation or information reasonably necessary to support the Annual Budget and Management Plan. In the event the Annual Budget and Management Plan submitted by Lessee to Lessor is disapproved, Lessee shall continue to operate the Dundee Residence Hall subject to the most recently approved Annual Budget and in accordance with the most recently approved Management Plan until a new Annual Budget and

Management Plan are approved by Lessor. Lessee shall provide Lessor a copy of any final Annual Budget for review and comment not less than fifteen (15) days prior to Lessee's adoption of such Annual Budget. Lessee shall provide Lessor with a copy of the Annual Budget and Management Plan approved by Lessee within ten (10) days after Lessee's approval.

Budget Disputes. If the Parties are unable to resolve their differences or disputes related to the Annual Budget to Lessor's reasonable satisfaction, Lessor may submit the Annual Budget to Dispute resolution in accordance with the Ground Lease, with directions to the arbitrator(s) to provide reasonable estimates of life spans, costs, and funding levels.

Annual Financial Reports to Lessor. Lessee shall engage an independent certified public accountant to perform an audit of Lessee's operations for the previous Lease Year and prepare Annual Financial Statements, including all required footnotes to the Annual Financial Statements, using Generally Accepted Accounting Principles. The Annual Financial Statements, complete with the independent certified public accountant's opinion, shall be provided to Lessor no later than 120 days after the end of each fiscal year of the Lessee during the Term. The Annual Financial Statements shall be accompanied by a separate certification by an independent certified public accountant, in the form attached to the Ground Lease as part of Exhibit D or any replacement thereof that may, from time to time, be adopted by Lessor, evidencing compliance with Lessor's Fair Wage/Fair Work Plan then in effect. In addition to the foregoing, Lessee shall provide to Lessor, no later than August 15 of each year during the Term, (i) unaudited financial statements, and (ii) a conversion worksheet that translates, converts or otherwise provides a means pursuant to which the income statement and balance sheet included in such Annual Financial Statements can be interpreted and conformed to the pronouncements of the Governmental Accounting Standards Board.

Financial Statements. Lessee shall prepare, or cause the Manager to prepare Financial Statements, the form and content of which shall be generally consistent with the financial statements required pursuant to the Loan Agreement. Lessee shall provide Lessor with copies of such Financial Statements within forty-five (45) days after the end of each calendar quarter.

Indemnification by Lessee

Subject to certain limitations in the Article herein titled Limitation of Liability, Lessee hereby releases and agrees to indemnify, defend (with counsel reasonably acceptable to Lessor) and hold harmless (and will cause the Developer, Architect and Contractor, respectively to release, indemnify and hold harmless) the Indemnitees of and from any and all Claims caused by, growing out of, or otherwise happening in connection with the Ground Lease to the extent that such Claims result from (i) any negligence or intentional act or omission on the part of Lessee, its officers, agents, or employees, or (ii) the violation of any Applicable Law by Lessee, its officers, agents, or employees; or (iii) any condition or defect in the Series 2018 Project. This indemnification extends to the successors and assigns of Lessee, and this indemnification survives the expiration or termination of the Ground Lease and the dissolution or, to the extent allowed by law, the bankruptcy of Lessee.

Campus, Dining, Police and Other Services

Campus Monitoring and Coordination. Lessor, through its Campus Student Housing Office and/or Campus Assets, will monitor the operation of the Premises throughout the Term of the Lease. Lessee will pay Lessor in the amount of Twenty-Four Thousand Six Hundred Dollars ($24,600) per Lease Year (which amount shall be increased on an annual basis by the greater of three percent per annum (3%) or the Consumer Price Index Change) in advance, as an Operating Expense of the Series 2018 Project, a fee for such monitoring, and for meeting Lessor's commitments set forth in this Section with the first such prorated payment due and payable within thirty (30) days after the first deposit is made into the Operating Account as described in the Bond Documents, and subsequent payments due and payable on July 1 of each Lease Year thereafter.

Dining Services. Subject to Lessor approval, Lessee shall engage an operator to run the Glasgow Dining Facility. The terms and provisions of such engagement shall be set forth in the Dining Agreement.

Police. The Premises shall be subject, at all times during the Term of this Lease, to the jurisdiction of Lessor's Campus police. Lessee will pay Lessor in the amount of One Hundred Ninety-Eight Thousand Four Hundred Forty-Five Dollars ($198,445.00) per Lease Year (which amount shall be increased on an annual basis by the greater of three percent per annum (3%) or the Consumer Price Index Change) in advance, for such police service for the Premises, with the first such prorated payment due and payable within thirty (30) days after the first deposit is made into the Operating Account as described in the Bond Documents, and subsequent payments due and payable on July 1 of each Lease Year thereafter.

Additional Services. In addition, Lessor, through its Campus or otherwise, may elect, in its sole and absolute discretion to provide or arrange for the provision of other additional services during the Term, which services may include, but shall not be limited to, marketing, contracting and leasing services. Should Lessor elect to provide such additional services, the scope, terms, conditions, provisions and additional details with respect to the services to be provided shall be set forth in a separate document.

Information. Unless otherwise obligated to provide such information to Lessee or its Agents pursuant to other documents, subject to appropriate limitations and restrictions concerning confidentiality, use and dissemination, Lessor shall, within ten (10) days of written request therefor, provide Lessee and its Agents such information concerning Permitted Occupants as may be reasonably required to facilitate and enable Lessor and its Agents to perform the services described herein.

Insurance

General. It is the intent of the Parties that all risk of loss be shifted to insurance to the maximum extent practicable. Accordingly, unless Lessor otherwise agrees, Lessee shall maintain, or cause to be maintained, insurance covering the risks enumerated below to the extent that such insurance is available on commercially reasonable terms.

Property Loss Coverage. From the Effective Date until the expiration or earlier termination of this Lease, Lessee shall keep, or cause to be kept, the Series 2018 Project, Personalty and all of Lessee's personal and real property which may be situated on Leased Land, insured by an all-risk or special form policy of insurance subject to standard exclusions and sub-limits (which may be in the form of a blanket policy covering multiple locations) for the greater of: (i) the then current cost of demolition and removal of the Series 2018 Project, and (ii) One Hundred Percent (100%) of the full, undepreciated replacement cost from time to time of the Series 2018 Project.

Lessor shall be named as Named Insured as to any builders' risk policy procured for the Series 2018 Project, on an "all risk of loss or damage basis" subject to standard exclusions and sub-limits including perils of earth movement, flood, windstorm, collapse, boiler and machinery accidents, strikes, riot, civil commotion and sabotage to the full replacement costs of the Series 2018 Project. The Earth Movement/Earthquake and Flood coverage in the builder's risk policy for the Series 2018 Project shall have a sub-limit of $25,000,000 per occurrence/aggregate. Such insurance coverage may provide for the exclusion from the afforded coverage of up to the first One Hundred Thousand Dollars ($100,000) of the amount of any loss or damage. With regard to the Earth Movement/Earthquake coverage the lowest commercially available deductible provisions, but only if and to the extent that Lessor and Lessee agree, in their mutual good faith discretion that the cost of such coverage is financially feasible.

Liability Coverage. Lessee will, at all times during the Term, maintain, or cause to be maintained, insurance to cover all activities in connection with this Lease, for bodily injury, wrongful death, personal injury, property damage, and contractual liability as follows:

Business Auto Liability: for autos owned, hired, scheduled or non-owned with a minimum combined single limit of One Million Dollars ($1,000,000) per accident, subject to terms no less broad than the Insurance Services Office (ISO) CA 0001;

Commercial General Liability:

(a)	annual per project general aggregate (bodily injury, property damage)	$ 2,000,000
(b)	per project product/completed operations aggregate	$ 2,000,000
(c)	personal and advertising injury	$ 1,000,000
(d)	each occurrence	$ 1,000,000

Any deductible/self-insured retention under such policy shall not exceed Twenty Five Thousand Dollars ($25,000). Coverage shall be subject to terms no less broad than the Insurance Services Office's (ISO) form CG 0001 (2004 or later edition). Limits specified above are minimum and policy shall not include a residential/apartment exclusion.

Workers' Compensation insurance, in an amount and form sufficient to meet all applicable governmental requirements, and Employer's Liability coverage with limits of not less than one million dollars ($1,000,000) for bodily injury or death to any one or more persons per accident, one million dollars ($1,000,000) bodily injury by disease each employee, and one million dollars ($1,000,000) policy limit for bodily injury by disease. Such policies shall cover all persons providing labor or services to or on behalf of Lessee, its contractors, subcontractors, or consultants and all risks to such persons arising out of construction, use or occupancy of Leased Land, repair of or entry onto the Leased Land, prior to the Final Completion Date. Waiver of subrogation clause and/or endorsement shall apply in favor of Lessor.

Umbrella or Excess Liability:
combined single limit per occurrence: $25,000,000
annual aggregate: $25,000,000
Coverage shall follow form or otherwise be at least as broad as the primary underlying coverage terms.

Professional Liability (Errors & Omissions) insurance, when any architect, engineer, or consultant is employed by Lessee and/or Developer to perform professional services for the Premises. Lessee and/or Developer shall cause Professional Liability (Errors & Omissions) Insurance, to be carried by each architect, engineer, or consultant hired directly or indirectly by Lessee and/or Developer to perform professional services for any part of the Premises. To the extent possible, all Professional Liability Insurance Policies shall include Lessor as an indemnified party for vicarious liability caused by professional services performed under this Lease. The Architect of record shall provide a minimum coverage limit per claim of not less than three million dollars ($3,000,000) for each claim and five million dollars ($5,000,000) in the annual aggregate, or such lesser amount as Lessor may approve in writing. Lower tier architects, engineers, and professional consultants shall carry limits not less than one million dollars ($1,000,000) per claim and two million ($2,000,000) in the annual aggregate. Such policy may be written on a "claims made" basis provided it has a retroactive date of placement prior to or coinciding with the commencement of any professional services performed on any part of the Premises, and shall remain continuously in effect for ten (10) years after Substantial Completion. In the event professional errors and omissions liability insurance is canceled or not renewed, an extended reporting period endorsement or tail coverage shall be purchased for the required ten (10) years. Such policy shall provide coverage against loss or liability arising out of willful, negligent or innocent errors, omissions and misfeasance of the insured party in performing its contractual and professional obligations relating to the design, engineering and construction of the Premises, as the case may be, or subsequent alteration or work of improvement, as applicable, and shall include such endorsements as reasonably required by Lessor. Any deductible under such policy shall not exceed One Hundred Thousand Dollars ($100,000).

Pollution Liability: Developer or its Contractor shall procure and maintain Contractor's Pollution Liability Insurance on an occurrence basis with a minimum limit of five million dollars ($5,000,000) for each loss and five million dollars ($5,000,000) in the annual aggregate, for bodily injury, property damage, clean-up costs, and claim expenses resulting from the operations of Developer and its Contractor and their respective employees, agents and subcontractors performed on the Leased Land, including coverage for microbial matter, which coverage will be granted on a claims-made basis. Such coverage shall extend to any non-owned disposal site and any activities involving transportation and/or hauling of hazardous materials. Coverage shall remain in force during the term of the Series 2018 Project, and for ten (10) years beyond the Final Completion Date. To the extent that microbial matter coverage is written on a "claims made" basis, coverage shall include a retroactive date of placement prior to or coinciding with the commencement of activities on any part of the Premises, continue until the completion of the construction of the Work, and include at least a ten (10) year discovery period for submitting claims following the Final Completion Date. Lessor shall be endorsed as Additional Insured under such policy.

If not otherwise insured under the builder's risk or commercial property policies, flood insurance under the National Flood Insurance Program within the minimum requirements and amounts required for federally financed or assisted loans under the Flood Disaster Protection Action of 1973, as amended, if the Premises is eligible under such program.

Insurance coverage required shall be provided by insurance carriers with A.M. Best rating of not less than A-VIII. Lessee acknowledges that the coverages required herein shall not in any way limit the liability of Lessee. Notwithstanding any provision herein to the contrary, the liability of Lessee with respect to its obligations under the Ground Lease shall be limited as set forth under the Article herein titled Limitation of Liability.

Rental Interruption Coverage. Lessee will, at all times during the Term maintain a policy of rental interruption insurance for the Series 2018 Project in an amount not less than twenty-four (24) months of Annual Debt Service (as defined in the Indenture) of the Series 2018 Bonds.

Damage and Destruction

Subject to the insurance provisions of the Ground Lease and to the requirements of the Bond Documents, this Article and the following provisions shall apply upon the occurrence of a casualty event and shall pertain solely to the Dundee Residence Hall, it being acknowledged, understood and agreed that the Dining Agreement shall cover, address and pertain to the Glasgow Dining Facility.

Insured Risk. If, after Substantial Completion and during the Term, the Dundee Residence Hall is wholly or partially damaged or destroyed by a risk covered by insurance, or required to be covered by insurance under any term of this Lease, Lessee shall promptly give written notice of such damage or destruction to Lessor, the Bond Trustee, and the Issuer. Such damage or destruction shall not terminate this Lease, and Lessee shall, to the extent of the sum of (i) the funds, if any, in the Repair and Replacement Fund and (ii) the Net Proceeds, promptly repair and restore the Dundee Residence Hall to substantially the same floor area and nature as existed immediately prior to such damage or destruction unless Lessor gives its prior written approval to do otherwise which approval may be withheld in Lessor's sole and absolute discretion. Such restoration shall be commenced promptly and prosecuted with due diligence. Lessor shall cooperate with Lessee in the procurement and issuance of all necessary permits, licenses, and approvals to commence and complete such restoration, provided that it shall incur no expense or cost in doing so.

Restoration Feasibility. Notwithstanding any other provisions of the foregoing Section, if the Dundee Residence Hall is wholly or partially damaged or destroyed, and Net Proceeds exceeds One Million Dollars ($1,000,000), the provisions of this Section shall apply.

Within thirty (30) days of the loss, Lessee shall employ an independent financial consultant acceptable to Lessor and Bond Trustee, which financial consultant shall determine the following Feasibility Tests:

(1) Whether or not the Net Proceeds, together with (i) the funds, if any, in the Repair and Replacement Fund; (ii) any additional funds which Lessee is willing to contribute; (iii) any funds which can obtained through the financing contemplated in the Subordinate Financing Section of the Ground Lease; (iv) any funds which are otherwise available, are sufficient to repair, reconstruct, restore, or replace the damage or destruction.

(2) Whether or not the proceeds from any rental interruption insurance (or similar insurance), together with any other funds which are or will be available to Lessee, are sufficient to satisfy Fixed Charges and anticipated Operating Expenses of the Dundee Residence Hall during the period of repair, reconstruction, restoration or replacement.

(3) Whether or not, after the repair, reconstruction, restoration, and replacement of the damage or destruction has been completed, the Operating Budget will result in a Fixed Charges Coverage Ratio equal to or greater than 1.20, taking into particular account (i) the feasibility of the Housing Rates necessary to achieve such Operating Budget, and

(ii) the Fixed Charges resulting from the use of any of the sources of funds listed in subsection (2) above. The financial consultant shall be required to submit its determinations in a written report to Lessee, Lessor, and the Bond Trustee within ninety (90) days of the loss.

If the financial consultant makes an affirmative determination as to each of the three Feasibility Tests, then Lessee shall promptly proceed to repair and restore the Dundee Residence Hall as provided for in the Insured Risk Section.

If the written report of the financial consultant contains a negative determination as to any one of the three Feasibility Tests, Lessor shall have the right, but not the obligation by written notice to the Bond Trustee and the Lessee, to elect to use Net Proceeds (if any) to prepay all or a portion of the outstanding Bonds, which election shall be made within sixty (60) days of the financial consultant rendering its report. If Lessor elects to use such Net Proceeds to prepay all or a portion of the outstanding Bonds, and if no other amounts are owed and payable under the Indenture, the Lease shall terminate, and the provisions of the Restoration Feasibility Section of the Ground Lease shall apply. If the Lessor elects to prepay a portion of the outstanding Bonds and, after such repayment, there are Bonds which remain outstanding, or other amounts are owed and are payable under the Indenture, the Lease shall remain in effect, and Lessee shall continue to operate the undamaged portions of the Dundee Residence Hall.

Damage During Last Five Years. During the last five years of the Term:

If the Dundee Residence Hall is partially damaged or destroyed by a risk covered by insurance or required to be covered by insurance under any term of this Lease, Lessee may, subject to Lessee's obligations, if any, under the Loan Agreement, and approval by Lessor, elect not to restore the Dundee Residence Hall as otherwise required by the Section titled Insured Risk. To the extent that Lessee so elects, then Lessor, after notice to and consultation with Lessee and written notice to the Trustee, may elect whether the Net Proceeds (if any) shall be used to prepay all or a portion of the outstanding Bonds. If Lessor elects to use such Net Proceeds to prepay all of the outstanding Bonds, and if no other amounts are owed and payable under the Indenture, the Lease shall terminate, and the provisions of the Restoration Feasibility Section of the Ground Lease shall apply. If Lessor elects to prepay a portion of the outstanding Bonds and, after such repayment, there are Bonds which remain outstanding or other amounts are owed and payable under the Indenture, the Lease shall remain in effect and Lessee shall continue to operate the remaining undamaged portions of the Dundee Residence Hall.

If the Dundee Residence Hall is wholly damaged or destroyed by a risk covered by insurance, or which is required to be covered by insurance under any term of this Lease, either Lessee or Lessor may elect not to restore the Dundee Residence Hall as otherwise required by the Section titled Insured Risk. This Lease shall terminate, and the provisions of Restoration Feasibility Section of the Ground Lease shall apply.

Then Applicable Laws. If Applicable Laws existing at the time of loss do not permit restoration to at least substantially the same usable square feet as existed immediately prior thereto, then, Lessee shall elect, within thirty (30) days of the loss either (i) to terminate this Lease or (ii) at its sole cost and expense, to restore the Dundee Residence Hall to the maximum usable square feet permitted by Applicable Laws, and immediately commence such restoration in accordance with the provisions hereof.

Procedure Upon Termination. If this Lease is terminated by an election made by the Lessor pursuant to prepay all or a portion of the outstanding Bonds, or by an election made by Lessee pursuant to not restore the Dundee Residence Hall, the following provisions shall apply:

Lessee shall be obligated, to the extent of the Net Proceeds, to immediately demolish the Dundee Residence Hall, at its cost and expense. However, Lessee shall not demolish the Dundee Residence Hall (or any portion thereof) if Lessor notifies Lessee, in writing, that it (or such portion thereof) is not to be demolished.

Net Proceeds shall first be applied to pay the Leasehold Deed of Trust Trustee (or, if required by the Indenture, the Bond Trustee), the amount then owing under the Bonds; they shall next be applied as follows:

If Lessee elects not to restore the Series 2018 Project, and Lessor elects not to have the Dundee Residence Hall demolished, Net Proceeds remaining after the aforementioned payment to the Leasehold Deed of Trust Trustee (or Bond Trustee) shall be paid to Lessor.

If Lessee elects not to restore the Dundee Residence Hall, and Lessor elects to have the Dundee Residence Hall demolished, the Net Proceeds remaining after payment of all amounts owing to any Leasehold Deed of Trust Trustee shall be held in a mutually acceptable escrow. At such time as Lessee has completed one-third of the demolition of the Dundee Residence Hall and restoration of the Leased Land to its original condition Lessee shall be entitled to a partial payment equal to the percentage of completion of such work. A similar payment shall be authorized upon completion of two-thirds of the work, and upon completion of such demolition and restoration, the balance of the actual cost of the work shall be disbursed to Lessee from the Net Proceeds to reimburse Lessee. Lessor shall receive the Net Proceeds remaining after all payments to the Leasehold Deed of Trust Trustee and Lessee have been made.

Lessee Performance. Lessee's elections under the preceding sections shall be made within thirty (30) days of the loss, and restoration shall be prosecuted with due diligence. Lessor will reasonably cooperate with Lessee in the procurement and issuance of all permits, licenses, and approvals necessary to commence and complete such restoration, provided that Lessor shall not be required to incur any cost or expense in doing so.

Uninsured Risk. If during the Term, the Dundee Residence Hall is wholly damaged or destroyed by a risk not required to be insured under this Lease, Lessee shall promptly give written notice of such damage or destruction to Lessor detailing facts that qualify the casualty under this provision, and Lessee shall restore the Dundee Residence Hall unless both (i) the reasonable estimate of the cost for restoration is more than the amount then in the Repair and Replacement Fund, and (ii) Lessee elects not to restore. If both of these conditions have been met, Lessee shall demolish the Dundee Residence Hall, as applicable, unless Lessor has given notice to Lessee that the Dundee Residence Hall is to remain, and this Lease shall terminate. If during the Term, the Dundee Residence Hall is partially damaged or destroyed by a risk not required to be insured under this Lease, Lessee shall promptly give written notice of such damage or destruction to Lessor detailing facts that qualify the casualty under this provision, and to the extent of (i) the amount in the Repair and Replacement Fund, and (ii) additional amounts, if any, which Lessee elects to borrow, restore the Dundee Residence Hall to the maximum usable square feet.

Subordinate Financing. Notwithstanding anything to the contrary contained herein, if Lessee determines in Lessee's reasonable discretion that the Net Proceeds from insurance or condemnation awards are not sufficient to repair, replace, rebuild, restore and/or re-equip the Dundee Residence Hall to substantially the same condition that existed prior to the taking or the event that caused such damage, and if Lessee shall elect (subject to its obligations under the Loan Agreement) to repair, replace, rebuild, restore and/or re-equip the Dundee Residence Hall, then Lessee shall have the right to obtain financing which shall be subordinate to this Lease in order to repair, replace, rebuild, restore and/or re-equip the Dundee Residence Hall, which financing may be secured by lien and/or leasehold deed of trust on Lessee's interest in the Ground Lease excluding therefrom the Glasgow Dining Facility and the portion of Leased Land on which the Glasgow Dining Hall is located, provided that (a) no such financing shall extend beyond the Term and (b) no such financing shall result in a Fixed Charges Coverage Ratio of less than 1.20 with respect to the Dundee Residence Hall. Lessor will execute such consents or other documents as shall be reasonably required for such subordinate financing.

Bond Documents. Notwithstanding anything else herein contained, the provisions of the Bond Documents shall control in all respects the receipt, handling, and application of any and all casualty proceeds with respect to Lessee's interest in the Dundee Residence Hall, it being acknowledged and agreed that the Issuer, the Bond Trustee, and any other permitted Leasehold Deed of Trust Trustee, as their respective interests may appear, shall have a first and prior security interest therein.

Condemnation

General Rights and Obligations. If, during the Term there shall be a Taking, the rights and obligations of Lessor and Lessee with respect to said Taking shall be as hereinafter provided in this Article. Lessor and Lessee acknowledge, agree and understand that this Article only pertains to the Dundee Residence Hall and that Dining Agreement shall cover, address and pertain to any Taking of the Glasgow Dining Facility.

Notices. The Party receiving any of the following kinds of notices shall promptly give the other Party notice of the receipt, contents, and date of the notice received. These notices are: (i) notice of intended Taking; (ii) service of any legal process relating to a Taking; (iii) notice in connection with any proceedings or negotiations with respect to such a Taking; or (iv) notice of intent or willingness to make or negotiate a private purchase, sale, or transfer in lieu of a Taking.

Full Taking. In the event of a Full Taking, this Lease shall terminate as of the date on which title vests in the condemning authority and Lessee shall thereupon be released from any liability thereafter accruing hereunder with respect thereto.

Partial Taking. In the event a Partial Taking, this Lease shall continue in full force and effect except as provided in the next Section.

Economic Viability. If (i) Lessee and Lessor shall jointly determine that the remainder of the Dundee Residence Hall, or the remainder of the Term, or any interest in them, after application of Lessee's award to the restoration of the Dundee Residence Hall as required in the next Section would not, because of the Partial Taking, constitute an economically viable project of the type contemplated by this Lease, or, (ii) in the event Lessee and Lessor shall disagree and an arbitration under the Article herein titled Dispute Resolution shall determine that, because of such Partial Taking, such economic viability could not be achieved, then this Lease shall terminate as of the date of the Partial Taking with the same results as above described in the case of a Full Taking, and Lessee shall demolish and remove the remaining portion of the Dundee Residence Hall, at its expense, to the extent possible using the Net Proceeds, unless instructed not to do so by Lessor.

Taking Without Termination. In the event of any Taking which does not result in the termination of this Lease in accordance with the foregoing, then: (i) each Party hereto shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests, and (ii) Lessee shall, to the extent of its receipt of any award, with due diligence following the Taking, commence all work required to remedy any physical damage done by such Taking to restore the Premises for the continuation of the use being made thereof prior to such Taking, and thereafter prosecute the same to completion with all diligence in accordance with the Article herein titled General Conditions of the Work.

Taking With Termination. In the event of any Taking which results in the termination of the Lease in accordance with the foregoing, each Party hereto shall be entitled to prosecute claims in such condemnation proceedings for the value of its respective interest.

Bond Documents. Notwithstanding anything else herein contained, the provisions of the Bond Documents shall control in all respects the receipt, handling, and application of any and all condemnation proceeds with respect to Lessee's interest in the Dundee Residence Hall, it being acknowledged and agreed that the Issuer, the Bond Trustee, and any other permitted Leasehold Deed of Trust Trustee, as their respective interests may appear, shall have a first and prior security interest therein.

Estoppel Certificates

Execution and Delivery. No later than ten (10) Business Days following receipt of a written request therefore, Lessor and Lessee will execute, acknowledge and deliver to the other promptly upon request, a certificate reasonably satisfactory to the recipient certifying as to validity of the Ground Lease, payment of rent, amount of rent due, defaults by Lessee and such other matters as may be reasonably requested by the requesting Party.

Reliance on Certificates. Certificates from Lessor and Lessee pertaining to the same matters may be relied upon by the Parties and their affiliates, the Bond Trustee, any prospective Leasehold Deed of Trust Trustee, any prospective assignee of an interest under the Ground Lease, or by any prospective sublessee as to all or any portion of the Series 2018 Project.

Lessor's Access to Premises

Lessor, its authorized representatives, agents, employees, and attorneys may, but shall be under no duty to, enter the Premises at reasonable times and hours, subject to the rights of occupants in possession, if any, to inspect the Premises in order to determine whether Lessee is complying with its undertakings, duties, and obligations under the Ground Lease, to make such necessary repairs, additions, improvements, changes, or alterations to the Premises as Lessor may elect to make in accordance with the terms and provisions of the Ground Lease (Lessor agrees to provide five (5) days' written notice of its intent to make such necessary repairs, additions, improvements, changes, or alterations to the Premises, except in the case of an emergency where no such prior notice shall be required), and to exhibit the same to prospective purchasers, operators, mortgagees, or lessees of the Premises. Such entry, inspection, and repairs, additions, improvements, changes, or alterations as Lessor may make of the Premises shall not constitute an eviction of Lessee in whole or in part, and the Rent shall in no way abate by reason of loss or interruption of the business of Lessee or otherwise while such work is being done. Lessor agrees to employ its reasonable efforts to minimize any interruption to the business operations of Lessee resulting from Lessor's (or its designated representatives') work in or on the Premises. Nothing herein contained, however, shall be deemed or construed to operate as a limitation upon the authority of the Approving Agency to access or inspect the Premises, or impose upon Lessor any obligation or liability whatsoever for care, supervision, repair, improvement, additions, improvement, change, or alteration to the Premises other than as herein expressly provided.

Dispute Resolution

Negotiation. Except as otherwise provided in this Article, at any time following the receipt by one Party of a written notice from the other Party of a Dispute, the receiving Party may require that an authorized representative of each Party (each with authority to settle) meet, confer, and attempt to resolve such Dispute. If the Dispute is not resolved during such meeting or within five (5) Business Days thereafter, neither Party may seek arbitration under this Article unless the Dispute is first subjected to mediation. This requirement for mediation may only be waived in a written instrument.

Mediation. Disputes not resolved through negotiation shall be subject to mandatory mediation. A request for mediation shall be filed in writing by a Party with the other Party, and the Parties shall promptly attempt to mutually agree upon a mediator. If the Parties have not reached agreement on a mediator within five (5) days of the request, either Party may file the request with JAMS in Riverside, California, with a copy to the other Party, and the mediation shall, unless another location is mutually agreed upon, be administered by JAMS and held in Riverside, California by a single mediator having demonstrated expertise regarding the subject of the Dispute and appointed in accordance with JAMS Rules. Mediation shall proceed in advance of arbitration, which shall be stayed pending mediation unless stayed for a longer period by agreement of the Parties or court order. The Parties to the mediation shall share the mediator's fee and any filing fees equally. Representatives of the Parties must attend the mediation session in person with authority to settle the dispute and with authority to adjust pre-existing settlement authority if necessary. To the extent there are other parties in interest, such as the architect, insurers, contractors or subcontractors, their representatives, also with authority to settle the dispute and to adjust pre-existing settlement authority if necessary, shall also attend the mediation session in person. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

Right to Submit Dispute. Upon completion of the negotiation and mediation procedures set forth in this Article, either Party shall have the right to submit any Dispute under this Lease to binding arbitration excluding any dispute involving Lessor's acts or omissions in its role as Approving Agency. Unless otherwise agreed upon by the Parties, such arbitration shall be conducted as follows: The Party demanding arbitration shall give written notice of its demand to the other Party stating the subject matter of the Dispute and the name and address of a qualified person to act as its arbitrator. Within fifteen (15) days after the receipt of such notice, the receiving Party shall give notice to the demanding Party stating the name and address of a qualified person to act as its arbitrator. The two arbitrators named by the Parties must be experienced in the field of the matter in dispute. The Developer shall be given notice of and an opportunity to participate in any arbitration hereunder which may affect its interests under the Development Agreement.

Appointment of Third Arbitrator. If within thirty (30) days following the appointment of the latter of the arbitrators, they are unable to agree in respect of the matter in dispute, they shall appoint by instrument in writing as a third arbitrator a similarly qualified person, who shall proceed with the two arbitrators first appointed to determine the matter in dispute. The written decision of any two of the arbitrators shall be binding and conclusive upon the Parties hereto. If either Party fails to appoint an arbitrator or if the two arbitrators fail to agree within the above-specified periods and, upon such failure, fail to appoint a third arbitrator, the appointment shall be made by the then Presiding Judge of the Superior Court of the State of California in and for the County of Riverside acting in his/her individual and nonofficial capacity on the application of either Party and on ten (10) days' notice to the other Party; provided that either Party may, by notice given before commencement of the arbitration hearing, consent to arbitration by the arbitrator appointed by the other Party. In that event, no further appointment of arbitrators shall be made and any other arbitrators previously appointed shall be dismissed.

Replacement. The foregoing procedure shall also apply if any arbitrator appointed as aforesaid by said Presiding Judge, or by the other two arbitrators so appointed, shall die, resign, be disqualified or incapacitated, or shall fail or refuse to act before such matter shall have been determined. An arbitrator appointed in such manner who dies is disqualified or incapacitated or who fails or refuses to act shall be replaced promptly with another arbitrator by the Party selecting the displaced arbitrator.

Exceptions. Notwithstanding any other provisions of this Article, the Dispute resolution processes set forth above shall not apply to any disputes arising out of, or related to, the acts, omissions, decisions and activities of Lessor acting in its sovereign capacity as the Approving Agency.

Events of Default and Remedies

Events of Default *Defined*. The following shall be "Events of Default" under the Ground Lease, and the terms "Event of Default" or "Default" shall mean, whenever they are used herein, any one or more of the following events:

Lessee shall fail to pay the Rent and Additional Rent at the times specified herein and such failure shall continue for fifteen (15) days after written notice thereof from Lessor.

Lessee shall fail to correct any Operating Deficiency within the periods provided for in the Ground Lease.

Except to the extent of delay caused by Force Majeure, Lessee shall fail to perform or cause to be performed any other term, covenant, condition, or provision hereof, other than as referred to in the two immediately preceding subsections above, and to correct such failure within thirty (30) days after written notice specifying such failure is given to Lessee by Lessor. In the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period but can be wholly corrected within a period of time not materially detrimental to the rights of Lessor, it shall not constitute an Event of Default if corrective action is instituted by Lessee within the applicable period and diligently pursued until the failure is corrected.

Lessee shall be adjudicated bankrupt.

A permanent receiver shall be appointed for Lessee's interest in the Series 2018 Project and such receiver shall not be removed within ninety (90) days after notice from Lessor to Lessee to obtain such removal.

Lessee shall voluntarily take advantage of any debtor relief proceedings under any present or future law whereby the Rent or any part thereof shall be reduced or payment thereof deferred or shall become subject to any such involuntary proceedings and said involuntary proceedings shall not be dismissed within ninety (90) days after notice from Lessor to Lessee to obtain such dismissal.

Lessee shall make a general assignment for benefit of creditors.

The Premises or Lessee's effects or interests therein shall be levied upon or attached under process against Lessee, and the same shall not be satisfied or dissolved within ninety (90) days after notice from Lessor to Lessee to obtain satisfaction or dissolution thereof.

A default shall have occurred and continued beyond any applicable notice and cure periods under any of the Construction Documents.

An event of default by Lessee shall have occurred pursuant to any of the Bond Documents and the Trustee shall have provided written notice of such event of default and its intent to exercise its remedies pursuant to the Bond Documents.

Remedies. Subject to the provisions of the Ground Lease Sections titled Notice and Right to Cure, Additional Cure, Limitation on Termination Rights of Lessor and Subordination, upon the occurrence of an Event of Default, Lessor may pursue one of the following remedies:

Subject to the written notice to and the rights of the Bond Trustee under the provisions of the Ground Lease Sections titled Additional Cure and Limitation on Termination Rights of Lessor below, terminate the Ground Lease immediately upon written notice thereof to Lessee, and thereafter, to the extent permitted by Applicable Law, without legal process, enter upon and take possession and control of the Premises to the complete exclusion of Lessee. Lessor may also demand, collect, and retain all payments due from Persons occupying the Premises, and Lessor may otherwise treat and occupy the Premises as if the Ground Lease had expired of its own limitation. The failure of Lessor to exercise such rights after one or more Events of Default shall not be a waiver of the rights of Lessor upon the occurrence of any subsequent Event of Default; or

As Lessee's legal representative, without terminating the Ground Lease, re-let the Premises upon obtaining the written consent of any Bond Trustee. Such re-letting may be accomplished without advertisement and by private negotiations for such term or terms and at such rental or rentals as Lessor in its sole discretion may deem proper and advisable, with the right to make alterations and repairs to the Premises. Upon each such reletting:

subject to the limitations in set forth in the Article titled Limitations of Liability, Lessee shall be immediately liable to pay to Lessor, in addition to any sums due hereunder, the reasonable cost and expenses of such reletting and of such alterations and repairs incurred by Lessor; and,

subject to applicable law, rents received by Lessor from such reletting shall be applied: First, to the payment of any costs and expenses of such re-letting and of such alteration and repair; Second, to the payment of Rent due and unpaid under the Ground Lease; and Third, the residue, if any, shall be held by Lessor, in escrow, and (1) applied to the payment of the Rent as the same shall become due under the Ground Lease and (2) if any balance shall then remain, paid to Lessee at the termination of the Ground Lease. Lessor shall in no event be liable to Lessee for any interest on the said residue.

Holding Over; Expiration or Termination

Holding Over. Lessee shall not use or remain in possession of the Premises after the termination of the Ground Lease. Any holding over, or continued use or occupancy by Lessee after the termination of the Ground Lease, without the written consent of Lessor, shall not constitute a tenancy-at-will interest on behalf of Lessee, but Lessee shall become a tenancy-at-sufferance and liable for all Rent, Additional Rent and all other expenses, obligations and payments in effect for the immediately preceding year of the term of the Ground Lease. There shall be no renewal whatsoever of the Ground Lease by operation of law.

Extinguishment of Lessee's Rights. Subject to the paragraph below, upon the termination or expiration of the Ground Lease from any cause, all rights and interests of Lessee, and all persons whomsoever claiming by, through or under Lessee, shall immediately cease and terminate, and the Premises, including all buildings, improvements, Personalty including engines, machinery, generators, boilers, furnaces, elevators, fire escapes, and all lifting, lighting, heating, cooling, refrigerating, air conditioning, ventilating, gas, electric and plumbing apparatus, appliances and fixtures, as well as other fixtures attached to or within the Series 2018 Project, and all personal property of Lessee located thereon, shall thence forward constitute and belong to and be the absolute property of Lessor or Lessor's successors and assigns, without further act or conveyance, and without liability to make such compensation to Lessee or to anyone whomsoever, and free and discharged from all and every lien, encumbrance, claim and charge of any character created or attempted to be created by Lessee at any time. Lessee agrees, at the termination of the Ground

Lease, to surrender unto Lessor, all and singular the Premises with then existing buildings, other structures and improvements constructed and located thereon and therein, in the same condition as when the construction of such buildings, other structures, and improvements was completed, only natural and normal wear and tear excepted, unless Lessee shall be relieved of Lessee's obligation to repair, reconstruct, restore or replace damaged or destroyed buildings, other structures or improvements pursuant to the Article titled Damage and Destruction.

Condition at Handback. Lessee agrees to use best efforts to return the Dundee Residence Hall to Lessor in the Handback Condition at the conclusion of the Lease Term. Approximately eight (8) calendar years prior to the scheduled expiration of the Term or such other time as the Parties may agree, Lessee shall engage, or cause its Agents to engage, as an Operating Expense, a qualified Architect or engineer to perform a Condition Assessment in conformity with industry standards to determine (i) the current condition and remaining useful life of the Dundee Residence Hall structures, Essential Operating Systems and other key elements necessary to satisfy the Handback Condition and (ii) an estimate of the costs to deliver the Dundee Residence Hall to Lessor at the expiration of the Term in the Handback Condition. Upon completion of the assessment the Parties shall meet and confer as part of the annual Capital Budget process to determine the sufficiency of revenues or reserves and the schedule for completing any Work for preparing the Dundee Residence Hall for surrender at the conclusion of the Term.

Prepaid Items Assigned. Upon the termination or expiration of the Ground Lease from any cause, all expense items prepaid by Lessee with respect to constructing, operating, maintaining, and protecting the Premises, including prepaid insurance premiums, any tax and utility deposits, shall inure to the benefit of and become the property of Lessor and to this extent Lessee shall be deemed to have automatically transferred, assigned and conveyed any such prepaid expense items to Lessor effective as of such termination or expiration.

Amounts Remaining in Funds and Accounts. Upon the termination or expiration of the Ground Lease from any cause, and subject to the interest of the Issuer, the Bond Trustee, and/or Leasehold Deed of Trust Trustee, and if all amounts secured by the Leasehold Deed of Trust have been satisfied, any amounts remaining in any fund, account or reserve created in connection with the Bonds, the maintenance of the Premises, or the management of the Series 2018 Project, including prepaid Housing Receipts and the Surplus Fund, shall inure to the benefit of and become the property of Lessor, and to this extent Lessee shall be deemed to have automatically transferred, assigned and conveyed any such prepaid expense items to Lessor effective as of such termination or expiration.

Other Documents and Intangibles. Upon the termination or expiration of the Ground Lease from any cause, Lessee shall transfer to Lessor all documents pertaining to or useful in the ownership, operation and maintenance of the Premises together with all contracts (to the extent Lessor desires to accept the same), contract rights, warranties and other intangibles related to, or useful in, the ownership, operation or maintenance of the Premises.

Encumbering the Leasehold

Lessor's Consent. Lessor hereby consents to Lessee's encumbrance of its interest in the Ground Lease that pertains to the Dundee Residence Hall pursuant to the Issuer Deed of Trust, which shall secure outstanding principal indebtedness of no more than One Hundred and Sixty Million Dollars ($160,000,000). Lessor hereby acknowledges that the Issuer has pledged, assigned and transferred its right, title and interest in and to that portion of the Ground Lease that pertains to the Dundee Residence Hall to the Bond Trustee pursuant to the Indenture and that the Bond Trustee is vested with all of the rights and benefits accorded the Issuer herein or otherwise.

General Limitation on Encumbrance. Except as provided in the Ground Lease Sections titled Subordinate Financing and Lessor's Consent, Lessee, every successor and assign of Lessee, shall have no right to encumber its interest in the Ground Lease without Lessor's consent.

No Modifications. There shall be no cancellation, surrender or modification of any portion of the Ground Lease that pertains to the Dundee Residence Hall by Lessor or Lessee without the prior written consent of the Leasehold Deed of Trust Trustee. Notwithstanding the foregoing (but, in any event, subject to the Leasehold Mortgagee/Deed of Trust Trustee's rights set forth in the Ground Lease Sections titled Notice and Right to Cure, Additional Cure and Limitation on Termination Rights of Lessor), nothing herein shall be deemed to prohibit Lessor from terminating the Ground Lease in accordance with its terms. There shall be no material modification in the Leasehold Deed of Trust, the Indenture, or related documentation without Lessor's prior written consent.

Notice and Right to Cure. Lessor, upon serving Lessee with any notice of an Event of Default, failure to comply, or termination, shall simultaneously serve a copy of such notice on the Leasehold Deed of Trust Trustee. If Lessor shall serve Lessee with a notice of a failure to comply with any term, covenant, condition, or provision hereof, the Leasehold Deed of Trust Trustee shall then have the same period after service of the notice on it as is given to Lessee hereunder to remedy or cause to be remedied such failure, and Lessor shall accept performances by or at the instigation of the Leasehold Deed of Trust Trustee as if it had been done by Lessee. Any notice required to be given to the Leasehold Deed of Trust Trustee shall be posted in the United States mail, postage prepaid, certified, return receipt requested (or transmitted by facsimile transmission) and addressed to the Leasehold Deed of Trust Trustee at the address and to the attention of the person designated to Lessor by the Leasehold Deed of Trust Trustee to receive copies of such notices and shall be deemed to have been served as of the date the said notice is received or refused by the Leasehold Deed of Trust Trustee.

Additional Cure. In addition to the rights granted to any Leasehold Deed of Trust Trustee hereunder, the Leasehold Deed of Trust Trustee shall have an additional period of ninety (90) days to remedy or cause to be remedied any Event of Default of which they shall receive notice.

Limitation on Termination Rights of Lessor. If Lessor shall elect to terminate the Ground Lease upon the occurrence of an Event of Default that pertains to the Dundee Residence Hall, the Leasehold Deed of Trust Trustee shall also have the right to postpone and extend the date of termination as fixed by the provisions of the Ground Lease for a period of not more than six (6) months from the expiration of the ninety (90) day period specified herein, provided that the Leasehold Deed of Trust Trustee shall pay the Rent and other charges required to be paid under the Ground Lease during such period, and provided further, that the Leasehold Deed of Trust Trustee of the Ground Lease shall forthwith take steps necessary to acquire Lessee's interest in the Ground Lease that pertains to the Dundee Residence Hall whether by foreclosure of its Leasehold Deed of Trust, or otherwise, and shall prosecute such action to completion with due diligence. If at the end of the six (6) month period, the Leasehold Deed of Trust Trustee of the Ground Lease shall be actively engaged in steps to acquire or sell Lessee's interest in the Ground Lease that pertains to the Dundee Residence Hall, the time for Leasehold Deed of Trust Trustee to comply with the provisions of this Section shall be extended for such period as shall be reasonably necessary to complete these steps with reasonable diligence and continuity.

Assignment. Lessor agrees that in the event of any foreclosure under the Leasehold Deed of Trust, either by judicial proceedings or under power of sale contained therein all right, title and interest encumbered by such Leasehold Deed of Trust may, without the consent of Lessor, be assigned to and vested in the purchaser at such foreclosure sale subject and subordinate, however, to the rights, title and interests of Lessor; and, notwithstanding that Lessor's consent to said assignment shall not have been obtained, any such assignee shall be vested by virtue of such assignment with any and all rights of the party whose estate was encumbered by such Leasehold Deed of Trust as though Lessor had consented thereto.

Deed of Trust Trustee Leases. Lessor agrees that in the event of a termination of any portion of the Ground Lease that pertains to the Dundee Residence Hall by reason of any Event of Default, and subject to the rights herein granted to the Leasehold Deed of Trust Trustee, the Leasehold Deed of Trust Trustee shall have the option, but not the obligation, to enter into a Deed of Trust Trustee Lease (or appoint a designee to enter into a Deed of Trust Trustee Lease); provided: (1) the Leasehold Deed of Trust Trustee shall enter into a Deed of Trust Trustee Lease on the same terms within the six (6) month period specified in this Article; (2) the Leasehold Deed of Trust Trustee shall perform and observe all covenants contained in the Deed of Trust Trustee Lease on Lessee's part to be performed during such period of time commencing with the date of the execution of the Deed of Trust Trustee Lease and terminating upon the abandonment or surrender of possession of the Dundee Residence Hall under the said Deed of Trust Trustee Lease; and (3) the Leasehold Deed of Trust Trustee, as lessee under the Deed of Trust Trustee Lease, shall have the same right, title, and interest in and to the Dundee Residence Hall and the right to use the buildings and improvements that comprise the Dundee Residence Hall as Lessee had under the Ground Lease.

Non-Subordination. Lessee's rights, as well as the rights of anyone claiming under Lessee, shall always be and remain subordinate, inferior, and junior to Lessor's title, interest, and estate in the Premises. Lessor's reversionary interest in the Premises and that portion of Lessor's interest in this Lease that corresponds to the Premises shall be superior and prior in interest to any loans, mortgages, deeds of trust, other leases, liens and encumbrances that may hereafter be placed on the Premises, or any part thereof, by, against or as a result of the acts of Lessee or anyone deriving any interest in the Premises, or any part thereof or interest therein, through Lessee. Any loan, mortgage, deed of trust, lease, lien or encumbrance placed by Lessee on the Premises or any related improvements, or any part thereof or interest therein, shall not adversely affect Lessor's interest under this Lease. Lessee agrees, without any cost or expense to Lessor, to execute any instrument which is necessary or is reasonably requested by Lessor to further confirm the non-subordination of Lessor's reversionary interest in the Premises and Lessor's interest in that portion of the Ground Lease that pertains to the Premises.

Subordination. Notwithstanding anything else contained herein, Lessor agrees that the financing of the acquisition, construction, and furnishing of the Series 2018 Project and the Offsite Elements will directly benefit Lessor's operations and Lessor agrees that its interest in and to the rents, revenues, issues and profits relating to the operation of the Dundee Residence Hall, including all insurance proceeds, reserve funds and Project Gross Revenues, as well as any and all rights to that portion of the Assigned Agreements that pertains to the Dundee Residence Hall but excluding the Allocable Dining Receipts, shall be junior and subordinate to the interest of the Issuer, the Bond Trustee, and/or any other Leasehold Deed of Trust Trustee in any Bond Collateral. So long as any of the indebtedness created, evidenced, or secured by any of the Bond Documents remains outstanding and unpaid, Lessor shall not exercise any rights or remedies with respect to the Bond Collateral without either (i) complying with the provisions of this Article, or (ii) obtaining in each instance the prior written consent of the Issuer, the Bond Trustee, or Leasehold Deed of Trust Trustee, as applicable.

Agreement Between Lessor and Leasehold Deed of Trust Trustee. Lessor, upon request, shall execute, acknowledge, and deliver to the Leasehold Deed of Trust Trustee an agreement, in form reasonably satisfactory to the Leasehold Deed of Trust Trustee and Lessor, by and among Lessor, Lessee, and the Leasehold Deed of Trust Trustee (provided the same has been previously executed by Lessee and Leasehold Deed of Trust Trustee) agreeing to all of the provisions of this Article.

Limitation on Liability of Leasehold Deed of Trust Trustee. Notwithstanding any other provision of the Ground Lease, Lessor agrees that the Leasehold Deed of Trust Trustee permitted under the Ground Lease shall in no manner or respect whatsoever be (i) liable or responsible for any of Lessee's obligations or covenants under the Ground Lease (nor shall any rights of such Leasehold Deed of Trust Trustee be contingent on the satisfaction of such obligations or covenants), or (ii) required to cure any Event of Default, provided; however, that if the Leasehold Deed of Trust Trustee becomes the owner of the leasehold estate created hereunder or becomes Lessee under a Deed of Trust Trustee Lease, then such Leasehold Deed of Trust Trustee shall be responsible and liable for all obligations and covenants accruing during such Leasehold Deed of Trust Trustee's tenure as owner of such leasehold estate or as lessee under a Deed of Trust Trustee Lease. Notwithstanding the foregoing, the liability of a Leasehold Deed of Trust Trustee with respect to its obligations under the Ground Lease or any Deed of Trust Trustee Lease shall be "non-recourse" and, accordingly, Lessor's source of satisfaction of such obligations shall be limited to the Surplus Fund and Lessor shall not seek to obtain payment through any judicial process or otherwise from any person or entity comprising such Leasehold Deed of Trust Trustee or from any assets of such Leasehold Deed of Trust Trustee other than the Surplus Fund.

Submission of Matters to Lessor for Approval

In General. Any matter which must be submitted to and consented to or approved in writing by Lessor or any matter which must be submitted to Lessor which may become effective if not denied by Lessor, as required under the Ground Lease, shall be submitted to Lessor by hand, mailed by United States certified or registered mail return receipt requested, or by e-mail, to the address of Lessor designated for the giving of notice to Lessor and shall either be approved or rejected by Lessor within ten (10) Business Days after receipt unless a different period of time is expressly stated elsewhere herein. Except as otherwise expressly provided in the Ground Lease and except for Material Matters, if Lessor should fail to approve or reject within the relevant period as provided for herein, Lessor shall be deemed to have disapproved the same. With respect to Material Matters only, if Lessor should fail to approve or reject within the relevant period as provided for herein, Lessor shall be deemed to have approved the same. Lessor shall inform Lessee in writing of its rejection or approval of such submitted matter by United States certified or registered mail, return receipt requested, or by e-mail, to the address of Lessee designated for the giving of notice to Lessee. Any review by Lessor of any matter submitted to Lessor is for Lessor's own convenience and purpose only. By undertaking such review, Lessor does not obtain or have any liability to Lessee or any other person, including the insurers and lenders of Lessee.

Authority of Lessor's Representative. The Lessor's Representative shall have full authority to approve or consent to any and all actions of the Lessor under Articles titled Utility Services, General Conditions of the Work, Construction of the Series 2018 Project in the Ground Lease relating to the initial design and construction, or any subsequent work, alterations, or improvements to the Series 2018 Project and the Offsite Elements, and the operation of the Premises.

Limitation of Liability

Exclusion of Consequential Damages. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS LEASE, NEITHER PARTY SHALL BE LIABLE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL LOSSES OR DAMAGES, FOR LOST REVENUES OR LOST PROFITS, OR FOR ANY OTHER SPECIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR SIMILAR DAMAGES, IN EACH CASE ARISING OUT OF, RELATING TO OR RESULTING FROM (A) AN ACTUAL OR ALLEGED DEFAULT OR BREACH OF THIS LEASE, (B) THE TRANSACTIONS CONTEMPLATED UNDER THIS LEASE OR (C) THE RELATIONSHIP OF THE PARTIES HEREUNDER, IN EACH CASE EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND EACH PARTY HEREBY EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY RELEASES THE OTHER PARTY THEREFROM.

Non-Recourse to Lessee. Notwithstanding anything herein to the contrary, the liability of Lessee hereunder (including its indemnity obligations) under the Ground Lease shall be limited and Lessor's sole source of satisfaction of such obligations shall be limited to Lessee's interest in the Ground Lease and the Series 2018 Project and Net Available Cash Flow, and Lessor shall not seek to obtain payment from any person or entity comprising Lessee, or from any assets of Lessee other than those described herein (which shall include, but shall not be limited to, the indemnity rights under, and proceeds of, any insurance policies required herein), notwithstanding the survival of any obligation of Lessee beyond the term hereof. No recourse under or upon any obligation, covenant or agreement contained in this Lease or for any claim based thereon, or under any judgment obtained against Lessee, or by the enforcement of any assessment or penalty or otherwise or by any legal or equitable proceeding by virtue of any constitution, rule of law or equity, statute or otherwise or under any other circumstances, under or independent hereof, shall be had against any incorporator, shareholder, member, or any partner or member of such member, the shareholders of such member, or the trustees, officers, directors, employees or agents of Lessee, past present or future, either directly or through Lessee or any successor entity, or otherwise, for any sum that may be due and unpaid by Lessee under this Lease.

Non-Recourse to Lessor. Notwithstanding anything herein to the contrary, the liability of Lessor under this Lease shall be limited and, accordingly, Lessee's sole source of satisfaction of such liability shall be limited to Lessor's interest in the Premises and the rents, issues, revenues and surplus related to or arising under any of the foregoing, and Lessee shall not seek to obtain payment from Lessor or any Person comprising Lessor or from any assets of Lessor other than those assets of Lessor described above. Notwithstanding anything to the contrary contained herein, Lessor's incorporators, shareholders, members, the partners or members of such members, the shareholders of such members, and the regents, trustees, officers, directors, employees, and agents of Lessor and its members shall have no personal liability for any acts, omissions or obligations of Lessor, and their individual assets shall not be subject to any claims of any person relating to such acts, omissions or obligations.

Lessor Not Liable for Injury or Damage. Lessor is not liable for any injury or damage to Lessee or to any Person happening on, in or about the Premises or its appurtenances, nor for any injury or damage to the Premises or to any property belonging to Lessee or to any other Person that may be caused or that may arise from any other cause whatsoever, except to the extent caused by the gross negligence or intentionally tortious acts of Lessor, or its officers, employees or agents.

Sovereign Immunity. Notwithstanding any provision to the contrary in this Lease, nothing in this Lease shall operate (or be deemed or construed to operate or constitute) as a waiver of the sovereign immunity of Lessor with respect to matters in which it is acting in its sovereign capacity, including the decisions, acts or omissions of the Approving Agency.

Transfer of Lessor's Interest. Notwithstanding anything herein to the contrary, provided that Lessor complies with all applicable terms and provisions of this Lease, including, but not limited to the terms and provisions of this Section, Lessor shall have the right to transfer the Premises or its interest in this Lease to an Affiliate without the prior written consent of Lessee. If the original Lessor named in this Lease, or any successor to the original Lessor's interest in the Premises, conveys or otherwise disposes of its interest in the Premises, then upon such conveyance or other disposition all liabilities and obligations on the part of the original Lessor, or such successor Lessor, as Lessor under this Lease, which accrue after such conveyance or disposition shall cease and terminate and each successor Lessor shall, without further agreement, be bound by Lessor's covenants and obligations under this Lease but only during the period of such successor Lessor's ownership of the Premises provided, however, that any such conveyance or disposition shall only be made if in the reasonable discretion of Lessee, the conveyance or disposition shall not adversely affect the tax exempt status of the Foundation. A copy of the recorded deed conveying the interest in the Leased Premises shall be satisfactory evidence of a successor Lessor's interest.

Validity of Covenants. The Parties acknowledge and agree the waivers and disclaimers of liability, releases from liability, limitations, and apportionments of liability, and indemnities throughout the Ground Lease shall apply even in the event of the negligence (in whole or in part), strict liability, tort liability, or fault of the Party whose liability is released, disclaimed or limited.

Exceptions. Subject to the limitations set forth in the Ground Lease Section titled Nonrecourse to Lessee, Lessee shall be liable to Lessor for all losses and damages actually incurred by Lessor due to: (i) fraud, intentional misrepresentation or willful misconduct by Lessee or any Agents of Lessee in connection with this Lease; or (ii) intentional misapplication or intentional misappropriation by Lessee or its Agents of Occupancy Receipts collected in advance, or received after the occurrence and during the continuance of an Event of Default.

Miscellaneous

Memorandum of Ground Lease and Option. Lessor and Lessee agree that the Parties shall execute, seal, acknowledge and deliver simultaneously with the execution of the Ground Lease, in recordable form, a memorandum of Ground Lease setting forth the basic terms hereof and a memorandum of Option with respect to the rights granted under the Article titled Option to Purchase. The memoranda may be recorded by Lessor at the expense of Lessee in the appropriate records of Riverside County, California.

Preservation of Tax Exemption. Lessor shall not take any action with respect to the Series 2018 Project that would adversely affect the exemption of interest on any Bonds from gross income for federal income tax purposes or would otherwise result in a breach of any representations, conditions, or covenants of Lessee as set forth in the Bond Documents. Notwithstanding the foregoing, this Section shall not prevent Lessor from enforcing any of its rights under the Ground Lease or any other instruments or agreements in connection with the Series 2018 Project.

Payments for Lessee by Lessor. If Lessee fails to procure or cause to be procured the insurance required by Lessor under the Ground Lease or fails to pay any insurance premium, Tax, or any other sum in the Ground Lease required to be paid by Lessee (other than Rent), Lessor may, after expiration of the applicable cure period and after notifying Lessee and the Bond Trustee, at Lessor's option, elect to follow one of the options provided in the Ground Lease or may, without declaring an Event of Default, procure on behalf of Lessee any such insurance, and pay on behalf of Lessee any such payment or payments as may be necessary. Any sum(s) so paid or expended by Lessor on behalf of Lessee shall immediately be reimbursed and paid by Lessee to Lessor within twenty (20) days after demand by Lessor.

Membership in Foundation. In recognition of the assistance to be provided by the Lessee and the Foundation to the Lessor to provide needed housing for the Lessor's students and to otherwise assist the Lessor in furthering its educational mission, Lessor acknowledges and agrees that upon execution hereof, the Lessor shall be deemed to be a member of the Foundation and that it shall remain such a member until the termination of this Lease provided, however, notwithstanding anything herein or in the Foundation's bylaws to the contrary, the Lessor shall in no event be liable for the obligations of the Foundation or have any other obligations as a result of being a member of the Foundation other than those explicitly imposed by this Section. In consideration for entering into the Ground Lease, the Foundation shall be entitled to payment of the following compensation: (i) an acquisition fee in the amount of One Hundred Thousand Dollars ($100,000) payable from either taxable proceeds of the Bonds upon the issuance thereof, if any and if none, as an Operating Expense of the Series 2018 Project during the first year of operation thereof, and (ii) the Lessee's Fee. The Lessee's Fee shall be paid in arrears by the Manager as an Operating Expense of the Series 2018 Project. Lessor further represents, warrants and agrees that at all times during the Term of the Ground Lease it shall be and remain an organization which is described in either Section 511(a)(2)(B) of the Internal Revenue Code, or Section 501(c)(3) and 170(b)(1)(A)(ii) of the Internal Revenue Code that is not a private foundation within Section 509 of the Internal Revenue Code.

Additional Bonds. Upon issuance of Additional Bonds, if any, in accordance with the Indenture the Lessor and Lessee shall enter into an amendment to this Lease to provide for such Additional Bonds as may be appropriate, including such provisions as shall be necessary to include any facilities financed with such Additional Bonds within the budget and financial reporting requirements hereof.

Force Majeure. Neither Party shall be liable or responsible for any delay or failure in the performance of the Services or other obligations hereunder resulting from Force Majeure events provided that the Party whose performance is affected by any such event shall provide written notice thereof to the other Party as soon as reasonably practicable. In the event of such a failure or delay, the performance of the Parties hereunder shall be extended or adjusted, but only to the extent of the Force Majeure interference, interruption or delay.

THE DINING FACILITY AGREEMENT

The following is a summary of the Dining Facility Agreement (the "Dining Facility Agreement").

Definitions

The following terms have the indicated definitions in the Dining Facility Agreement.

"Affiliate" (and the co-relative terms "Affiliation" and "Affiliated with") means, as to any Person, any other Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with such Person; provided, that any Affiliate of Operator must be established for the purpose of supporting Operator's educational mission.

"Allocable Dining Receipts" means all fees paid by Occupants (as defined in the Ground Lease) pursuant to the payment provisions of any Resident Housing Contracts (as defined in the Ground Lease) that are allocable to board.

"Alterations" means improvements, alterations and modifications to the Premises.

"Bankruptcy Code" shall mean Title 11 of the United States Code and any other federal, state or foreign bankruptcy, insolvency, rehabilitation, reorganization, liquidation or similar laws, now or hereafter in effect.

"Bond Issuance Date" means the date the Bonds are issued pursuant to the Indenture.

"Bonds" those certain Student Housing Revenue Bonds (CHF-Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project), Series 2018.

"Business Day" means any day other than (i) a Saturday or a Sunday, (ii) a day on which commercial banks in Riverside County, California or where the Trustee (as defined in the Ground Lease) is located are authorized or obligated by law, government decree or executive order to be closed or (iii) a day observed as a holiday by the State of California or the Federal government.

"Campus" means any real property owned by Operator in proximity to its educational facilities in Riverside, California.

"Casualty" means any damage or destruction to the Premises, in whole or in part, by fire, flood, earthquake, windstorm, the elements, casualty, accident, war, riot, public disorder, acts authorized or unauthorized by any Governmental Authority, or any other cause or happening.

"Casualty Notice" means and refers to a written notice setting forth a reasonable estimate of how long it will take (after the date of the Casualty) to completely restore the Premises including time required to obtain insurance, to prepare plans for reconstruction, to obtain building permits, to account for weather conditions, and to complete the likely contract bidding process and all other relevant factors.

"Control" (and the co-relative terms "Controlling," "Controlled by," and "under common Control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of outstanding securities, equity, or other beneficial ownership interests, by contract or otherwise.

"County" means Riverside County, California.

"Default Rate" means the lesser of (i) six percent (6%) per annum, and (ii) the highest rate permitted by applicable Laws.

"Dining Facility Agreement Commencement Certificate" means and refers to the certificate attached to the Dining Facility Agreement as Exhibit B.

"Dining Facility Agreement Expiration Date" means the earlier of (i) the date on which all Facility Usage Fee payments have been paid or prepaid and Operator has provided Owner written notice of termination of this Dining Facility Agreement, (ii) the date on which the Ground Lease terminates, (iii) 12:00 midnight on the first day of the first month following the final repayment, redemption or defeasance of the Bonds and satisfaction of any and all amounts due under the Loan Agreement or the Indenture, or (iv) the 45th anniversary of the Effective Date at 12:00 midnight; provided, however, that if, as of the 45th anniversary of the Effective Date, the Bonds remain outstanding, unredeemed and/or undefeased or associated financing costs unpaid, this Dining Facility Agreement shall not then terminate and the Dining Facility Agreement Term shall be extended until the final maturity, redemption or defeasance of the Bonds and associated financing costs paid, provided, however, that in no event shall the Dining Facility Agreement Term extend beyond the 50th anniversary of the Effective Date.

"Dining Facility Agreement Term" means the term of the Dining Facility Agreement, which commences on the Effective Date and terminates on the Dining Facility Agreement Expiration Date.

"Dining Completion Date" means the earlier of the date on which Glasgow Dining Facility has reached Substantial Completion (as defined in the Ground Lease), or August 8, 2020.

"Effective Date" means the date of the Dining Facility Agreement, as set forth in the Preamble thereof.

"Emergency" means an event or condition, which threatens the safety, and/or well-being of the occupants of the Premises, or which if left uncorrected, uncured or unaddressed, would prevent Operator from continuing ongoing use or operations.

"Facility Usage Fee" means the facility usage fee in accordance with the schedule attached to the Dining Facility Agreement as Exhibit C.

"Facility Usage Fee Assignment Agreement" means and refers to that certain Facility Usage Fee Assignment Agreement dated as of December 14, 2018.

"Facility Usage Fee Commencement Date" means the date designated as such in the Dining Facility Agreement Commencement Certificate.

"First Class Condition" shall mean a condition comparable to on-campus dining facilities located on other University of California campuses and managed by the Operator.

"Glasgow Dining Facility" means the full-service eight-hundred thirty (830) seat dining facility, comprised of an approximately 51,000 square foot dining facility building together with landscape, hardscape, associated service vehicle parking and loading areas to be used for a dining complex to serve the Riverside Campus of the University of California and to be located on approximately 1.449 acres of the Leased Land, as described on Exhibit A to the Dining Facility Agreement.

"Governmental Authority" means any and all entities, courts, boards, agencies, commissions, offices, divisions, subdivisions, departments, bodies or authorities of any nature whatsoever of any governmental unit (federal, state, county, city or otherwise) whether now or hereafter in existence, including the Lessor acting in its sovereign capacity.

"Ground Lease" means that certain Ground Lease by and between Owner and Operator.

"Hazardous Substances" means any material or substance (a) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control law); (b) defined as a "hazardous substance" under Section 26316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (c) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95, "Hazardous Substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (d) petroleum; (e) asbestos; (f) polychlorinated biphenyls; (g) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (h) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq. (33 U.S.C. § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 6903); (i) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9602); (j) defined as a "hazardous waste" pursuant to the Resource Conservation and Recovery Act. 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6901); or (k) found to be a pollutant, contaminant, hazardous waste or hazardous substance in any reported decision of a federal or California state court, or which may give rise to liability under any federal or California common law theory based on nuisance or strict liability.

"Indenture" means that certain Indenture (as the same may be amended or supplemented from time to time in accordance with the provisions thereof) by and between Issuer and Wilmington Trust, N.A., as trustee.

"Issuer" means the California Municipal Finance Authority.

"JAMS Rules" means, at any applicable point in time, the latest rules of Judicial Arbitration and Mediation Services (JAMS) then in effect.

"Laws" means all present and future laws, ordinances, rules, codes, regulations, permits, authorizations, orders and requirements, whether or not in the contemplation of the Parties, which may affect or be applicable to the Premises or any part of the Premises (including any subsurface area, use of the Premises, the Glasgow Dining Facility and improvements associated therewith), including all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county, local and municipal Governmental Authorities, board of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, having or acquiring jurisdiction over the Premises, and including, without limitation, policies of the University of California as may be applicable after the effective date of the Ground Lease.

"Leased Land" means that certain land in Riverside County, California comprising approximately 4.93 acres and more particularly described in Exhibit A attached to the Ground Lease.

"Lessor" Operator, as lessor, pursuant to the Ground Lease.

"Lien" shall mean any lien, mortgage, deed of trust, hypothecation, encumbrance, pledge, collateral assignment, assignment, charge, lease, easement, right of way, license, servitude, right of others or security interest of any kind whatsoever, including any arising under any conditional sale or other title retention agreement.

"Loan Agreement" means that certain Loan Agreement (as the same may be amended or supplemented from time to time in accordance with the provisions thereof) between Issuer as lender, and Owner as borrower.

"Operating Deficiency" means and refers to a material deficiency in (i) meeting the standards of operation set forth in the Standards of Operation Section of the Dining Facility Agreement, (ii) maintaining the Premises as provided for in Article 16 of the Dining Facility Agreement or (iii) otherwise performing under the Dining Facility Agreement in a manner or to an extent causing a Default under the Dining Facility Agreement relating to the maintenance of the Premises.

"Operator" means THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California public corporation.

"Operator's Parties" means, collectively, Operator and Operator's shareholders, officers, directors, employees.

"Owner" means CHF-RIVERSIDE I, L.L.C., an Alabama limited liability company.

"Owner's Parties" means, collectively, Owner and Owner's members, officers, directors, managers and employees.

"Owner's Work" means and refers to any and all planning, design and construction activity required to complete the Glasgow Dining Facility, including, but not limited to, original construction, site preparation, landscaping, installation of utilities, street construction or improvement and grading and filling.

"Permitted Unqualified Use" means and Unqualified Use that is permitted pursuant to the terms and provisions of the Dining Facility Agreement.

"Person" means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies and similar entities, whether for profit or non-profit.

"Premises" means that certain improved real property described in Exhibit A to the Dining Lease and its appurtenances, situated in the County, State of California, and consisting of the Glasgow Dining Facility in its entirety, including all floor areas, roof, and core areas and that portion of the Leased Land on which the Glasgow Dining Facility is located.

"Required Warranties" means, collectively, warranties with respect to (i) all equipment that Owner installs or causes to be installed within the Glasgow Dining Facility, and (ii) the Owner's Work required by the Ground Lease and described on Exhibit D to the Dining Facility Agreement.

"Restoration Work Letter" means a work letter setting forth such terms and conditions as Owner and Operator may agree, including whether to cause construction by a design-bid/permit-build approach or a design-build approach, any fees Owner may charge in connection therewith, and the terms of any warranty of Owner's work.

"Substantial Completion Date" means the date on which all of the following have occurred with respect to the Glasgow Dining Facility: (i) delivery by Developer of a certificate of Substantial Completion in a customary form, duly executed by the Architect, certifying completion thereof, other than minor or punch list items which do not affect occupancy or use, and (ii) the issuance of a temporary Certificate of Occupancy by the Operator (as the permitting agency, acting in its sovereign and autonomous governmental capacity under Article IX of the California State Constitution) certifying that the Glasgow Dining Facility is safe, sufficient, suitable, and ready for immediate occupancy for the use intended.

"Taking" means the acquisition or condemnation by eminent domain or the sale in lieu thereof (regardless of whether such taking is permanent or temporary in nature) of all or a portion of the Premises.

"Trustee" means Wilmington Trust, National Association.

"Unqualified Use" means use of the Glasgow Dining Facility by an entity that is neither a governmental unit nor 501(c)(3) entity or use not in furtherance of the Operator's educational mission.

Premises

Owner leases to Operator and Operator hereby leases from Owner, upon the terms and conditions herein set forth in the Dining Facility Agreement, that certain improved real property and its appurtenances, situated in the County, State of California, and consisting of the Glasgow Dining Facility in its entirety, including all floor areas, roof, and core areas and that portion of the Leased Land on which the Glasgow Dining Facility is located. Owner further grants to Operator and Operator hereby accepts from Owner, upon the terms and conditions set forth in the Dining Facility Agreement, the exclusive right and privilege to operate and collect revenues generated at the Premises, including the right to collect and receive Allocable Dining Receipts from the Dundee Residence Hall residents.

Term

The term of the Dining Facility Agreement shall commence on the Effective Date and shall expire on the earlier of (i) the date on which all Facility Usage Fee payments have been paid or prepaid and Operator has provided Owner written notice of termination of this Dining Facility Agreement, (ii) the date on which the Ground Lease terminates, (iii) 12:00 midnight on the first day of the first month following the final repayment, redemption or defeasance of the Bonds and satisfaction of any and all amounts due under the Loan Agreement or the Indenture, or (iv) the 45th anniversary of the Effective Date at 12:00 midnight; provided, however, that if, as of the 45th anniversary of the Effective Date, the Bonds remain outstanding, unredeemed and/or undefeased or associated financing costs unpaid, this Dining Facility Agreement shall not then terminate and the Dining Facility Agreement Term shall be extended until the final maturity, redemption or defeasance of the Bonds and payment of associated financing costs, provided, however, that in no event shall the Dining Facility Agreement Term extend beyond the 50th anniversary of the Effective Date. This Dining Facility Agreement shall expire without further notice upon the Dining Facility Agreement Expiration Date and no holding over shall be permitted. Notwithstanding anything herein to the contrary, Operator shall not have the right to prepay the entirety of the Facility Usage Fees due and owing hereunder until the date that is ten (10) years after the Effective Date of the Ground Lease.

Promptly after the Substantial Completion Date has occurred, the Parties shall execute a Dining Facility Agreement Commencement Certificate, setting forth the actual Substantial Completion Date, Bond Issuance Date, Dining Facility Agreement Expiration Date, and Facility Usage Fee Commencement Date; provided any failure of the parties to fully execute such certificate shall have no impact on the Parties respective rights and obligations hereunder.

Facility Usage Fee

Starting on the Facility Usage Fee Commencement Date, Operator shall pay the Trustee, on behalf and as assignee of the Owner pursuant to that certain Facility Usage Fee Assignment Agreement dated as of December 14, 2018, a facility usage fee in accordance with the schedule attached to the Dining Facility Agreement as Exhibit C. The Facility Usage Fee shall be used to pay that portion of the Bonds (as defined in the Ground Lease) that corresponds to the Glasgow Dining Facility, as provided in the Indenture, and shall be paid in immediately available funds, in lawful money of the United States of America, and deposited in that certain fund held by the Trustee and established pursuant to the Indenture to hold the Facility Usage Fee payments made hereunder. The obligation of Operator to make the Facility Usage Fee payments set forth above is absolute and unconditional, and until such time as the total Facility Usage Fee payable under this Dining Facility Agreement has been paid in full (either by pre-payment or provision for the payment thereof shall have been made as may be permitted by the Indenture), the Operator will not discontinue or suspend any payment of Facility Usage Fee, whether or not the Premises or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by set-off or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever. The parties agree that if (i) there is any adjustment to the payment obligations with respect to the Bonds, (ii) such adjustment results in a decrease in the facility usage fee payments that are required in order to pay that portion of the Bonds that corresponds to the Glasgow Dining Facility, and (iii) the Bond Documents are amended, restated or otherwise revised in a manner that results in the production of a new payment schedule depicting that portion of the facility usage fee payments that are required in order to pay that portion of the Bonds that corresponds to the Glasgow

Dining Facility, then such new payment schedule shall, without further action on the part of Owner or Operator, be inserted in the Dining Facility Agreement as Exhibit C in place of the currently attached version of Exhibit C.

Property Taxes

From and after occupancy by Operator, the Parties expect the Premises to be exempt from property taxes (including supplemental taxes, special assessments and other ad valorem assessments, transfer taxes, and taxes applied to the improvements, leasehold interest in any portion of the Premises), pursuant to Article XIII, Section 3(d) of the California Constitution, as a result of the University of California's exclusive use thereof. Therefore, Operator will take such actions as are reasonably necessary and appropriate to secure and maintain the said assessment and tax exemption during the period of the Dining Facility Agreement Term and Operator's occupancy of the Premises, and Owner shall reasonably assist Operator with such efforts. To the extent, Operator is unable to obtain all such exemptions, it shall be responsible for paying any and all such taxes and assessments directly to the proper taxing authority on or before the date due. If Owner receives any tax statements or related documents it shall promptly forward the same to Operator, in all cases (to the extent possible) in sufficient time for Operator to pay such taxes and assessments before the date due and so that Operator may obtain any available early payment discounts.

Improvements

Improvements. Owner shall complete the Owner's Work and deliver the Premises to Operator in accordance with the Ground Lease.

Required Warranties and Owner Enforcement. Owner will obtain and enforce warranties with respect to (i) all equipment that Owner installs or causes to be installed within the Glasgow Dining Facility, and (ii) the Owner's Work required by the Ground Lease and described on Exhibit D to the Dining Facility Agreement. During the Dining Facility Agreement Term, Owner shall enforce the Required Warranties and any other contractor or subcontractor warranties then in effect with respect to the Owner's Work. Alternatively, upon written request from Operator, which request shall identify those Required Warranties that Operator desires to have assigned), Owner shall, to the extent permitted by the subject Required Warranties, assign such Required Warranties to Operator.

Signage

Operator shall have exclusive rights to all building signs and monument signs located on the Premises. The Parties acknowledge and agree to the installation of the signage depicted in the Plans and Specifications (as defined in the Ground Lease) as part of the Owner's Work. At its own cost, Operator may install additional or replacement signage on the exterior of the Glasgow Dining Facility subject to applicable Laws, to compliance with any requirements of federal tax law applicable to the Bonds and to Owner's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed.

Delivery of the Premises

On the Substantial Completion Date, Owner shall deliver possession of the Premises to Operator in the condition required by the Ground Lease and this Dining Facility Agreement. Operator shall have no obligation to perform the covenants or observe the conditions herein contained until the Premises have been so delivered; provided, that Operator's obligation to pay the Facility Usage Fee shall commence as set forth in the Facility Usage Fee Section. In addition, notwithstanding anything to the contrary contained herein, Owner shall have no obligation to perform the covenants or observe the conditions herein contained until the Premises have been so delivered.

Use

Use. During the Dining Facility Agreement Term, Operator shall have the exclusive right to manage, operate and maintain the Glasgow Dining Facility, including, but not limited to the dedicated parking spaces/loading areas located thereon. Operator's use shall comply with all applicable terms and provisions of the Ground Lease. In addition, Operator shall use its diligent efforts not to use, or to suffer or to permit the Premises, or any part thereof to be used in any manner that would constitute a legal nuisance or an unreasonable annoyance to any student, employee or visitor of or to the Operator or the Campus or for any hazardous purpose in violation of Laws.

Allocable Dining Receipts. With respect to the Allocable Dining Receipts, Owner shall cause Manager to disburse all Allocable Dining Receipts to Operator. All Allocable Dining Receipts shall be the property of Operator and shall not be disbursed or transferred to any other party, including the Trustee. Owner shall cause Manager to deposit such amounts with the Operator (1) each Friday (or if such day is not a Business Day, the immediately preceding Business Day) in accordance with the following deposit instructions: [redacted] or (2) on a daily basis during any period that the deposits in the Temporary Deposit Account exceed $100,000.

Hazardous Substances. Owner shall comply with all applicable Laws concerning the use, storage, handling or discharge of any Hazardous Substances (A) generated or used by Owner in the course of its construction and other activities at the Premises during the Dining Facility Agreement Term, or (B) otherwise brought onto the Premises by Owner during the Dining Facility Agreement. Owner shall indemnify, protect, defend and hold harmless Operator and Operator's shareholders, officers, directors, employees from and against any and all claims, damages, judgments, suits, causes of action, losses, liabilities, penalties, fines, expenses and costs (including, without limitation, clean-up, removal, remediation and restoration costs, sums paid in settlement of claims, reasonable attorneys' fees, consultant fees and expert fees and court costs) which arise or result from (x) Excluded Environmental Obligations or (y) any breach by Owner of the provisions of this Section. Operator shall be responsible for any ongoing monitoring, mitigation and remediation (to the extent required) of any Hazardous Substances that are not the Excluded Environmental Obligations. Operator will comply, at its sole cost and expense, with all applicable Laws and Campus guidelines, if any, concerning the (i) Operator's Ongoing Environmental Obligations, and (ii) use, storage, handling or discharge of Hazardous Substances (A) generated or used by Operator in the course of its operations at the Premises during the Dining Facility Agreement Term, or (B) otherwise brought onto the Premises by Operator, Operator's Parties, or any other person or entity (except Owner's Parties) during the Dining Facility Agreement Term. Operator shall indemnify, protect, defend and hold harmless Owner and Owner's members, officers, directors, managers and employees from and against any and all claims, damages, judgments, suits, causes of action, losses, liabilities, penalties, fines, expenses and costs (including, without limitation, clean-up, removal, remediation and restoration costs, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees and court costs) which arise or result from (w) Operator's Ongoing Environmental Obligations, (x) introduced, generated, used or released by Operator, Operator's Parties, (y) any breach by Operator of the provisions of this Section, and (z) Hazardous Substances which are discovered, installed, brought upon, stored, used, generated or released upon, in, under or about the Premises in connection with any work performed by Operator during the Dining Facility Agreement Term

Provisions Relating to Management, Assignment and Subleasing. The Glasgow Dining Facility shall be used initially as a dining services facility primarily for students, faculty and staff of the University of California Riverside. During the Dining Facility Agreement Term, the Glasgow Dining Facility may also be used by Operator for other purposes, including without limitation, the provision of academic and student support programs or services, and the provision of services to the University under management agreements, such as dining services, subject to compliance with the terms of this Section. Operator covenants and agrees that throughout the Dining Facility Agreement Term the Glasgow Dining Facility, whether operated directly by Operator or, to the extent permitted by this Section, by a third-party contractor, will be operated for the benefit of the students, faculty and staff of the University of California Riverside. Operator acknowledges that the Glasgow Dining Facility was financed with the proceeds of the Bonds and that the excludability of interest on the Bonds is dependent upon use of the Glasgow Dining Facility only by a governmental unit or 501(c)(3) entity and in furtherance of the Operator's educational mission, except for (i) an Unqualified in a de minimis amount as permitted by Section 145 of the Internal Revenue Code such that the excludability of interest on the Bonds is not adversely affected, and (ii) any arrangement that does not constitute Unqualified Use under Sections 141 and 145 of the Code. Accordingly, Operator covenants and agrees that, in addition to complying with the requirements of this Section, it will not assign its interest hereunder to, or lease, sublease, rent or otherwise permit possession of any portion of the Glasgow Dining Facility by any other person or entity without the prior, written consent of Owner, which consent will be granted unless the excludability of interest on the Bonds from income for purposes of federal income taxation is thereby adversely affected. In connection with any request for the written consent of the Owner and the delivery of an opinion from nationally recognized bond counsel, the Owner agrees that it will promptly provide any information reasonably requested for purposes of such opinion, including but not limited to information regarding the allocation of Bond proceeds to and within the Glasgow Dining Facility and information regarding any existing Unqualified Use. Operator may provide for operation and management of the Glasgow Dining Facility, or any portion thereof, by a third-party vendor or contractor only if any contract or agreement providing for such operation or management (i) shall not in any manner adversely affect the excludability of interest on the Bonds from income for purposes of federal income taxation, and (ii) shall provide that such contract or agreement is subject to the terms, covenants and conditions of this Dining Facility Agreement, and, to the extent that any provision of such contract or agreement is inconsistent with any term, covenant and condition of this Dining Facility Agreement, this Dining Facility Agreement shall prevail. Not less than thirty (30) days prior to the effective date of any contract or agreement providing for operation or management of the Glasgow Dining Facility by a third-party, Operator shall provide to Owner for its approval (which approval may be withheld only on the basis of noncompliance with this Section) a copy or form of any such contract or agreement, together with a certificate of compliance with item (i) of this paragraph, signed by an authorized officer of Operator, and an opinion of nationally recognized bond counsel reasonably satisfactory to Owner that (A) the contract or agreement satisfies the guidelines set forth in Revenue Procedure 2017-13 I.R.B. 2017-6, as it may be amended and modified from time to time, or (B) the contract or agreement will not result in any Unqualified Use of the Glasgow Dining Facility or with respect to the Bonds in excess of Permitted Unqualified Use. The opinion requirement described in the foregoing sentence does not apply to an amendment to an existing management agreement for food services, for which an opinion was obtained, or to arrangements which, under the Internal Revenue Code of 1986 as amended and the regulations and rulings thereunder, are not generally treated as management contracts that give rise to Unqualified Use.

Compliance with Laws

Owner Compliance with Laws. Owner represents and warrants to Operator that, as of the Substantial Completion Date, the Premises and the construction of the Owner's Work shall be in compliance with applicable building, environmental, zoning and land use Laws, and other applicable local, State of California and Federal Laws, to the extent required to allow Operator to legally use, occupy and operate the Premises as of the Substantial Completion Date for the uses described in this Dining Facility Agreement.

Operator Compliance with Laws. Operator shall (a) observe and comply with all Laws (including laws, orders, rules, requirements, and regulations of a Federal, State or local nature, and of any and all governmental authorities or agencies and of any board of fire underwriters or other similar organization) respecting the manner in which the Premises are or should be used by Operator and (b) be responsible for any improvements, modifications or additions to the Premises required for compliance with Laws.

Services, Utilities

Operator shall contract with and pay directly to the applicable utility or other service provider for the provision of (a) electricity, gas, water, telephone service, television service, internet service, sewer service, garbage collection services, and any other utilities (including any temporary or permanent utility surcharge or other exaction whether now or hereafter imposed) required, used, or consumed on the Premises, (b) security alarm system or other security services or measures for the Glasgow Dining Facility, including, if Operator deems necessary, security guards and a security service; (c) valet or other parking services; and (d) janitorial services for the Glasgow Dining Facility.

Indemnification

Owner's Obligation. Subject to the provisions of the Dining Facility Agreement, Owner shall indemnify, defend (upon tender of any Claim by Operator and with counsel reasonably satisfactory to Operator) and hold harmless Operator, its regents, trustees, officers, directors, board members, committee members, sub-committee members, faculty, adjuncts, administrators, employees, agents, representative and consultants from and against any Claims, arising out of or in any way connected with this Dining Facility Agreement including Claims for loss or damage to any property, or for death or injury to any Person or Persons, but in each case only in proportion to and to the extent that such Claims arise from the negligent or wrongful acts or (where they had a duty to act) omissions of Owner, its officers, partners, agents, or employees, or Owner's breach of this Dining Facility Agreement. Notwithstanding the foregoing, Owner's indemnification obligations shall not apply to the negligent or wrongful acts or omissions of Operator or Operator's Parties or Operator's breach of this Dining Facility Agreement. Operator acknowledges that

Owner's mere ownership of the Dining Facility or failure to enforce the obligations of Operator hereunder shall not constitute negligence or wrongful acts or omissions as such terms are used in this Section.

Operator's Obligation. Operator shall indemnify, defend (upon tender of any Claim by Owner and with counsel reasonably satisfactory to Owner) and hold harmless Owner, its officers, partners, agents, and employees from and against any Claims arising out of or in any way connected with this Dining Facility Agreement including, without limitation, Claims for loss or damage to any property or for death or injury to any Person or Persons, but only in proportion to and to the extent that such Claims arise from the negligent or wrongful acts or omissions of Operator, its officers, agents or employees or Operator's breach of this Dining Facility Agreement. Notwithstanding the foregoing, Operator's indemnification obligations shall not apply to the negligent or wrongful acts or omissions of Owner or Owner's Parties or Owner's breach of this Dining Facility Agreement.

Insurance Requirements

Operator's Insurance. Operator shall have Operator's insurance obligations under this Dining Facility Agreement satisfied through Operator's program(s) of insurance, which may be comprised of but not limited to self-insurance program(s) that are formal self-funded retention program(s), traditional insurance, alternative risk transfer vehicles, captives or any combination thereof. Operator shall provide to Owner all documents (including certificates of insurance) that Owner may reasonably request to evidence that such coverages are in place and satisfy Operator's insurance obligations under this Dining Facility Agreement. Owner and Operator agree to maintain the Premises in accordance with any loss engineering recommendations made by Operator's insurance carrier. Operator, at its sole cost and expense, shall insure its activities in connection with this Dining Facility Agreement and obtain, keep in force and maintain insurance as follows:

General Liability. General Liability (contractual liability included) with minimum limits as follows:

Each Occurrence $3,000,000
Products/Completed Operations Aggregate $3,000,000
Personal and Advertising Injury $3,000,000
General Aggregate $5,000,000

Business Automobile Liability. Business Automobile Liability for owned, non-owned, or hired automobiles with a combined single limit of not less than $1,000,000 per occurrence.

Special Form-Property Insurance. Special Form-Property Insurance covering the Glasgow Dining Facility (including all improvements that are part of the Owner's Work, all other improvements, Alterations and additions to the Premises and all of Operator's equipment, trade fixtures, inventory, fixtures and other personal property located on or in the Premises) against all risks, in an amount equal to one hundred percent (100%) of the full replacement value of the Glasgow Dining Facility (and all improvements and personal property) to conform with then current codes and the costs of demolition and debris removal, excluding land and the footings, foundations and installations below the basement level, without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance, with a vandalism and malicious mischief endorsement, sprinkler leakage coverage, business interruption coverage for one (1) year.

Workers' Compensation and Employers Liability. Workers' Compensation and Employers Liability as required by California law.

The foregoing Operator required coverages, except workers' compensation and employers' liability, shall include Owner as an additional insured. Operator, upon the execution of this Dining Facility Agreement, shall furnish Owner with a certificate of insurance evidencing compliance with all requirements, evidencing the Owner's additional insured status. The certificates shall state that the insurers will endeavor to provide for thirty (30) days advance written notice to Owner of any cancellation of any of the above insurance coverages. The coverages required herein shall not limit the liability of Operator hereunder.

Owner's Insurance. Owner, at its sole cost and expense shall insure its activities in connection with this Dining Facility Agreement and obtain, keep in force and maintain insurance as follows:

Commercial Form General Liability Insurance. Commercial Form General Liability Insurance (contractual liability included) with minimum limits as follows:

Each Occurrence $3,000,000
Products/Completed Operations Aggregate $3,000,000
Personal and Advertising Injury $3,000,000
General Aggregate $5,000,000

Business Automobile Liability Insurance. Business Automobile Liability Insurance for owned, scheduled non owned, or hired automobiles with a combined single limit of not less than $1,000,000 per occurrence.

Workers' Compensation and Employers Liability. Workers' Compensation and Employers Liability as required by California law.

The foregoing Owner required coverages, except workers' compensation and employers' liability, shall include each of Operator as an additional insured. Owner, upon the execution of this Dining Facility Agreement, shall furnish Operator with a certificate of insurance evidencing compliance with all requirements, along with original endorsements evidencing the Operator's additional insured status. The certificates shall state that the insurers will endeavor to provide for thirty (30) days (ten (10) days for non-payment of premium) advance written notice to Operator of any cancellation of any of the above insurance coverages. The coverages required herein shall not limit the liability of Owner.

Adjustment. All coverage limits set forth in the Dining Facility Agreement shall be adjusted in accordance and concurrently with the adjustment of the corresponding insurance maintained by Owner pursuant to the Ground Lease based upon the methodology set forth therein.

Waivers of Subrogation

Notwithstanding anything in this Dining Facility Agreement to the contrary, Owner and Operator each hereby waives any right of recovery against the other due to loss of or damage to the property of either Owner or Operator to the extent such loss of or damage to property arises out of any risk that would normally be covered by Special Form (also known as "special causes of loss" and formerly known as "all risk") property insurance whether or not such risks have been insured, self-insured or non-insured under this Dining Facility Agreement, Owner and Operator acknowledging that each has an independent obligation to maintain insurance under the Ground Lease. Owner and Operator shall cause each of their respective insurance policies carried hereunder to contain, or be endorsed with, a provision by which the insurer shall waive its right of subrogation against the other Party hereto in accordance with the provisions of this Article. Nothing in this Article shall impact Operator's unconditional obligation to pay Facility Usage Fee in accordance with the Dining Facility Agreement

Repair and Maintenance

Owner and Operator Obligations. Operator shall repair and maintain the Premises in First Class Condition. The materials and equipment used and installed by a Party in the course of its maintenance and repair work shall be of substantially equal or better quality than the original materials and equipment. Each Party shall reasonably cooperate with the other Party to help the other perform its obligations, and each Party shall proceed diligently to perform its obligations, including performance as soon as possible in the event of an Emergency.

Standards of Operation. Subject to the requirements of the Dining Facility Agreement, Operator may, at Operator's discretion, engage consultants, contractors, sub-contractors, and other parties in connection therewith; provided, however, that if Operator engages a third party property manager, then such property manager shall be required to have experience managing comparable properties and shall be subject to Owner's consent, which consent shall not be unreasonably withheld, delayed or conditioned. Owner, in agreeing to the terms of this Dining Facility

Agreement, is relying on the expertise, experience and reputation of Operator to cause the Premises to be maintained in First Class Condition. If Owner reasonably believes that the Operator is materially deficient in (i) meeting the standards of operation set forth above in this Section, (ii) maintaining the Premises as provided for in this Repair and Maintenance Article or (iii) otherwise performing under this Dining Facility Agreement in a manner or to an extent causing a Default under this Dining Facility Agreement relating to the maintenance of the Premises, such Operating Deficiency shall be resolved

Notice of Operating Deficiency. If Owner shall notify Operator in writing of the nature and specific circumstances or events causing such Operating Deficiency, Owner and Operator shall meet and confer within five (5) Business Days following such notification to confirm the existence of the Operating Deficiency and to agree upon a mutually agreeable cure.

Curative Efforts. If Operator agrees that such Operating Deficiency exists, it shall cure, or cause to be cured, the deficiency within fifteen (15) business days following the date Owner and Operator met and conferred, or such other time period as Owner and Operator agree is appropriate, provided that if such Operating Deficiency cannot reasonably be cured within a fifteen (15) business day period, Operator shall not be in breach of this obligation if it starts its curative efforts within such fifteen (15) business day period and thereafter completes such cure with diligence and in good faith.

Dispute. If Operator does not agree that such Operating Deficiency exists, or if Owner believes that Operator is not pursuing the completion of the cure with all diligence and in good faith, then either party may resolve the dispute as provided for in the Dispute Resolution Section below.

Dispute Resolution. Any controversy or dispute between the Parties arising out of this Dining Facility Agreement shall be resolved in accordance with the dispute resolution provisions set forth in Exhibit E to the Dining Facility Agreement.

Alterations, Mechanics' Liens

Alterations. Without the need for Owner's consent, Operator shall be allowed to make any Alterations to the Premises that it desires. In connection with any Alterations performed by Operator: (i) the Alterations shall be performed in a good and workmanlike manner in accordance with good construction practices and applicable Law and with such permits as are required by applicable Law, and (ii) Operator, at its sole cost, shall construct any improvements or modifications, including capital improvements, that are required to be made to the Premises pursuant to applicable Laws as a result of such Alterations. Operator shall insure the Alterations in accordance with this Dining Facility Agreement. Owner's approval, if any, of any plans, contractor(s) and subcontractor(s) of Operator shall not release Operator or any such contractor(s) and/or subcontractor(s) from any liability with respect to such Alterations and will create no liability or responsibility on Owner's part concerning the completeness of such Alterations or their design sufficiency or compliance with Laws.

Mechanic's Liens. The Parties shall keep the Premises free from any Liens arising out of any work performed by, materials furnished to, or obligations incurred by the Parties.

Assignment and Subletting

Owner Transfer. With the exception of an assignment to an Affiliate and an assignment pursuant to the Facility Usage Fee Assignment Agreement, Owner shall not transfer, assign, or hypothecate its interest in this Dining Facility Agreement without Operator's prior written consent in each instance. In the event of an assignment to an Affiliate, the originally-named Owner (i.e. CHF-RIVERSIDE I, L.L.C., an Alabama limited liability company) shall remain primarily obligated for the performance of all of its obligations hereunder.

Operator Transfer. With the exception of an assignment to an Affiliate, Operator shall not transfer, assign, sublet or hypothecate its interest in this Dining Facility Agreement or all or any portion of the Premises without the prior written consent of Owner in each instance. Any assignment must also comply with the Provision Relating to Management, Assignment and Subletting. In the event of an assignment to an Affiliate, the originally-named Operator (i.e. The Regents of the University of California) shall remain primarily obligated for the performance of all of its obligations hereunder. Nothing in this Dining Facility Agreement shall limit the Operator's right to sub-contract or procure all or part of the labor, equipment, supplies, materials or services associated with the operation of the Glasgow Dining Facility, or otherwise delegate performance of such operations.

Entry by Owner

Operator shall permit Owner and Owner's agents to enter the Premises only with reasonable advance notice (except in the case of Emergency), provided such entry is made in a reasonable manner and does not unreasonably interfere with the conduct of Operator's business or its use, operations or activities on the Premises. Owner agrees to employ reasonable efforts to minimize any interruption to the business operations of Operator or any occupant at the Premises. Nothing herein contained, however, shall be deemed or construed to impose upon Owner any obligation or liability whatsoever for care, supervision, repair, improvement, additions, improvement, change, or alteration to the Premises other than as herein expressly provided.

Destruction

Should the Premises be damaged or destroyed, in whole or in part, by fire, flood, earthquake, windstorm, the elements, casualty, accident, war, riot, public disorder, acts authorized or unauthorized by any Governmental Authority, or any other cause or happening, the Parties agree as follows:

Casualty Notice. Following the Casualty, Owner and Operator shall work together in good faith to agree to prepare a written notice setting forth a reasonable estimate of how long it will take (after the date of the Casualty) to completely restore the Premises including time required to obtain insurance, to prepare plans for reconstruction, to obtain building permits, to account for weather conditions, and to complete the likely contract bidding process and all other relevant factors. Owner and Operator shall complete and execute the Casualty Notice no later than thirty (30) days after the Casualty. Operator shall deliver to Owner written notice of Operator's determination of whether to proceed with the restoration of the Premises no later than sixty (60) days after the execution of the Casualty Notice is complete.

No Termination; Facility Usage Fee Payment Continues. Regardless of the extent of the Casualty and/or the period required to completely restore the Premises neither Party shall have the right to terminate this Dining Facility Agreement due to a Casualty. Additionally, Operator's obligation to pay the full amount of the Facility Usage Fee due hereunder shall not be abated for any period of time due to a Casualty, and Operator shall remain obligated to pay Facility Usage Fee as and when it becomes due during any restoration period, even if the entire Premises is destroyed or Operator is not able to use all or any portion of the Premises due to a Casualty.

Operator's Restoration. If the Operator elects to proceed with the restoration of the Premises, Owner and Operator shall prepare a work letter setting forth such terms and conditions as Owner and Operator may agree, including whether to cause construction by a design-bid/permit-build approach or a design-build approach, any fees Owner may charge in connection therewith, and the terms of any warranty of Owner's work. The Restoration Work Letter shall be executed within ninety (90) days after delivery of the Operator Casualty Notice. Operator shall be entitled to receive any and all insurance proceeds that are available with respect to the restoration of the Premises. Once the Restoration Work Letter is fully executed, then Operator shall diligently and with commercially reasonable promptness repair and restore the Premises to the condition existing prior to the Casualty, in accordance with the plans, specifications, schedule and other information submitted with the Restoration Work Letter and subject to the payment of applicable construction costs by Operator. During a restoration period, if Operator elects in writing to have Owner provide Operator with any temporary services that Operator may reasonably require to continue using, operating and occupying the Premises, Owner shall do so (subject to mutual agreement with respect to administrative and other fees Owner may charge in connection therewith) and Operator shall pay Owner for such costs and fees.

No Termination or Abatement

Operator acknowledges and agrees that Operator has no right whatsoever to terminate this Dining Facility Agreement for any reason whatsoever, and that in no event, whether based on a casualty event, condemnation, Owner

Default, or any other cause whatsoever, Operator's obligations to pay the Facility Usage Fee to the Trustee pursuant to the Facility Usage Fee Assignment Agreement to Owner pursuant to this Dining Facility Agreement shall not be abated, reduced or terminated.

Default by Operator

Default. Each of the following events shall be a "Operator Default":

Facility Usage Fee. A failure to pay Facility Usage Fee as and when due and payable and such failure shall continue for two (2) Business Days after written notice thereof from Owner; or

Other Covenants. Operator fails, in any material respect, to perform or observe any covenant or undertaking of Operator under this Dining Facility Agreement (other than failure to pay Facility Usage Fee) and such failure continues for a period in excess of twenty (20) Business Days after written notice thereof; provided if the nature of Operator's obligation is such that more than twenty (20) Business Days are required for performance, then Operator shall not be in default if Operator commences performance within such twenty (20) Business Day period and thereafter diligently prosecutes the same to completion within forty (40) Business Days following such notification; or

Voluntary Bankruptcy, Insolvency and Other Events. Operator shall (i) be dissolved, liquidated or terminated or be adjudicated as bankrupt or insolvent; (ii) make a general assignment for the benefit of its creditors; (iii) file a petition, answer, or consent seeking, or have entered against it (or fail reasonably to contest the material allegations of any petition for) an order for relief under any provision of the Bankruptcy Code (or any similar remedy under any provision of the Bankruptcy Code), or consent to the institution of any proceedings thereunder; (iv) convene a meeting of its creditors, or any class thereof, for the purpose of effecting a moratorium upon or extension or composition of its debts; (v) admit in writing that it is generally not able to pay its debts as they mature or generally not pay its debts as they mature; or (vi) apply for a consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official of all or a portion of its assets; or

Involuntary Bankruptcy, Insolvency and Other Events. The occurrence of any of the following: (i) a petition is filed or any case or proceeding as described in the immediately preceding Section is commenced against Operator or against the assets of Operator unless such petition and the case or proceeding initiated thereby is dismissed within ninety (90) days from the date of the filing; (ii) an answer is filed by Operator admitting the allegations of any such petition; or (iii) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Operator, a custodian, trustee, agent, or receiver of Operator or for all or any part of its assets or authorizing the taking possession by a custodian, trustee, agent or receiver of Operator or all or any part of its assets unless such appointment is vacated or dismissed or such possession is terminated within ninety (90) days from the date of such appointment or commencement of such possession, but not later than five (5) days before the proposed sale of any assets of Operator by Operator's custodian, trustee, agent or receiver, other than in the ordinary course of the business of Operator; or

Lien. A lien is filed against the Premises or Glasgow Dining Facility, or Owner's interest therein, by reason of any work, labor, services or materials performed or furnished, or alleged to have been performed or furnished, to Operator or anyone holding the Premises by, through or under Operator, and Operator fails to cause the same to be vacated and canceled of record, or bonded off in accordance with applicable Laws within thirty (30) days.

Owner's Sole and Exclusive Remedies.

Generally. If an Operator Default occurs and is continuing, Owner shall be entitled to exercise only those remedies expressly set forth below in this Section, Owner hereby unconditionally and irrevocably waiving any other remedies available to it under applicable Law, the Parties agreeing that the limited remedies provided in this Section are a material inducement to Operator entering into the transactions contemplated by this Dining Facility Agreement, and absent such limited remedies Operator would not have entered into this Dining Facility Agreement. In particular, but without limitation, Owner hereby unconditionally and irrevocably waives any rights it may have to terminate this Dining Facility Agreement or Operator's right to possession of the Premises due to any Operator Default.

Self Help. Owner may, but shall not be required to, elect to perform the obligation at Operator's cost, with the actual costs Owner incurs in such performance along with any reasonable legal fees incurred by Owner due to the Operator Default being payable by Operator within thirty (30) days after Operator's receipt of Owner's written demand therefor.

Damages. Owner shall be entitled to seek from Operator the amount of any damages suffered by Owner due to an Operator Default, which amount shall be payable by Operator within thirty (30) days after Operator's receipt of Owner's written demand therefor.

Interest. Any payment of Facility Usage Fee not paid by Operator on the date due shall bear interest at the Default Rate; provided (A) if the applicable default interest rate payable under the Indenture for such delinquent payment is greater than the Default Rate, then Operator shall separately be obligated to reimburse Owner for such excess interest to the extent Owner has been required to pay any such amounts to the Trustee in accordance with the Facility Usage Fee Assignment Agreement or any other agreement approved by Operator and entered into in connection with the Bonds.

Default by Owner

Default. Each of the following events shall be a "Owner Default":

Payment Obligations. A failure to pay any amounts as and when due and payable hereunder when such failure continues for a period in excess of ten (10) Business Days after written notice (provided, that for the first such failure in any twelve (12)-month period, a second written notice shall be given and an Owner Default shall not be deemed to have occurred unless Owner fails to cure such failure within ten (10) Business Days thereafter); or

Emergency. The failure or refusal of Owner to commence performance of any obligation it has hereunder within a reasonable period of time after written notice of the occurrence of an Emergency, to the extent (i) Owner's performance of such obligation is necessary to prevent injury or loss of life, (ii) the nature of such obligation is such that Operator cannot perform such obligation for itself as permitted under the Covenants Section below, and (iii) the nature of such obligation is such that it can be commenced promptly upon the occurrence of an Emergency; or

Covenants. Owner fails, in any material respect, to perform or observe any covenant or undertaking of Owner under this Dining Facility Agreement and such failure continues for thirty (30) Business Days after delivery of written notice thereof by Operator to Owner (unless another provision of this Dining Facility Agreement provides for a different specific cure or performance period (which specific provision shall be controlling)); provided if the nature of Owner's obligation is such that more than thirty (30) Business Days (or the above-referenced other different specific cure or performance period) are required for performance, then an Owner Default shall not have occurred so long as Owner commences performance within such thirty (30) Business Day (or other specific cure or performance) period and thereafter diligently prosecutes the same to completion within ninety (90) Business Days following such notification; or

Voluntary Bankruptcy, Insolvency and Other Events. Owner shall (i) be dissolved, liquidated or terminated or be adjudicated as bankrupt or insolvent; (ii) make a general assignment for the benefit of its creditors; (iii) file a petition, answer, or consent seeking, or have entered against it (or fail reasonably to contest the material allegations of any petition for) an order for relief under any provision of the Bankruptcy Code (or any similar remedy under any provision of the Bankruptcy Code), or consent to the institution of any proceedings thereunder; (iv) convene a meeting of its creditors, or any class thereof, for the purpose of effecting a moratorium upon or extension or composition of its debts; (v) admit in writing that it is generally not able to pay its debts as they mature or generally not pay its debts as they mature; or (vi) apply for a consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official of all or a portion of its assets; or

Involuntary Bankruptcy, Insolvency and Other Events. The occurrence of any of the following: (i) a petition is filed or any case or proceeding described in the immediately preceding Section above is commenced against Owner or against the assets of Owner unless such petition and the case or proceeding initiated thereby is dismissed within ninety (90) days from the date of the filing; (ii) an answer is filed by Owner admitting the allegations of any such petition; or (iii) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Owner, a custodian, trustee, agent, or receiver of Owner or for all or any part of its assets or authorizing the taking possession by a custodian, trustee, agent or receiver of Owner or all or any part of its assets unless such appointment is vacated or dismissed or such possession is terminated within ninety (90) days from the date of such appointment or commencement of such possession, but not later than five (5) days before the proposed sale of any assets of Owner by Owner's custodian, trustee, agent or receiver, other than in the ordinary course of the business of Owner; or

Ground Lease Termination. The termination of the Ground Lease as a result of a default by Owner thereunder.

Operator's obligation to provide written notice to Owner of an Owner Default is limited to those instances where knowledge of the Owner Default is within the actual knowledge of Operator.

Remedies. In addition to any other remedies Operator may have under applicable Laws, if an Owner Default occurs, then Operator shall be entitled to exercise the remedies set forth in this Section. Operator may, but shall not be required to, perform the obligation that caused the Owner Default, and Owner shall reimburse Operator for such actual expenses as are incurred by Operator while performing such obligations, plus a one percent (1%) administrative fee, within thirty (30) days after receipt of demand therefor, along with any reasonable legal fees incurred by Operator due to the Owner Default; provided the self-help remedy set forth in this sentence with respect to any Owner Default shall cease as of the day that Operator first completes the cure of such Owner Default as a result of exercising such self-help remedy. Notwithstanding anything to the contrary contained herein, to the extent that Operator has exercised the self-help remedy set forth herein with respect to any Owner Default, such Owner Default shall be deemed cured to the extent Owner has reimbursed Operator for its expenses relating thereto.

Condemnation

Taking. If all or a portion of the Premises shall be acquired or condemned by eminent domain or sold in lieu thereof (regardless of whether such taking is permanent or temporary in nature), the Parties agree as follows:

Taking Notice. Following the Taking, Owner and Operator shall work together in good faith to agree to prepare a written notice setting forth a reasonable estimate of how long it will take (after the date of the Taking) to restore the remaining portion of the Premises to the extent necessary to render them reasonably suitable for the purposes hereunder, including time required to obtain any awards, to prepare plans for reconstruction, to obtain building permits, to account for weather conditions, and to complete the likely contract bidding process and all other relevant factors. Owner and Operator shall complete and execute the Taking Notice no later than thirty (30) days after the Taking. Operator shall deliver to Owner written notice of Operator's determination of whether to proceed with the restoration of the Premises no later than sixty (60) days after the execution of the Taking Notice is complete.

No Termination; Facility Usage Fee Payment Continues. Regardless of the extent of the Taking and/or the period required to restore the Premises, neither Party shall have the right to terminate this Dining Facility Agreement due to a Taking. Additionally, Operator's obligation to pay the full amount of Facility Usage Fee due hereunder shall not be abated for any period of time due to a Taking, and Operator shall remain obligated to pay Facility Usage Fee as and when it becomes due during any restoration period, even if the entire Premises is taken or Operator is not able to use all or any portion of the Premises due to a Taking.

Owner's Restoration. If the Operator elects to proceed with the restoration of the Premises, Owner and Operator shall execute a Restoration Work Letter within ninety (90) days after delivery of the Operator Taking Notice. Once the Restoration Work Letter is executed, Operator shall diligently and with commercially reasonable promptness repair and restore the Premises to the condition described in the Restoration Work Letter, in accordance with the plans, specifications, schedule and other information submitted therewith and subject to the payment of applicable construction costs by Operator. During a restoration period, if Operator elects in writing to have Owner provide Operator with any temporary services that Operator may reasonably require to continue using, operating and occupying the Premises, Owner shall do so (subject to mutual agreement with respect to administrative and other fees Owner may charge in connection therewith) and Operator shall pay Owner for such costs and fees.

Award. In the event of any Taking as hereinabove provided, either whole or partial, where the Operator Taking Notice is to proceed, Owner shall not be entitled to any part of the award as damages or otherwise for such condemnation and Operator is to receive the full amount of such award, subject to the provisions of the Ground Lease; provided nothing herein shall prevent Owner from making a separate claim for damages. If the Operator Taking Notice is not to proceed, Operator shall be entitled to the entire award related to such Taking, and Owner hereby assigns to Operator any and all right, title and interest Owner may have in such award and hereby agrees that it shall take such actions as may be required to effectuate such assignment. Furthermore, Operator shall be entitled to receive and retain any amounts which may be specifically awarded in such condemnation proceedings (i) because of the taking of its trade fixtures and personal property and (ii) for relocation expenses.

Waiver

The waiver by Owner or Operator of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other term, covenant or condition, nor shall either Party's waiver or consent with respect to any breach of any term, covenant or condition be deemed to constitute or imply its consent to any subsequent breach of the same or other term, covenant or condition herein contained.

No Subordination or Lien

This Dining Facility Agreement, and the rights, title and interests of Operator hereunder, shall in no event be subject or subordinated to any Lien which are or may be placed against the Owner's interest or estate in the Leased Land or Premises; *provided,* such restriction shall not apply to Liens or other claims made by Issuer.

Estoppel Certificate

Within ten (10) Business Days of written notice by one Party to the other, each will execute, acknowledge and deliver to the other a commercially reasonable form of estoppel certificate in writing declaring any modifications, defaults or advance payments and whether this Dining Facility Agreement, as may be modified, is in full force and effect. Any such certificate may be conclusively relied upon for the intended transaction for which the statement was requested.

Miscellaneous Provisions

Tax Covenants. Operator covenants that it will not use or permit any use of the Premises, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated from time to time thereunder. Operator further covenants that it will not take any action or fail to take any action, if such action or the failure to take such action would, in the opinion of nationally recognized bond counsel, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Limitation of Liability. Notwithstanding anything herein to the contrary, the liability of Owner hereunder (including its indemnity obligations) under this Dining Facility Agreement shall be limited and Operator's sole source of satisfaction of such obligations shall be limited to Owner's interest in the Premises, and Operator shall not seek to obtain payment from any person or entity comprising Owner, or from any assets of Owner other than those described herein (which shall include, but shall not be limited to, the indemnity rights under, and proceeds of, any insurance policies required herein), notwithstanding the survival of any obligation of Owner beyond the term hereof. No recourse under or upon any obligation, covenant or agreement contained in this Dining Facility Agreement or for any claim based thereon, or under any judgment obtained against Owner, or by the enforcement of any assessment or penalty or otherwise or by any legal or equitable proceeding by virtue of any constitution, rule of law or equity, statute or otherwise or under any other circumstances, under or independent hereof, shall be had against any incorporator, shareholder, member, or any partner or member of such member, the shareholders of such member, or the trustees, officers, directors, employees or agents of Owner, past present or future, either directly or through Owner or any successor entity, or otherwise, for any sum that may be due and unpaid by Owner under this Dining Facility Agreement. "Owner's interest in the Premises", for purposes of this Section, shall include, but shall not be limited to, Owner's interest in (i) fees and payments generated by the Premises, (ii) insurance proceeds, (iii) proceeds from condemnation or eminent domain proceedings, and (iv) proceeds from the sale of any interest of Owner in the Premises. The provisions of this Section shall survive the expiration or earlier termination of this Agreement

Ground Lease and Bond Documents. This Dining Facility Agreement is subject to all of the applicable terms, covenants and conditions of the Ground Lease and the Bond Documents. Notwithstanding anything to the contrary contained herein, Operator shall not: (i) take any action inconsistent with the terms of the Ground Lease or the Bond Documents, (ii) do or permit to be done anything prohibited to Owner as the lessee under the Ground Lease or the Bond Documents, or which would constitute, with or without the giving of notice or the passage of time or both, an "Event of Default" under the Ground Lease or the Bond Documents; or (iii) take any action or do or permit anything that would result in any additional cost or other liability to Owner under the Ground Lease or the Bond Documents, provided, however, that none of the foregoing restrictions shall prevent, impede or otherwise prohibit either Party from exercising its rights or remedies under the Ground Lease and the Bond Documents. In the event of the termination of the Ground Lease for any reason, then this Lease shall terminate coincidentally therewith without any further liability between the Parties.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

___________, 2018

California Municipal Finance Authority
Carlsbad, California

California Municipal Finance Authority
Student Housing Revenue Bonds
(CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project)
Series 2018

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Municipal Finance Authority (the "Issuer") in connection with the issuance by the Issuer of $145,850,000 aggregate principal amount of California Municipal Finance Authority Student Housing Revenue Bonds (CHF–Riverside I, L.L.C – UCR Dundee-Glasgow Student Housing Project) Series 2018 (the "Bonds"). The Bonds are issued pursuant to an Indenture (the "Indenture"), dated as of December 1, 2018, between the Issuer and Wilmington Trust, National Association, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to CHF–Riverside I, L.L.C. (the "Borrower"), a limited liability company whose sole member is the Collegiate Housing Foundation, an Alabama nonprofit corporation, pursuant to a Loan Agreement (the "Loan Agreement"), dated as of December 1, 2018, between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Financing Trust Agreement, the Tax Certificate dated the date hereof, among the Issuer, The Regents, the Borrower and Collegiate Housing Foundation, opinions of counsel to the Issuer, The Regents, the Trustee and the Borrower, certificates of the Issuer, the Trustee, The Regents, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Hand Arendall Harrison Sale LLC, counsel to the Borrower, regarding, among other matters, the current qualification of Collegiate Housing Foundation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the facilities financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of Collegiate Housing Foundation within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications and limitations. Failure of Collegiate Housing Foundation to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of Collegiate Housing Foundation within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Financing Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement, the Financing Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.

4. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX F

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

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APPENDIX F-1

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE BORROWER

This CONTINUING DISCLOSURE AGREEMENT (the "Continuing Disclosure Agreement") is entered into on December 14, 2018, by and between CHF–Riverside I, L.L.C. (the "Borrower") and Wilmington Trust, National Association (the "Dissemination Agent").

RECITALS:

1. This Continuing Disclosure Agreement is executed and delivered in connection with the issuance by the California Municipal Finance Authority (the "Authority") of $145,850,000 of its Student Housing Revenue Bonds (CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project) Series 2018 (the "Series 2018 Bonds"), pursuant to an Indenture, dated as of December 1, 2018 (the "Indenture"), between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). The proceeds of the Series 2018 Bonds are being loaned by the Authority to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the Authority and the Borrower.

2. The Borrower and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Owners and Beneficial Owners of the Series 2018 Bonds and in order to, among other things, assist the Underwriters (as defined below) in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"). The Borrower acknowledges that the Underwriters have deemed the Borrower and The Regents of the University of California to be the only "obligated persons" under the Rule with respect to the Series 2018 Bonds with responsibility for continuing disclosure, and the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement and is not deemed to have any liability to any person, including any Beneficial Owner of the Series 2018 Bonds, with respect to the Rule (as defined below).

In consideration of the mutual covenants and agreements herein, the Borrower and the Dissemination Agent covenant and agree for the benefit of the Owners and Beneficial Owners of the Series 2018 Bonds as follows:

SECTION 1. Definitions. Capitalized terms, unless otherwise defined herein, shall have the meanings set forth in the Indenture.

"Annual Report" shall mean any annual report provided by the Borrower pursuant to, and as described and defined in Section 3(c) of this Continuing Disclosure Agreement.

"BAM" shall mean Build America Mutual Assurance Company.

"Beneficial Owner" shall mean any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018 Bonds (including persons holding Series 2018 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018 Bonds for federal income tax purposes.

"Business Day" shall mean a day which is not a Saturday, a Sunday or a legal holiday on which banking institutions in the State of California are closed.

"Disclosure Representative" shall mean the president of the Borrower's sole member, Collegiate Housing Foundation, or his or her designee, or such other officer or employee as the Borrower shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Wilmington Trust, National Association, or any successor Dissemination Agent designated in writing by the Borrower.

"Financial Statements" shall have the meaning set forth in Section 3(c)(ii) hereof.

"Fiscal Year" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official Fiscal Year period of the Borrower and certified to the Dissemination Agent in writing by an authorized representative of the Borrower.

"Monthly Report" shall mean the monthly report described and defined in Section 3(a) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 1.5B(b)(1) of the 1934 Act, as amended.

"Notice Event" shall mean any of the events listed in Section 4(a) and (b) of this Continuing Disclosure Agreement.

"Official Statement" shall mean the Official Statement relating to the Series 2018 Bonds dated December 6, 2018.

"Owner" or "Bond Owner," whenever used herein with respect to a Bond, shall mean the Person in whose name the ownership of such Bond is registered on the bond register maintained pursuant to the Indenture.

"Periodic Report" shall mean any periodic report provided by the Borrower pursuant to, and as described and defined in, Section 3(b) hereof.

"Person" shall mean an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Repository" shall mean the MSRB or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

"Trustee" shall mean Wilmington Trust, National Association, or any successor trustee under the Indenture.

"Underwriters" shall mean Jefferies LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Raymond James & Associates, Inc., Loop Capital Markets LLC, Samuel A. Ramirez & Co., Inc. and Siebert Cisneros Shank & Co., L.L.C.

SECTION 2. Purpose of the Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Borrower for the benefit of the Owners and the Beneficial Owners, and in order to assist the Underwriters in complying with the Rule.

SECTION 3. Provision of Periodic and Annual Financial and Operating Information. The Borrower shall, or shall cause the Dissemination Agent to, provide to the Repository and BAM each of the following:

(a) During the construction of the Series 2018 Project, within 30 days of the end of each calendar month, the monthly construction progress reports for the Series 2018 Project received by the Borrower from the Developer (each, a "Monthly Report").

(b) Not later than thirty (30) days following the beginning of each academic Fall Quarter, Winter Quarter and Spring Quarter, commencing with the Fall Quarter immediately following the Series 2018

Completion Date, the housing occupancy report(s) for the Project for such academic quarter received by the Borrower from the Manager (each, a "Periodic Report").

(c) Not later than one hundred twenty (120) days following the end of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2021, an annual report (each, an "Annual Report") that is consistent with the requirements of this Section 3 and contains or includes by reference the following:

(i) The following information with respect to the Project (other than the Series 2018 Dining Project) for the Academic Year (consisting of Fall Quarter, Winter Quarter and Spring Quarter) completed during such Fiscal Year; provided the Borrower shall not be required to provide information for any portion of the Project under construction prior to its respective completion date:

THE PROJECT

Completed Facility	No. of Beds	Housing Occupancy	Cost/Month (Range Given Unit Type)	Students Housed

(ii) The audited general purpose financial statements of the Borrower prepared in accordance with generally accepted accounting principles for the Fiscal Year ended (the "Financial Statements"); provided, however, that in the event that such Financial Statements are not available by the time the Annual Report is required to be filed pursuant to this Section 3(c), unaudited financial statements or updated projected operating results covering the previous Fiscal Year, in a format that complies with current generally accepted accounting principles, may be substituted therefor; provided, further, that audited Financial Statements shall be filed in the same manner as the Annual Report as soon as such Financial Statements become available.

(d) Each Annual Report, Periodic Report or Monthly Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in subsection (i) below; provided that the audited Financial Statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report as set forth in subsection (c) above. Copies of each Annual Report, Periodic Report or Monthly Report shall be furnished to the Authority at the same time the information and data are furnished to the Repository. If the Fiscal Year of the Borrower changes from that in effect as of the date hereof, it shall give notice of such change in the same manner as for a Notice Event under Section 4(f) hereof. If any party other than the Dissemination Agent provides an Annual Report, Periodic Report or Monthly Report to the Repository, it shall notify the Dissemination Agent that it has done so.

(e) Not later than five (5) Business Days prior to the date specified in subsection (a) for providing the Monthly Report to the Repository and BAM, the Borrower shall (i) provide such Monthly Report to the Dissemination Agent, if any, with written instructions to file such Monthly Report as specified in this Section 3, or (ii) provide written notice to the Dissemination Agent that the Borrower has provided such Monthly Report to the Repository, BAM and the Authority. Not later than fifteen (15) Business Days prior to each date specified in subsection (b) or (c) above for providing an Annual Report or Periodic Report, as applicable, to the Repository and BAM, the Borrower shall (i) provide such Annual Report or Periodic Report to the Dissemination Agent, if any, with written instructions to file such Annual Report or Periodic Report as specified in this Section 3, or (ii) provide written notice to the Dissemination Agent that the Borrower has provided such Annual Report or Periodic Report to the Repository, BAM and the Authority.

(f) If by any date specified in subsection (e) above, the Dissemination Agent has not received the applicable Annual Report, Periodic Report or Monthly Report or such written notice, the Dissemination Agent shall contact the Borrower to determine if the Borrower is in compliance with this Section 3.

(g) If the Dissemination Agent is unable to verify that an Annual Report, Periodic Report or Monthly Report has been provided to the Repository by the date required for such report in subsection (a), (b) or (c) above, as the case may be, the Dissemination Agent shall send a notice, in electronic format unless otherwise designated by the SEC and the Repository, in substantially the form attached as Exhibit A, with a copy to BAM and the Authority.

(h) The Dissemination Agent shall:

(i) determine, prior to each date for providing an Annual Report, Periodic Report or Monthly Report, the name and address of the Repository, if any;

(ii) file a report with the Borrower, BAM, the Authority and (if the Dissemination Agent is not the Trustee) the Trustee, certifying that such Annual Report, Periodic Report or Monthly Report has been provided pursuant to this Continuing Disclosure Agreement and stating the date it was provided to the Repository, and

(iii) use its best effort to file each Periodic Report, each Monthly Report and each Annual Report electronically to the Repository.

(i) The financial information and operating data required to be provided by this Section 3 may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereof (including official statements of debt issues with respect to which the Borrower is an "obligated person" (as defined by the Rule), that theretofore has been filed with the Repository or the SEC. Each such other document so included by reference shall be clearly identified.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018 Bonds, not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers, or their failure to perform;

(v) issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; and

(ix) bankruptcy, insolvency, receivership or similar event of the Borrower (such event being considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer therefor in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business thereof, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of' the assets or business thereof).

(b) Pursuant to the provisions of this Section 4, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018 Bonds, if material, not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) Unless described in Section 4(a)(v), adverse tax opinions or other notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2018 Bonds, or other events affecting the tax status of any Series 2018 Bonds;

(ii) non-payment related defaults;

(iii) modifications to rights of security holders;

(iv) bond calls;

(v) release, substitution, or sale of property securing repayment of the Series 2018 Bonds;

(vi) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets thereof, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions. other than pursuant to its terms; and

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Notice Events, contact the Disclosure Representative, inform such person of the event, and request that the Borrower promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (e) below. For purposes of this Continuing Disclosure Agreement, "actual knowledge" of the occurrence of such Notice Events shall mean actual knowledge at the corporate trust office of the Dissemination Agent by an officer of the Dissemination Agent with responsibility for matters related to the administration of the Indenture. The Dissemination Agent shall not be responsible for determining the materiality of such Notice Event in notifying a Disclosure Representative of such Notice Event.

(d) Whenever the Borrower obtains knowledge of the occurrence of a Notice Event under subsection (b) above, because of a notice from the Dissemination Agent pursuant to subsection (c) above or otherwise, the Borrower shall as soon as possible determine if the occurrence of such Notice Event would be material under applicable federal securities laws.

(e) If the Borrower has determined that knowledge of the occurrence of a Notice Event under subsection (b) above would be material under applicable federal securities laws, the Borrower shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) below.

(f) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Notice Event, the Dissemination Agent shall file a notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository, with a copy to the Borrower, BAM, the Trustee and the Authority. Notwithstanding the foregoing, notice of Notice Events described in subsections (a)(vii) and (b)(iii) of this Section 4 need not be given under this subsection (f) any earlier than the notice, if any, of the underlying event is given to the Owners of affected Bonds pursuant to the Indenture.

SECTION 5. Termination of Reporting Obligation. The Borrower's and the Dissemination Agent's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2018 Bonds. If such termination occurs prior to the final maturity of the Series 2018 Bonds, the Borrower shall give notice of such termination in the same manner as for a Notice Event under Section 4(f) hereof.

SECTION 6. Dissemination Agent. The Borrower may, from time to time, appoint or engage a successor Dissemination Agent to assist it in carrying out their obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent. Upon such discharge, however, a new Dissemination Agent must be appointed within sixty (60) days. The Dissemination Agent may resign by providing sixty (60) days written notice to the Borrower. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent shall receive reasonable compensation for its services delivered and shall be reimbursed for any reasonable out-of-pocket costs and expenses pursuant to this Continuing Disclosure Agreement. The initial Dissemination Agent shall be Wilmington Trust, National Association.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower may amend this Continuing Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Borrower that does not adversely affect its rights or increase its duties under this Continuing Disclosure Agreement), and any provision of this Continuing Disclosure Agreement may be waived, provided that any of the following conditions is satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(c), 4, or 5 herein, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2018 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; or

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2018 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Series 2018 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2018 Bonds. The Borrower also may amend or terminate this Continuing Disclosure Agreement without approval by the Owners of the Series 2018 Bonds to the extent permitted by rule, order or other official pronouncement of the SEC expressly permitting such action or approved by an opinion of nationally recognized bond counsel.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrower shall describe such amendment in the next Periodic Report or Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Notice Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Periodic Report, Monthly Report, Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to include any information in any Periodic Report, Monthly Report, Annual Report or notice of occurrence of a Notice Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Periodic Report, Monthly Report, Annual Report or notice of occurrence of a Notice Event.

SECTION 9. Default. In the event of a failure of the Borrower to comply with any provision of this Continuing Disclosure Agreement, the Dissemination Agent may (and, at the request of the Underwriters or the Owners of at least 25% of aggregate principal amount of the Series 2018 Bonds then Outstanding, shall but only to the extent indemnified to its satisfaction from any liability or expense, including fees of its attorneys), or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, the Loan Agreement or any related document, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance, and no Person shall be entitled to recover monetary damages under this Continuing Disclosure Agreement.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrower agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, or its employees and agents, harmless against any loss. expense and liabilities which he or she may incur arising out of or in the exercise or performance of his or her powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct.

SECTION 11. Notices. Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given as follows:

To the Borrower:
CHF–Riverside I, L.L.C.
P.O. Box 1385
Fairhope, Alabama 36533-1384
Fax: (251) 928-9342

To the Dissemination Agent:
Wilmington Trust, National Association
505 20th Street North, Suite 1750
Birmingham, Alabama 35203
Attention: Corporate Trust
Telephone: (205) 986-7606
Fax: (205) 327-5642

with copies to (if Dissemination Agent is no longer the Trustee):
Wilmington Trust, National Association
505 20th Street North, Suite 1750
Birmingham, Alabama 35203
Attention: Corporate Trust
Telephone: (205) 986-7606
Fax: (205) 327-5642

To BAM:
Build America Mutual Assurance Company
200 Liberty Street, 27th Floor
New York, New York 10281
Attention: Surveillance, Re: Policy No. ________
Telephone: (212) 235-2500
Fax: (212) 235-1542
Email: notices@buildamerica.com

Any Person may, by written notice to the other Persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Notices to the Trustee shall be effective on the actual receipt thereof.

SECTION 12. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, BAM, the Underwriters, the Owners and Beneficial Owners from time to time of the Series 2018 Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. THIS CONTINUING DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF CALIFORNIA DETERMINED WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, the Borrower and the Dissemination Agent each have caused this Continuing Disclosure Agreement to be executed and attested by its proper officer thereunto duly authorized, as of the day and year first above written.

CHF–RIVERSIDE I, L.L.C.

By: Collegiate Housing Foundation,
its sole member

By: ____________________________________
Name: William B. Givhan
Title: President

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Dissemination Agent

By: ____________________________________
Name:
Title:

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE PERIODIC OR ANNUAL REPORT

Name of Obligated Person:	CHF–Riverside I, L.L.C.
Name of Issuer:	California Municipal Finance Authority
Name of Bond Issue:	Student Housing Revenue Bonds (CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project) Series 2018 (the "Series 2018 Bonds")
Date of Issuance:	December 14, 2018

NOTICE IS HEREBY GIVEN that CHF–RIVERSIDE I, L.L.C. (the "Borrower") has not provided for the [Monthly][Periodic][Annual] Report with respect to the above-named Series 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated December 14, 2018, entered into by the Borrower for the benefit of the Owners of the Series 2018 Bonds. The Borrower anticipates that the [Monthly][Periodic][Annual] Report will be filed by __________.

Dated: __________

Wilmington Trust, National Association,
as Dissemination Agent

By: ______________________________
Title: ______________________________
Phone: ______________________________

cc: CHF–Riverside I, L.L.C.
Wilmington Trust, National Association
Jefferies LLC, as representative of the Underwriters

APPENDIX F-2

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE REGENTS

This CONTINUING DISCLOSURE AGREEMENT (the "Continuing Disclosure Agreement") is entered into on December 14, 2018, by and between The Regents of the University of California ("The Regents"), BLX Group LLC, as dissemination agent (the "Dissemination Agent") and Wilmington Trust, National Association (the "Trustee").

RECITALS:

1. This Continuing Disclosure Agreement is executed and delivered in connection with the issuance by the California Municipal Finance Authority (the "Authority") of $145,850,000 of its Student Housing Revenue Bonds (CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project) Series 2018 (the "Series 2018 Bonds"), pursuant to an Indenture, dated as of December 1, 2018 (the "Indenture"), between the Authority and the Trustee, as trustee. The proceeds of the Series 2018 Bonds are being loaned by the Authority to CHF–Riverside I, L.L.C. (the "Borrower") pursuant to a Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the Authority and the Borrower.

2. The Regents, the Dissemination Agent and the Trustee are entering into this Continuing Disclosure Agreement for the benefit of the Owners and Beneficial Owners of the Series 2018 Bonds and in order to, among other things, assist the Underwriters (as defined below) in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"). The Regents acknowledges that the Underwriters have deemed The Regents and the Borrower to be the only "obligated persons" under the Rule with respect to the Series 2018 Bonds with responsibility for continuing disclosure, and the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement and is not deemed to have any liability to any person, including any Beneficial Owner of the Series 2018 Bonds, with respect to the Rule (as defined below).

In consideration of the mutual covenants and agreements herein, The Regents, the Dissemination Agent and the Trustee covenant and agree for the benefit of the Owners and Beneficial Owners of the Series 2018 Bonds as follows:

SECTION 1. Definitions. Capitalized terms, unless otherwise defined herein, shall have the meanings set forth in the Indenture.

"Annual Report" shall mean any annual report provided by The Regents pursuant to, and as described and defined in Section 3(a) of this Continuing Disclosure Agreement.

"BAM" shall mean Build America Mutual Assurance Company.

"Beneficial Owner" shall mean any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018 Bonds (including persons holding Series 2018 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018 Bonds for federal income tax purposes.

"Business Day" shall mean a day which is not a Saturday, a Sunday or a legal holiday on which banking institutions in the State of California are closed.

"Dining Facility Agreement" shall have the meaning set forth in the Official Statement.

"Disclosure Representative" shall mean the Executive Vice President-Chief Financial Officer of the University of California or his designee, or such other officer or employee as The Regents shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean BLX Group LLC, or any successor Dissemination Agent designated in writing by The Regents.

"Financial Statements" shall have the meaning set forth in Section 3(a) hereof.

"Fiscal Year" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official Fiscal Year period of The Regents and certified to the Dissemination Agent in writing by an authorized representative of The Regents.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 1.5B(b)(1) of the 1934 Act, as amended.

"Official Statement" shall mean the Official Statement relating to the Series 2018 Bonds dated December 6, 2018.

"Owner" or "Bond Owner," whenever used herein with respect to a Bond, shall mean the Person in whose name the ownership of such Bond is registered on the bond register maintained pursuant to the Indenture.

"Person" shall mean an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Repository" shall mean the MSRB or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

"Trustee" shall mean Wilmington Trust, National Association, or any successor trustee under the Indenture.

"Underwriters" shall mean Jefferies LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Raymond James & Associates, Inc., Loop Capital Markets LLC, Samuel A. Ramirez & Co., Inc. and Siebert Cisneros Shank & Co., L.L.C.

SECTION 2. Purpose of the Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by The Regents for the benefit of the Owners and the Beneficial Owners, and in order to assist the Underwriters in complying with the Rule.

SECTION 3. Provision of Annual Financial and Operating Information.

(a) The Regents shall, or shall cause the Dissemination Agent to, provide to the Repository and BAM, not later than seven (7) months after the end of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2019, an annual report (each, an "Annual Report") that is consistent with the requirements of this Section 3 and contains or includes by reference the audited financial statements of The Regents prepared in accordance with generally accepted accounting principles applicable to public colleges and universities for the Fiscal Year ended (the "Financial Statements"); provided, however, that in the event that such Financial Statements are not available by the time the Annual Report is required to be filed pursuant to this Section 3(a), unaudited financial statements covering the previous Fiscal Year, in a format that complies with current generally accepted accounting principles, may be substituted therefor; provided, further, that audited Financial Statements shall be filed in the same manner as the Annual Report when such Financial Statements become available.

(b) Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in subsection (g) below; provided that the audited Financial Statements of The Regents may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report as set forth in subsection (a) above if such audited financial statements are not available by that date. Copies of each Annual Report shall be furnished to the Authority at the same time the information and data are furnished to the Repository. If the Fiscal Year of The Regents changes from that in effect as of the date hereof, it shall give notice of such change to the Borrower, the Dissemination Agent and the Trustee. If The Regents provides an Annual Report to the Repository, it shall notify the Dissemination Agent that it has done so.

(c) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) above for providing an Annual Report to the Repository and BAM, The Regents shall provide such Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent).

(d) If by any date specified in subsection (c) above, the Dissemination Agent has not received the Annual Report, the Dissemination Agent shall contact The Regents to determine if The Regents is in compliance with this Section 3.

(e) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required for such report in subsection (a) above, the Dissemination Agent shall send a notice, in electronic format unless otherwise designated by the SEC to the Repository, in substantially the form attached as Exhibit A, with a copy to BAM and the Authority.

(f) The Dissemination Agent shall:

(i) determine, prior to each date for providing an Annual Report, the name and address of the Repository, if any;

(ii) file a report with The Regents, BAM, the Authority and (if the Dissemination Agent is not the Trustee) the Trustee, certifying that such Annual Report has been provided pursuant to this Continuing Disclosure Agreement and stating the date it was provided to the Repository, and

(iii) use its best effort to file each Annual Report electronically to the Repository.

(g) The financial information and operating data required to be provided by this Section 3 may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereof (including official statements of debt issues with respect to which The Regents is an "obligated person" (as defined by the Rule), that theretofore has been filed with the Repository or the SEC. Each such other document so included by reference shall be clearly identified.

SECTION 4. Termination of Reporting Obligation. The Regents' and the Dissemination Agent's obligations under this Continuing Disclosure Agreement shall terminate upon the earlier of (i) termination of The Regents' obligation to pay Dining Facility Usage Fees or (ii) legal defeasance, prior redemption or payment in full of all of the Series 2018 Bonds.

SECTION 5. Dissemination Agent. The Regents may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by The Regents pursuant to this Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, The Regents, the Dissemination Agent and the Trustee may amend this Continuing Disclosure Agreement (and the Dissemination Agent and the Trustee each shall agree to any amendment so requested by The Regents that does not adversely affect its rights or increase its duties under this Continuing Disclosure Agreement), and any provision of this Continuing Disclosure Agreement may be waived, provided that any of the following conditions is satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a) or 4 herein, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2018 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; or

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2018 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Series 2018 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2018 Bonds. The Regents also may amend or terminate this Continuing Disclosure Agreement without approval by the Owners of the Series 2018 Bonds to the extent permitted by rule, order or other official pronouncement of the SEC expressly permitting such action or approved by an opinion of nationally recognized bond counsel.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, The Regents shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by The Regents. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given by The Regents to the Borrower, the Dissemination Agent and the Trustee, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent The Regents from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Continuing Disclosure Agreement. If The Regents chooses to include any information in any Annual Report, in addition to that which is specifically required by this Continuing Disclosure Agreement, The Regents shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report.

SECTION 8. Default. In the event of a failure of The Regents or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Trustee may (and, at the request of the Underwriters or the Owners of at least 25% of aggregate principal amount of the Series 2018 Bonds then Outstanding, shall but only to the extent indemnified to its satisfaction from any liability or expense, including fees of its attorneys), or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause The Regents or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, the Loan Agreement or any related document, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of The Regents, the Dissemination Agent or the Trustee to comply with this Continuing Disclosure Agreement shall be an action to compel performance, and no Person shall be entitled to recover monetary damages under this Continuing Disclosure Agreement.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and The Regents agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, or its employees and agents, harmless against any loss. expense and liabilities which he or she may incur arising out of or in the exercise or performance of his or her powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given as follows:

To The Regents:
The Regents of the University of California
1111 Franklin Street
Oakland, California 94607
Attention: Chief Financial Officer, University of California
Telephone: (510) 987-9029
Fax: (510) 587-6180

To the Dissemination Agent:
BLX Group LLC
777 South Figueroa Street, Suite 3200
Los Angeles, California 90071
Attention: Managing Director
Telephone: (213) 612-2209
Fax: (213) 612-2499

To the Trustee:
Wilmington Trust, National Association
505 20th Street North, Suite 1750
Birmingham, Alabama 35203
Attention: Corporate Trust
Telephone: (205) 986-7606
Fax: (205) 327-5642

To BAM:
Build America Mutual Assurance Company
200 Liberty Street, 27th Floor
New York, New York 10281
Attention: Surveillance, Re: Policy No. ________
Telephone: (212) 235-2500
Fax: (212) 235-1542
Email: notices@buildamerica.com

Any Person may, by written notice to the other Persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Notices to the Trustee shall be effective on the actual receipt thereof.

SECTION 11. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of The Regents, the Dissemination Agent, BAM, the Trustee, the Underwriters, the Owners and Beneficial Owners from time to time of the Series 2018 Bonds, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. THIS CONTINUING DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF CALIFORNIA DETERMINED WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, The Regents, the Dissemination Agent and the Trustee each have caused this Continuing Disclosure Agreement to be executed and attested by its proper officer thereunto duly authorized, as of the day and year first above written.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By: ____
Title: Executive Vice President - Chief Financial Officer, University of California

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: ____
Name:
Title:

BLX GROUP LLC, as Dissemination Agent

By: ____
Title: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person:	The Regents of the University of California
Name of Issuer:	California Municipal Finance Authority
Name of Bond Issue:	Student Housing Revenue Bonds (CHF–Riverside I, L.L.C. – UCR Dundee-Glasgow Student Housing Project) Series 2018 (the "Series 2018 Bonds")
Date of Issuance:	December 14, 2018

NOTICE IS HEREBY GIVEN that THE REGENTS OF THE UNIVERSITY OF CALIFORNIA ("The Regents") has not provided for the Annual Report with respect to the above-named Series 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated December 14, 2018, entered into by The Regents for the benefit of the Owners of the Series 2018 Bonds. The Regents anticipates that the Annual Report will be filed by __________.

Dated: __________

BLX Group LLC,
as Dissemination Agent

By: ____
Title: ______________________________________
Phone: _____________________________________

cc: The Regents of the University of California
Wilmington Trust, National Association
Jefferies LLC, as representative of the Underwriters

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. NONE OF THE ISSUER, THE REGENTS OR THE BORROWER TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

So long as Cede & Co is the registered holder of the Series 2018 Bonds, as nominee of DTC, references in the Official Statement, including the Appendices thereto, to the Owners of the Series 2018 Bonds (other than as set forth under "TAX MATTERS") shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined herein) of the Series 2018 Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2018 Bond certificate will be issued for each maturity of the Series 2018 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information contained in such websites is not incorporated by reference herein.

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

SO LONG AS CEDE & CO., AS THE NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2018 BONDS, THE ISSUER AND THE BOND TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY REGISTERED OWNER OF THE SERIES 2018 BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, AND REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2018 BONDS, RECEIPT OF NOTICES, VOTING, AND REQUESTING

OR DIRECTING THE BOND TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THE INDENTURE.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond Documents. For example, Beneficial Owners of the Series 2018 Bonds may wish to ascertain that the nominee holding the Series 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2018 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Bond Trustee on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the Issuer or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered in accordance with the provisions set forth in the Indenture.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2018 Bond certificates will be printed and delivered in accordance with the provisions set forth in the Indenture.

The information in this section concerning the DTC and the DTC's book-entry system has been obtained from sources that the Issuer and Borrower believe to be reliable, but the Issuer and Borrower take no responsibility for the accuracy thereof.

THE ISSUER, THE BORROWER AND THE BOND TRUSTEE DO NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE SERIES 2018 BONDS; (B) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (C) THE PAYMENT OF DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER WITH RESPECT TO THE PRINCIPAL OF AND INTEREST ON THE SERIES 2018 BONDS; (D) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO OWNERS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2018 BONDS; OR (F) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS OWNER.

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APPENDIX H

STUDENT HOUSING MARKET STUDY

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Student Housing Market Study

for

University of California Riverside

May 25, 2018

MGT CONSULTING GROUP

TABLE OF CONTENTS

EXECUTIVE SUMMARY

UC Riverside (UCR) retained MGT Consulting Group to provide a student housing market analysis. The primary goal of the study is to verify demand for the proposed addition of new housing named Dundee-Glasgow and planned for first-year students on the UCR campus. UCR has planned the new housing due to its changing academic profile, projected enrollment growth, and continued use of forced triples (477 in fall 2017) to accommodate first year students. The project is to be developed by American Campus Communities (ACC) and JLL is advising UCR on the project.

MGT attended a project initiation session with stakeholders, conducted an off-campus market analysis of properties in Riverside, and administered a student survey with more than 1,000 current student responses. MGT determined that there is substantial demand for the proposed housing—more than 3,000 first-year freshmen would prefer to live in the proposed housing if it were available and priced consistently with current on-campus housing for similar accommodations, as proposed. While there is substantial competition in the off-campus market, its high occupancy rates and tight market support UCR's plans to develop additional housing on campus.

* * *

In fall 2017, UCR housed almost 7,000 students on campus. Despite not requiring that freshmen live on campus, more than half of on-campus residents were first-time freshmen, and more than 70% of full-time first-time freshmen lived on campus. Most residents move off campus after freshman year.

UCR offers three types of housing: residence halls, campus apartments, and family housing. Most freshmen live in one of the residence halls and, if they choose to remain living on campus, progress to one of the campus apartments. The cost of a meal plan is included in room rates for all UCR residence hall rates and one campus apartment complex's rates; meal plans are neither included nor offered at the other campus apartments.

Due to high demand, UCR converted 477 doubles to triples in fall 2017; since 2013, UCR has needed no fewer than 239 triples to accommodate fall demand. Using the design capacity of housing for a baseline, occupancy has ranged from 108% to 117% over the past five years.

Enrollment has risen since 2013, despite a small dip in fall 2015, when freshman enrollment also declined. There has been consistent growth in the number of graduate students, however. Overall enrollment at UCR is expected to increase by 8,137 students, or 35% over the next 10 years. Demand for housing should grow commensurately.

Government data suggests Riverside's "overall rental market is balanced, with an estimated vacancy rate of 5.6%, down from 9.1% in April 2010." The apartment market is tight with an estimated 3.3%-vacancy rate as of December 2017, up from 2.5% in December 2016. Apartment rents averaged $1,300 as of December 2017, up 3% from $1,250 in December 2016.

Construction of large multi-family housing peaked in 1986 and again in 2003 and 2014. For the city of Riverside, peaks were in 1983, 2003 and the number is trending upward in 2017. The 481 units permitted in 2017 in the City of Riverside are more than the 254 permitted in 2016, but the 582 permitted elsewhere in the county in 2017 were fewer than the 713 the year before.

The City of Riverside Department of Planning would welcome additional purpose-built off-campus student housing, as "residents in nearby neighborhoods have complained about the number of student home rentals, and additional apartment units could help relieve some of this impact." The Department currently has no pending student housing projects in the university area, although several potential redevelopment sites have attracted some interest, including an 84-unit mixed use project at 1445 University Ave, a 200+-unit site at the corner of Spruce and Rustin, and another site at 950 Spruce. The city recently rezoned several properties to allow higher density multi-family use, including at the University Plaza shopping center at 741 Blaine St, the northwest and southeast corners of Iowa and University Ave, the old Kmart site at 3101 Iowa Ave, and the Town Square shopping center at Chicago Ave and University.

At least six properties in Riverside offer purpose-built student housing with individual leases and have features, amenities, and policies designed for college student renters, while most properties in the Riverside market offer conventional leases (by the unit, with all tenants having joint and several liability), some also appeal mainly to student renters. Most are to the northwest of the UCR campus.

The median occupancy rate for conventional apartments for spring 2018 was 97%, with a range between 87% and 100%. Most properties offer one- and two-bedroom units, although several offer three-bedroom units and studios. Median rents range from $1,136 for a one-bedroom apartment to $1,965 for a three-bedroom unit. Survey response data shows that about 20% of renters in conventional apartments share a bedroom with a roommate.

Median occupancy at individually leased properties was 100% for fall 2017; median monthly rents range from $376 per person for a shared bedroom in a two-bedroom unit to $1,475 for a single occupant in a one-bedroom unit. Sharing a bedroom is generally more affordable than having a private bedroom. Almost a third of survey respondents who live in one of the six identified individual lease properties share a bedroom.

For survey respondents who rent housing on their own or with roommates and have a private bedroom , the median housing cost per person for one-bedroom apartments are on the high end at $1,280 per month. Single students who live with a roommate save on rent and expenses. For married students and students with children, total median monthly cost of housing, per unit, ranges from $1,425 for a one-bedroom unit to $2,125 for a four-bedroom unit.

Over half (53%) of student renters have found rentals that include at least some utilities. Of these, nearly half include water/sewer and trash services; about one-third include gas and/or electricity. Four of the six individual-lease properties include electricity, basic cable TV, and gas in the rent, typically with a monthly cap on electricity, while five include water/sewer and Internet. Renters' average utility costs—the costs of electricity, gas, water, sewer, and trash—vary by unit type.

At the median, single survey respondents who do not share a bedroom are paying less than the conventional or individual lease median rents for all unit types. Students who are married and/or have children pay even less at the median, except in one bedrooms, which makes sense for units that are shared by two or more individuals. Rates reported by students on the survey are lower than those in the conventional market properties studied; a portion of students included in the survey likely live further away or in smaller properties with fewer units and lower pricing.

About 59% of survey respondents live off campus. Of those who live off campus, 68% rent their housing and 32% live at home, own a home, or have some other living situation, 73% of whom would consider living in campus housing.

Most renters live in Riverside ZIP Code 92507. Together, the six individual lease properties house about 21% of renter respondents. About three-quarters of apartment-renting students are dispersed around Riverside or beyond at properties that are not student-focused. While over half of renters have an apartment, more than a third rent a house. The most popular unit size is four-bedroom, followed by two-bedroom units. Almost 60% of renters live in a unit with three or more other persons. Most renters have a private bedroom, but about one in five share a bedroom with a roommate to save on rent or to live with friends. Most students drive to class, but almost a third walk or bike to campus. More than two-thirds of respondents live within 10 miles of campus; almost a third come from a distance between one and two miles.

When looking for housing for the 2017-18 academic year, affordable rent was the top decision-making factor for both on- and off-campus students. For those living off campus, having a private bedroom, location relative to campus, and adequate living space follow, while for those living on campus, location relative to campus, adequate living space, and security follow affordable rent. The main reason students want to move off campus is that campus housing is too expensive. They are also motivated by a desire for more privacy, lack of living space (on campus), a desire for more independence, and small bedrooms in campus housing.

When considering individual unit features and housing policies, high-speed wireless Internet ranked highly as being something respondents would not live in housing without. Temperature control in each unit, having utilities included in the rent, "soundproof walls," and storage space also ranked highly as having a positive influence on a student's decision to live there. When considering community amenities, the most important feature is on-site laundry facilities; other amenities that would have a positive influence on students' decision to live in campus housing include convenient parking, quiet study areas, and a convenience store in or near housing.

On-campus residents overall show a higher level of being satisfied and being very satisfied with their current housing compared to off-campus residents. Certain on-campus properties have higher satisfaction: The Plaza, Glen Mor, Aberdeen-Inverness, and Lothian have the highest satisfaction among UCR options.

The survey described the proposed Dundee-Glasgow residence hall and specifically stated that the housing options were to be designated for first-year students, testing a lofted triple, a double, and a single. The survey instructed all respondents to assume that the estimated rents will cover individual air conditioning and fully furnished units with included high-speed Internet access and a private wardrobe, twin sized bed, desk, and chair for each resident. The survey instructed on-campus respondents that the new housing would be priced consistently with current on-campus housing for similar accommodations and for off-campus respondents, who typically pay a monthly rent without an included meal plan, the rates were provided with meal plan charges not included. About 17% of respondents would not live in any of units (more off-campus than on-campus respondents). Thirty percent of respondents chose the single bedroom, 21% the double bedroom, and 10% the lofted triple as their preferred unit. Percentages of "acceptable" ratings are greater with on-campus respondents for all unit types.

Due to the designation of the proposed Dundee-Glasgow housing for first-year students, respondents were asked their likelihood of living there if their preferred housing choice had been available when they were selecting their housing when they were first-year students. The unit descriptions from which they selected their preference included pricing information, so this level of interest is associated with that pricing. About 30% of off-campus respondents and 62% of on-campus respondents definitely would have lived there and another 42% of off-campus respondents and 35% of on-campus respondents indicated they might have lived there (50/50 chance). The cost of the proposed housing was the main reason students indicated disinterest in living in the housing, followed by concern about rules and regulations in campus housing.

For off-campus first-time freshmen, demand for the proposed Dundee-Glasgow housing from those living off campus would amount to 276 beds, while demand from those freshmen living on campus in existing housing would amount to 2,762 beds. For each unit type, demand at the proposed price level greatly exceeds the number of proposed Dundee-Glasgow units.

In addition to meeting the currently unmet demand of 276 beds from current off-campus residents, Dundee-Glasgow will allow UCR to return most existing freshman housing to design capacity by ending the use of 477 forced triples in existing housing to accommodate first-time freshman residents. Projected enrollment growth would fill another 104 new beds by the time Dundee-Glasgow opens. When 28 non-freshman staff beds are added, the total unmet demand for the 820 beds in Dundee-Glasgow when it opens in fall 2020 would be 885 beds.

INTRODUCTION

Overview

UC Riverside (UCR) retained MGT Consulting Group (formerly Anderson Strickler, LLC) to provide a student housing market analysis. The primary goal of the study is to verify demand for the proposed addition of new housing named Dundee-Glasgow and planned for first-year students on the UCR campus. The project is to be developed by American Campus Communities (ACC) and JLL is advising UCR on the project.

Methodology

Project Initiation

MGT Met with members of the project stakeholder team on Tuesday, February 15th, 2018 including representatives from Housing Services, Real Estate Services & Asset Management, Institutional Research, ACC, and JLL, to review goals and objectives for the study, collect background information, and discuss survey logistics.

Off-Campus Market Analysis

MGT collected data from 25 apartment complexes on a list of properties compiled based on Internet research, visual observation, and assistance from ACC; data included unit types, size, rent, policies, amenities, and occupancy. The sample represents over 1,000 units; 22 are located within two miles of campus. The listing can be found in Attachment 1. MGT also reviewed relevant news articles, researched multifamily permit history, contacted the Riverside Department of City Planning, and interviewed property managers about trends in the rental market.

Student Survey

MGT designed a survey with input from JLL, ACC, and UCR. The purpose of the survey was to collect students' demographic information, information on students' current housing situation, and information on desired unit types at estimated rents. The Web survey was posted from April 2 to April 9, 2018. To invite students, the university sent an email message to students.

As an incentive to respond to the survey, four Amazon Gift Card prizes totaling $500 were awarded to randomly-selected survey respondents. With 1,038 valid responses from full-time students and UCR's headcount of 22,730 full-time students, the survey achieved a 4.57% response rate.[1] Survey responses were tabulated by living situation: students who live on campus and students who live off campus. Tabulations of survey responses are in Attachment 2.

Demand Analysis

MGT's demand methodology considers demand from full-time students who live off campus as well as students who live on campus. The methodology for calculating demand uses the responses to Question 33 on the student survey asking if respondents would have lived in their preferred unit if it had been available

[1] It is assumed that all students have equal access to the survey.

at the start of the year when they were first-year students at UCR. The first step in calculating demand is to determine a capture rate for each class level using the following equation:

$$\text{Capture Rate} = \frac{\text{Number of Full-time Off-Campus Respondents Definitely Interested in Housing}}{\text{Number of Full-time Respondents}}$$

The capture rate for each class level reflects the percentage of respondents of each enrollment status (i.e., freshman, sophomore) at two levels of interest (e.g., definitely interested, might be interested). A "closure" rate is necessary to reflect that not all students who express interest in housing will sign a lease. For incremental demand, a 50% closure rate for those who indicated that they "definitely would have lived" in the housing and a 25% closure rate for those who indicated that they "might have lived" in the housing (or 50% of those with 50/50 interest) was used. The full-time enrollment is multiplied by the capture rate, and then the closure rate is applied to yield the demand range.[2] This demand is explicitly based on the description of the units that included the rental rates proposed for the housing.

[2] The level of response to the survey and the size of UCR's enrollment result in a confidence interval in the results of plus or minus 2.97% at a 95% confidence level—the plus-or-minus figure seen in many survey or poll results, for example, if the confidence interval is 3.0% and 50% percent of the sample picks an answer; it is 95% certain that if the entire population had been asked the same question, between 47% (50%-3%) and 53% (50%+3%) would have picked that answer. MGT uses the midpoint of the range as an estimate of demand.

EXISTING ON-CAMPUS HOUSING

Housing Options

In fall 2017, UCR housed almost 7,000 students on campus, as Table 1 shows. UCR does not require that freshmen live on campus and only guarantees housing to newly admitted single students who meet all application deadlines. More than half of on-campus residents were first-time freshmen, and more than 70% of full-time first-time freshmen lived on campus. Most residents move off campus after freshman year.

Fall 2017 Classification	Housing Residents	Full-Time Headcount Enrollment	% On Campus
First-Time Freshmen	3,284	4,577	72%
Returning or Other Freshmen	177	864	20%
Sophomores	1,023	4,601	22%
Juniors	857	4,711	18%
Seniors	920	4,963	19%
Masters	37	764	5%
Ph.D.	156	2,030	8%
Medical e.g. MD, resident, School of Med.	5	220	2%
Total	**6,459**	**22,730**	**28%**

Table 1: Headcount of Fall 2017 UCR Housing Residents and Full-Time Enrollment

UCR offers three types of housing: residence halls, apartments, and family housing, as shown in Table 2. Most freshmen live in one of the residence halls and, if they choose to remain living on campus, progress to one of the campus apartments. Through the use of triple bedrooms, UCR expanded the capacity of the freshman residence halls by 477 beds in fall 2017 to accommodate demand.

Type	Option	Design Capacity	Fall 2017 Capacity	Eligibility	Description
Residence Halls	Aberdeen-Inverness	792	1,000	Incoming freshmen	Traditional w/ community baths
	Lothian	1,019	1,030	Incoming freshmen	Traditional w/ community baths
	Pentland Hills	1,132	1,390	Incoming freshmen	Suite-style w/ 8–12 residents/suite
UCR Campus Apartments	Bannockburn Village	393		Continuing, TR, GR	Furnished suites & unfurnished apartments
	Falkirk	536		Continuing, TR, GR	Unfurnished apartments
	Glen Mor	1,300+		Continuing, TR, GR	Fully furnished apartments
	International Village	100		Continuing, TR, GR	Fully furnished apartments
	The Plaza	183		Continuing, TR, GR	Unfurnished apartments
	Stonehaven	486		Continuing, TR, GR	Fully furnished apartments
Family Housing	Oban Family Housing	134		Students w/ families	Unfurnished apartments

Table 2: UCR Housing Options

All UCR residence hall rates include the cost of utilities and a meal plan. Campus apartments except Glen Mor—designed to bridge the gap between residence halls and independent apartment living—neither require nor offer a meal plan. All residence hall rates as well as those for Bannockburn, Glen Mor, and Oban include all utilities; the other campus apartments include a "utility allowance" cap above which residents must pay their own utility expenses in addition to rent. The residence halls, Glen Mor, International Village, Stonehaven, and Oban all include Internet, while it is available for an additional fee at the other campus apartments. UCR's published rates[3] for the 2018–19 academic year are shown in Table 3, Table 4, and Table 5.

Unit Option	Aberdeen-Inverness	Lothian	Pentland Hills
Triple	$15,768+/academic year	$15,768+/academic year	$16,668+/academic year
Double	$16,668+/academic year	$16,668+/academic year	$17,343+/academic year

Table 3: 2018–19 UCR Residence Hall Rates, per Person

	Bannockburn Village	Falkirk	Glen Mor	International Village	The Plaza	Stonehaven
Bannockburn Suite Furnished	Sgl: $710/mo					
Scots Suite Furnished	Sgl: $640/mo					
Loft Suite Furnished	Sgl: $680/mo					
4-Bedroom/2-Bathroom			Sgl: $1,260–$1,761/mo			
3-Bedroom/3-Bathroom				Sgl: $1,258/mo Dbl: $629/mo		
2-Bedroom/1-Bath	Sgl: $710/mo Dbl: $355/mo		Sgl: $1,260–$1,761/mo			
2-Bedroom/1¼-Bath		Sgl: $830/mo Dbl: $415/mo			Sgl: $770/mo Dbl: $385/mo	
2-Bedroom Deluxe/1-Bath	Sgl: $740/mo Dbl: $370/mo					
2-Bedroom/2-Bath		Sgl: $870/mo Dbl: $435/mo		Sgl: $1,258/mo Dbl: $629/mo	Sgl: $850/mo Dbl: $425/mo	Sgl: $1,278/mo Dbl: $639/mo
2-Bedroom Deluxe/2-Bath		Sgl: $900/mo Dbl: $450/mo				
Studio (GR Only)	Sgl: $900/mo	Sgl$1,035/mo				
1-Bedroom/1-Bath	Sgl: $1,090/mo Dbl: $545/mo	Sgl: $1,240/mo Dbl: $620/mo			Sgl: $1,180/mo Dbl: $590/mo	Sgl: $1,278/mo Dbl: $639/mo
Loft Apartment	Sgl: $1,230/mo Dbl: $615/mo					

Table 4: 2018–19 UCR Campus Apartment Rates, per Person

	Oban Family Housing
One-Bedroom	$935/month
Two-Bedroom	$960/month

Table 5: 2018–19 UCR Family Housing Rates, per Unit

[3] Rates are accompanied by a disclaimer that rates "may vary."

Occupancy and Enrollment

As Figure 1 shows, since 2013, UCR has needed no fewer than 239 additional beds created by tripling double bedrooms in order to meet the needs of students. Using the design capacity of housing for a baseline, occupancy has ranged from 108% to 117% over the past five years.

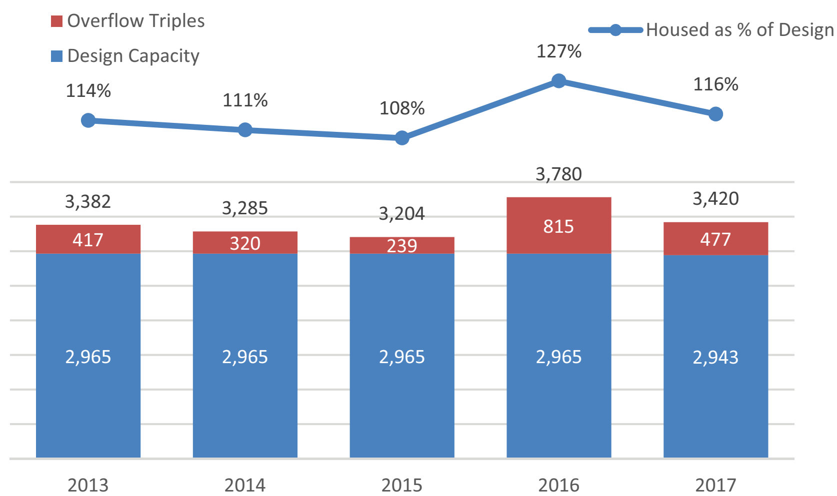


Figure 1: Occupancy and Overflow, 2013–17

As Figure 2 shows, enrollment has risen since 2013, despite a small dip in fall 2015, when freshman enrollment also declined. There has been consistent growth in the number of graduate students, however.

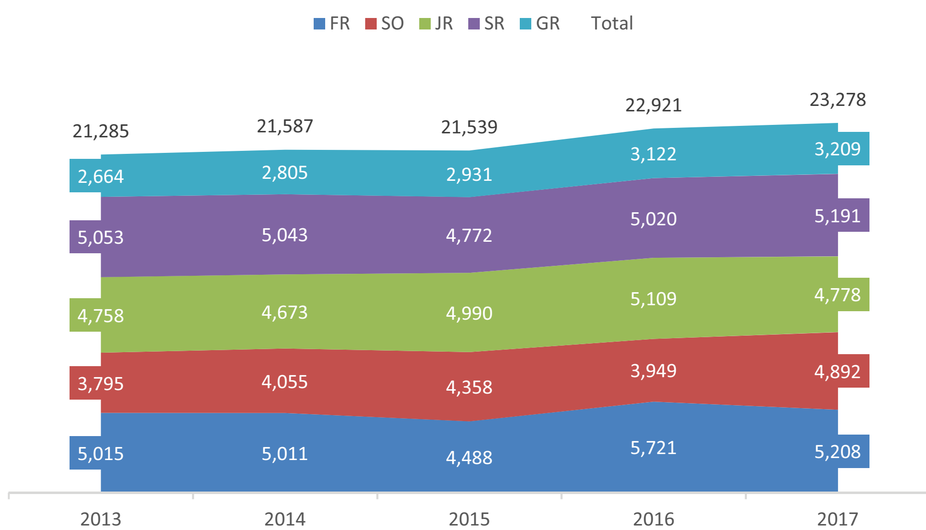


Figure 2: UCR Enrollment, 2013–17, Fall Census

Enrollment Projections

Overall enrollment at UCR is expected to increase by 8,137 students, or 35% over the next 10 years, as Figure 3 shows. Demand for housing should grow commensurately.

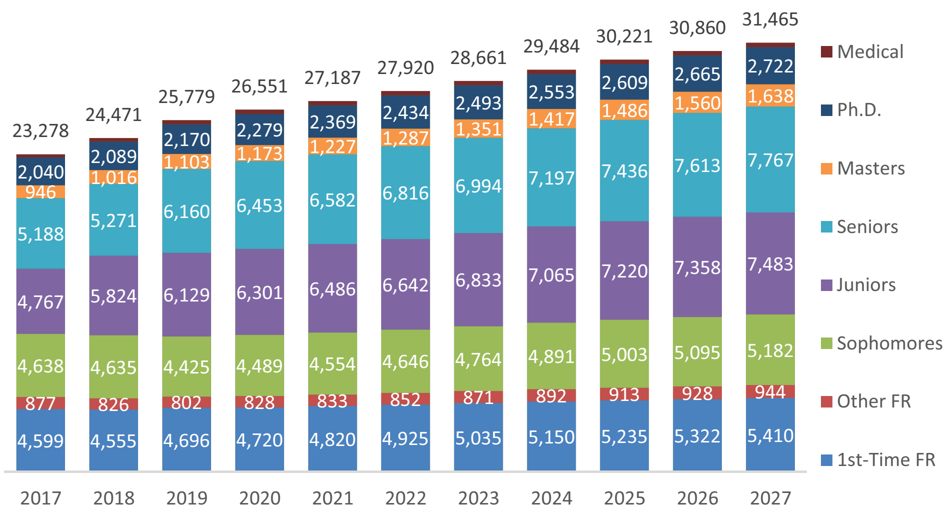


Figure 3: UCR Enrollment 2017–2027, Projections[4]

[4] Source: UCR Institutional Research, "Projections based on scenario 20180223-162811_s42_201810_201810 (most recent scenario as of 1 MAR 2018)" Overall enrollment includes full-time and part-time enrollment.

OFF-CAMPUS MARKET

Market Overview

At least six properties offer purpose-built student housing with individual leases and have features, amenities, and policies designed for college student renters. Many more properties in the Riverside market offer conventional leases (by the unit, with all tenants having joint and several liability), although they also appeal mainly to student renters. MGT collected data on the six properties with individual leases and on 19 conventional market properties.

As Figure 4 shows, most of the properties MGT studied, both individual-lease (orange) and conventional market (blue) are to the northwest of UCR. A complete map and key to property names is in Attachment 1.

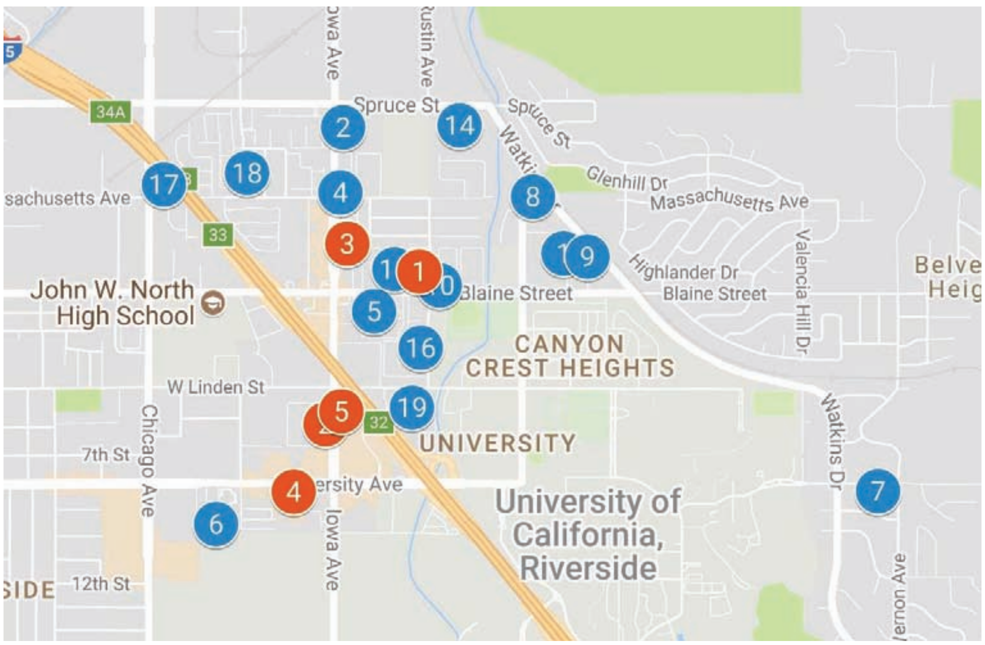
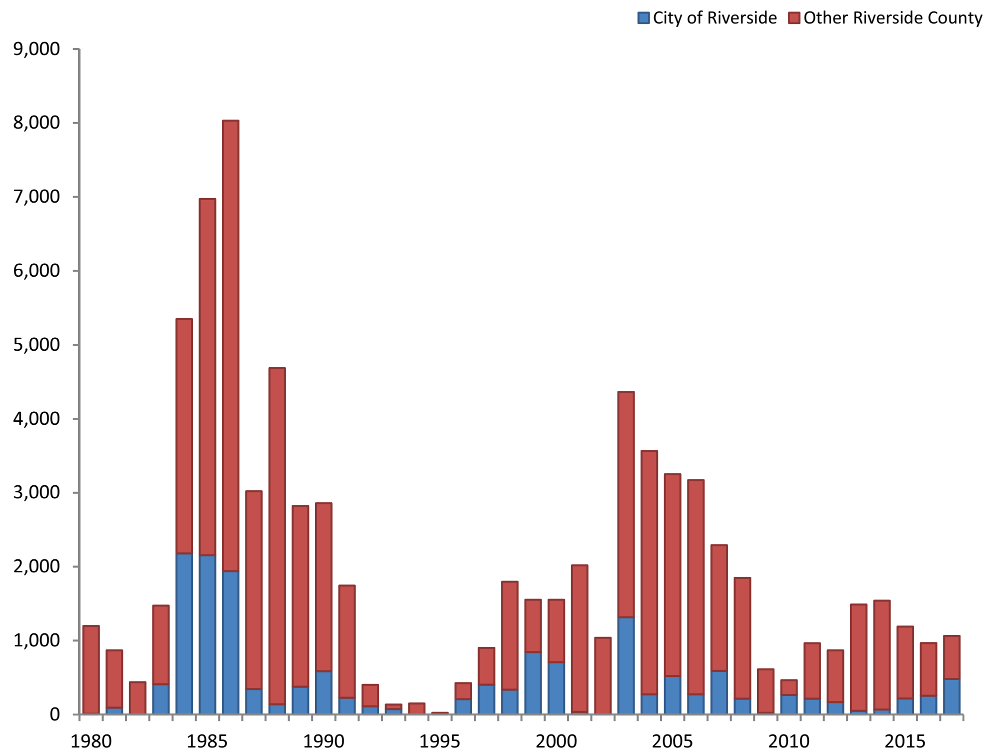


Figure 4: Map of Included Properties Nearest UCR

According to the Department of Housing and Urban Development, in the Riverside-San Bernardino-Ontario, CA MSA, the "overall rental market is balanced, with an estimated vacancy rate of 5.6%, down from 9.1% in April 2010." The apartment market is tight with an estimated 3.3%-vacancy rate as of December 2017, up from 2.5% in December 2016. Apartment rents averaged $1,300 as of December 2017, up 3% from $1,250 in December 2016.

Pipeline

Construction of larger—with five or more units—multi-family housing in Riverside County peaked in 1986 and again in 2003 and 2014. For the city of Riverside, peaks were in 1983, 2003 and the number is trending upward in 2017. Figure 5 shows the number of approved building permits since 1980 for the city and for the remainder of the county for multi-family structures of three or more units. The 481 units permitted in 2017 in the City of Riverside are more than the 254 permitted in 2016, but the 582 permitted elsewhere in the county in 2017 were fewer than the 713 the year before.



Multi-Family Building Permits (5+ Units) for Riverside County, City of Riverside
Source: SOCDS Building Permit Database US Department of Housing and Urban Development

Figure 5: Multi-Family Building Permit Approval History

According to preliminary data, 3,900 multifamily units were permitted during the 12 [months ending] December 2017, up from 2,100 units permitted during the previous year. There was an average of 2,650 multifamily units permitted annually from 2012 through 2015, up from an average of 1,750 multifamily units permitted a year from 2009 through 2011."[5]

The City of Riverside Department of Planning would welcome additional purpose-built off-campus student housing, as "residents in nearby neighborhoods have complained about the number of student home rentals, and additional apartment units could help relieve some of this impact." The Department currently

[5] US Department of Housing and Urban Development, PD&R/Economic & Market Analysis Division (EMAD), 4/20/2018, <https://www.huduser.gov/portal/MCCharts/MsasCharts.html?msaID=064014,40140&msaName=Riverside-San%20Bernardino-Ontario,%20CA%20MSA&dt=April%2020,%202018>

has no pending student housing projects in the university area, although several potential redevelopment sites have attracted some interest. Their description of the relevant sites follows.[6]

> In May 2017 there was a conceptual development review for a mixed-use student apartments with 84 units and restaurant space at 1445 University Avenue, but they have not submitted as of now for full entitlements, just a preliminary review. Several corrections were needed including rezoning the site and improved drive isle circulation and meeting minimum development standards.
>
> For pre-planning projects, there has been some interest in student apartments at the northeast corner of Spruce and Rustin, due to the 7.5 acre space that could yield 200+ units and easy access to campus. The site is located within the Hunter Business Park Specific Plan, and the parcels would have to be rezoned from industrial and the specific plan amended to allow its use. The same group who has inquired about this site also has also expressed interest in the church property across the street at 950 Spruce Street, but no concepts have been submitted to Planning as of yet and nothing formalized on our end. From my understanding the church has not wanted to sell, but the parties involved have not ruled out the possibility of this location. These sites could be more favored in the area due to the relatively low impact on the nearby single-family neighborhood across the train tracks. Again, though, there has not been formal submittals of any kind for either of these sites.
>
> Finally, in February of this year the City rezoned several properties around the city, including around UCR, for higher density multi-family and mixed-use as an update to the city's General Plan. The existing uses are still allowed, however they give the ability for future owners to propose these types of projects by right. Rezone sites into Mixed Use-Village in proximity to UCR include the University Plaza shopping center at 741 Blaine St, The northwest and southeast corners of Iowa and University Ave, the old Kmart site at 3101 Iowa Ave, and the Town Square shopping center at Chicago Ave and University. The complete list of citywide rezone sites are on our website: https://www.riversideca.gov/planning/pdf/2017/Complete-Booklet-Candidate-Rezone-Sites.pdf.

Rental Rates and Occupancy

Market Properties

The median occupancy rate for conventional apartments for spring 2018 was 97%, with a range between 87% and 100%. Most properties in the sample offer one- and two-bedroom units, although several offer three-bedroom units and studios. Figure 6 shows the ranges by unit type with the median rents ranging from $1,136 for a one-bedroom apartment to $1,965 for a three-bedroom unit; "n" is the number of properties offering each unit type.

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[6] Email to MGT dated 1 May 2018 from Jack Cartledge, Planning Technician, City of Riverside, 3900 Main Street, Riverside, CA 92522, (951) 826-5592, jcartledge@riversideca.gov

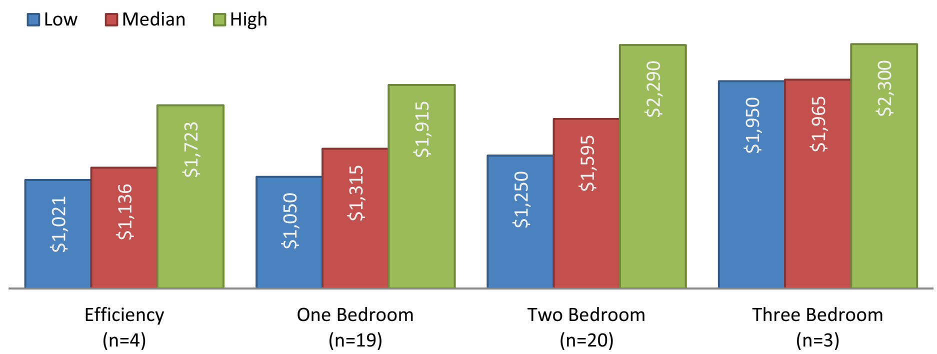

Figure 6: Market Data: Rents, Per Unit

Survey response data shows that about 48% of renters in conventional apartments have their own bedroom, 18% share with a spouse and/or children, 13% share with a partner or significant other, and 20% share with a roommate. However, 48% of respondents reported the same number of bedrooms as persons living in their unit, 49% reported more persons than bedrooms, and 3% reported more bedrooms than persons. Interestingly, for survey respondents who rent houses, 27% have the same numbers of persons and bedrooms, 45% have more persons, and 28% have more bedrooms. Taking the data from Figure 6 and dividing by the number of bedrooms in the unit, Figure 7 shows the rents per bedroom, the amounts that each renter would contribute to the total unit rent if the units were occupied with one renter per bedroom and unit rent split evenly between occupants.

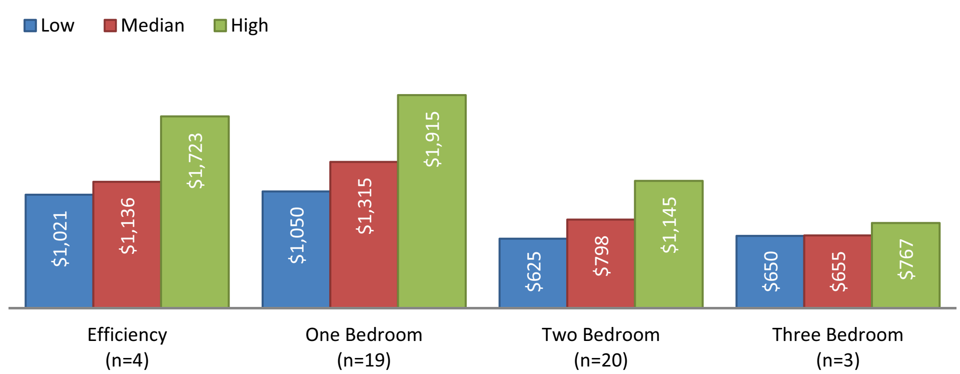

Figure 7: Market Data: Rents, per Bedroom

Individual Lease Properties

Median occupancy of 100% for fall 2017—with all properties at 97% or above—shows the popularity of these student-oriented complexes that rent by the bed and most commonly offer apartments with one to four bedrooms. Median monthly rents range from $376 per person for a shared bedroom in a two-bedroom unit to $1,475 for a single occupant in a one-bedroom unit. Sharing a bedroom is generally more affordable than having a private bedroom.

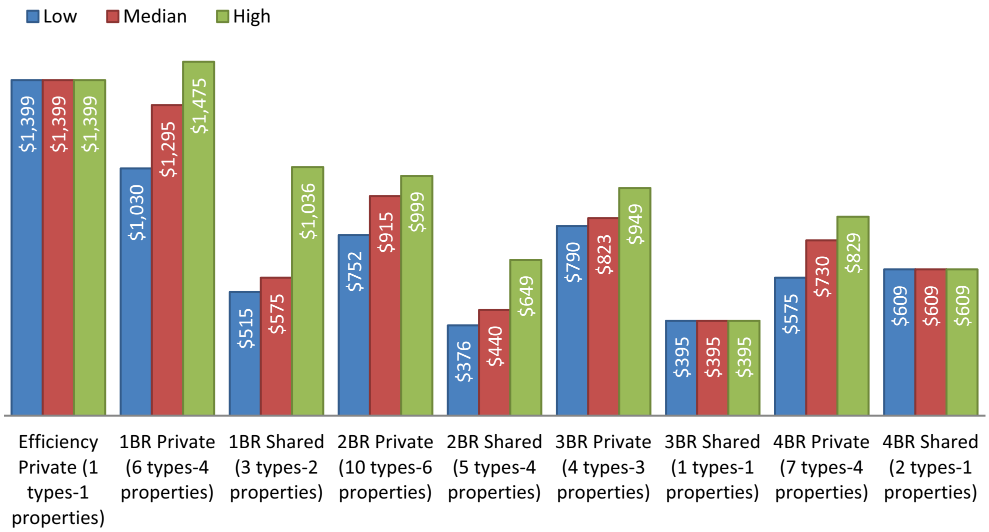

Figure 8: Market Data: Individual Lease Property Rent, Per Person

Almost a third of survey respondents who live in one of the six identified individual lease properties share a bedroom; Table 6 shows. One of those who shares a bedroom shares with a spouse and/or children, while the remainder share with a roommate; none share with a partner or significant other.

Property	Respondents	Private Bedroom (Not Shared)
GrandMarc at University Village	33	73%
University Village Towers	21	76%
Sterling Highlander	13	77%
Palms on University	10	90%
Campus Crossings	7	14%
University Crest Apts	7	29%
	91	68%

Table 6: Bedroom Sharing at Individual Lease Properties

For survey respondents who rent housing on their own or with roommates and have a private bedroom (not sharing a bedroom), the median for per-person housing costs are lower for those renting houses. One-bedroom apartments are on the high end at $1,280 per month ($1,095 rent, $185 other housing costs). Other housing costs include utilities (electricity, gas, water, sewer, trash), local telephone, Internet, and cable television. Respondents pay a premium to live in a four-bedroom apartment compared to a house, with the median level of utility costs—$0—suggesting mostly these are at individual-lease properties with the cost of utilities included in the rent. Figure 9 shows the median per-person monthly cost of housing where "n" is the number of respondents.

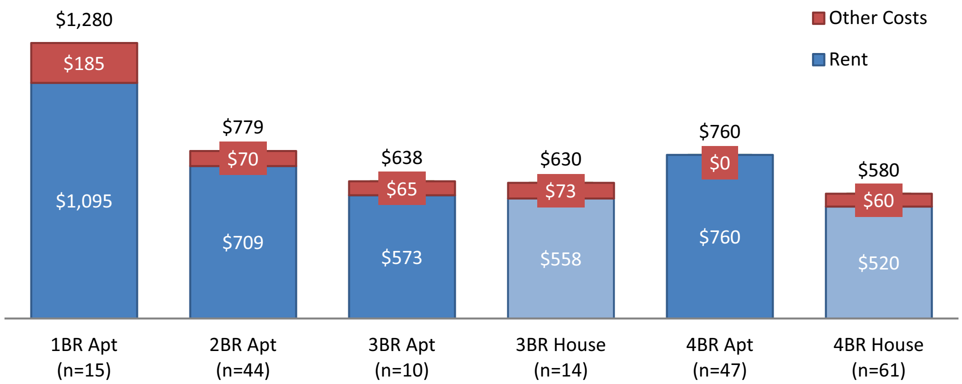

Figure 9: Single Survey Respondents with Private Bedrooms – Median Monthly Housing Cost by Unit Type, Per Person

Single students who live with a roommate save on rent and expenses, as Figure 10 shows. Four-bedroom units are higher due to the pricing for shared occupancy at the individual lease properties not reflecting the same level of savings as sharing a bedroom in the conventional market.

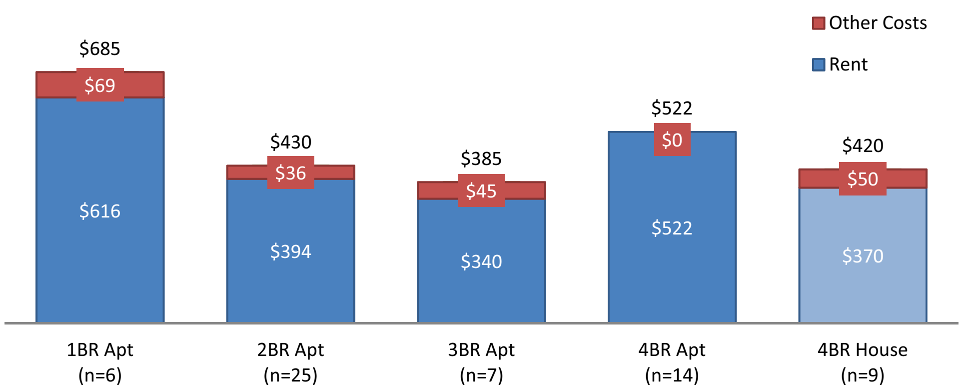

Figure 10: Single Survey Respondents with Shared Bedrooms – Median Monthly Housing Cost by Unit Type, Per Person

When married students and students with children were asked to list their housing expenses on the survey, the information was collected "per unit." For this cohort, total median monthly cost of housing ranges from $1,425 per month for a one-bedroom unit ($1,260 rent and $165 other expenses) to $2,125 per month for a four-bedroom unit ($1,925 rent and $200 other expenses). Figure 11 shows the median monthly cost of housing where "n" is the number of respondents.

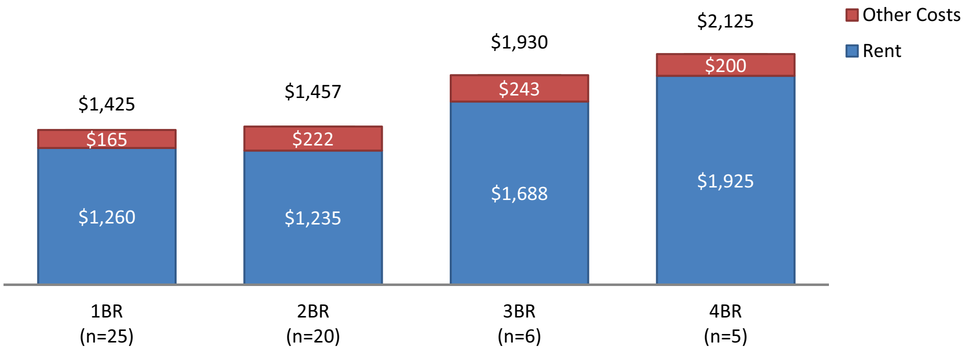

Figure 11: Families – Total Median Monthly Housing Costs by Unit

Over half (53%) of student renters have found rentals that include at least some utilities. Of these, nearly half include water/sewer and trash services; about one-third include gas and/or electricity. See Figure 12. Four of the six individual-lease properties include electricity, basic cable TV, and gas in the rent, typically with a monthly cap on electricity, while five include water/sewer and Internet.

Figure 12: Utilities Included in Rent

Renters' average utility costs—the costs of electricity, gas, water, sewer, and trash—vary by unit type, as Table 7 shows.

		Private Bedroom	Shared Bedroom with Roommate
Apartment	Studio	$80	$63
	1BR	$119	$35
	2BR	$66	$27
	3BR	$57	$40
	4BR	$47	$20
House	2BR	N/A	$10
	3BR	$75	$96
	4BR	$53	$54
	4BR+	$50	$43

Table 7: Average Monthly Utility Cost by Unit Type and Bedroom Sharing

The most common features and services included in rent are parking, air conditioning, a dishwasher, and an in-unit washer-dryer. The least common are local telephone and shuttle services, as seen in Figure 13.

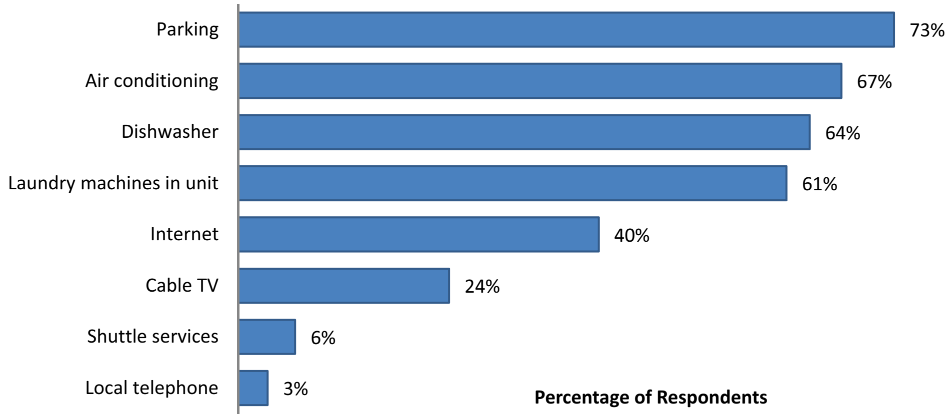

Figure 13: Features Included in Rent

At the median, single survey respondents who do not share a bedroom are paying less than the conventional or individual lease median rents for all unit types. Students who are married and/or have children pay even less at the median, except in one bedrooms, which makes sense for units that are shared by two or more individuals. Table 8 shows a per-unit rent comparison (utilities and other costs excluded) using median rents based on a 12-month lease. Rates reported by students on the survey are lower than those in the conventional market properties studied; a portion of students included in the survey likely live further away or in smaller properties with fewer units and lower pricing.

Market	1BR	2BR	3BR	4BR
MGT Research, Conventional	$1,315	$1,595	$1,965	N/A
MGT Research, Individual Lease, Shared Bedroom (fully occupied maximum)	*$575*	*$1,760 ($440 x 4)*	*$2,330 ($395 x 6)*	*$4,872 ($609 x 8)*
MGT Research, Individual Lease, Private Bedroom	$1,295	$1,830 (*$915 x 2*)	$2,469 (*$823 x 3*)	$2,920 (*$730 x 4*)
Survey - Single Students, Apts, Shared BR[7]	*$1,232*	*$1,576*	*$2,040*	*$4,176*
Survey - Single Students, Apts, Private BR	$1,095	$1,417	$1,718	$3,040
Survey - Families	$1,260	$1,235	$1,688	$1,925

Table 8: Comparison of Median Monthly Housing Costs, Per Unit

Where Students Live

There were 1,055 valid survey responses; 59% live off campus. Of those who live off campus, 68% rent their housing and 32% live at home, own a home, or have some other living situation, 73% of whom would

7 Absent complete information on the disposition of the other bedrooms in a unit, calculation of unit rent based on the amount paid by one resident sharing a bedroom in a multi-bedroom unit is not possible. Rents shown are the maximum assuming all bedrooms in the unit are shared at the same rate as the respondent provided (e.g., 8 residents in a 4BR unit each paying the median of $572 would total $4,176). In practice, it is more likely that only one or more of the bedrooms would be private. It is unlikely that three students sharing a two-bedroom apartment would allocate the rent costs 25%/25%/50%. Individual lease properties are likely to distribute rather than concentrate shared bedrooms and typically have a limit on the number of available shared bedrooms.

consider living in campus housing. The breakdown of all respondents is shown in Figure 14 with 'n' being the number of survey respondents.

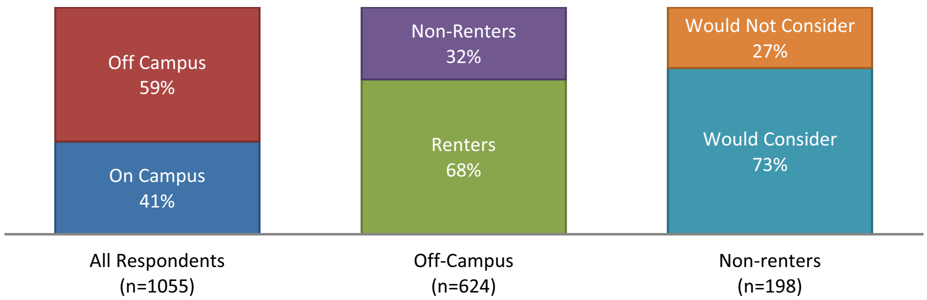

Figure 14: Current Living Situation

Most renters live in Riverside ZIP Code 92507. ZIP Codes where four or more renters live are listed in Figure 15. An additional 59 respondents lived in 53 ZIP Codes with only one or two respondents each.

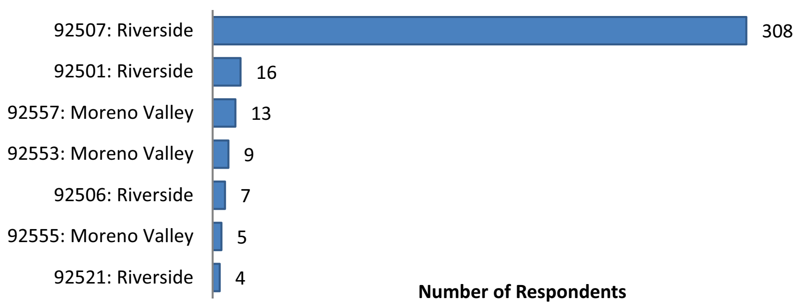

Figure 15: Renter ZIP Codes

The most renter respondents live in the GrandMarc at University Village, as Figure 16 shows, but University Village Towers, Sterling Highlander, and Palms on University also had 10 or more respondents out of the 139 shown. In addition, there were 86 respondents who named another 62 properties with three or fewer resident respondents each, suggesting that about a quarter of apartment-renting students live in the large student-focused properties and the remainder are dispersed around Riverside at properties with a minority of renters that are students. There were 91 respondents who named their apartment as being in one of the six individual lease properties—Campus Crossings, GrandMarc at University Village, Palms on University, Sterling Highlander, University Crest, and University Village Tower—representing 21% of renter respondents.

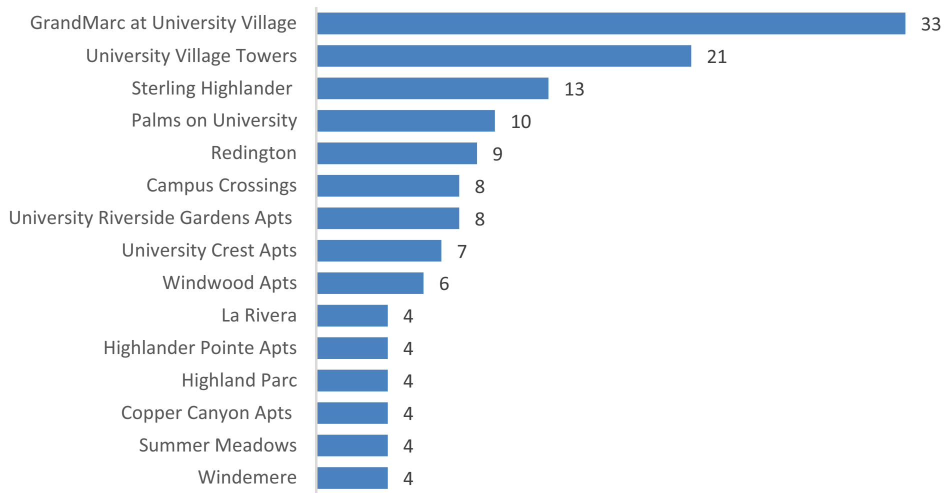

Figure 16: Most Common Survey Respondent Rental Properties

Of those who rent housing:

Type of Housing

- Over half rent an apartment (54% in an apartment complex and 1% in a "one-of-a-kind" apartment), while 37% rent a house (where the house is rented by one or more students), 7% rent a bedroom in a private home, and 1% have some other living arrangement.
- 13% live in a one-bedroom unit, 25% in a two-bedroom unit, 12% in a three-bedroom unit, 37% in a four-bedroom unit, and 12% in a unit with more than four bedrooms. Another 1% rent an efficiency or studio.

Sharing

- Just 6% live alone, while 22% live with one other, 14% live with two others, 32% live with three others, and 26% live with more than three others.
- Most renters, 62%, have a private bedroom, 19% share a bedroom with a roommate, 10% share with a spouse, and 9% with a parent or guardian. MGT's survey experience nationally has led us to use a rule of thumb of 10% median for students who share a bedroom with a roommate (but not a spouse or partner). At UCR, most do so to save on rent (91%), but 23% wanted to live with friends, and 15% could not find housing with a private bedroom.
- One-quarter of renters have a private bathroom, 68% share a bathroom with one other, and 7% share with more than one other.

Policies and Amenities

- Most renters signed a 12-month lease (66%); 16% signed a month-to-month lease (4% of these started a month-to-month agreement at the end of a 12-month lease term), 12% signed an academic-year lease (9 or 10 months), 1%% signed a six-month lease, and 5% have some other lease arrangement.
- Over half, 59%, rent an unfurnished unit, 25% rent a furnished unit, and 16% a partially-furnished unit.

Getting to Campus

As Figure 17 shows, most students drive to class. Almost a third, however, walk or bike to campus, but few use public transportation or carpool.

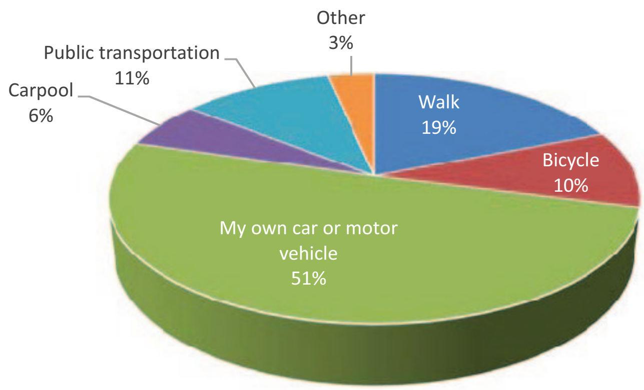

Figure 17: Primary Method of Transportation to Campus

More than two-thirds of respondents come from 10 miles or less distance to get to class, as Figure 18 shows. Almost a third come from a distance between one and two miles.

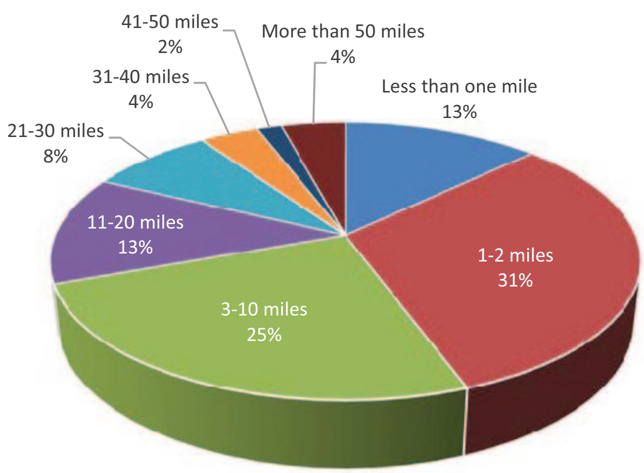

Figure 18: Distance to Classes

Decision-Making Factors

When looking for housing for the 2017-18 academic year, affordable rent is the top decision-making factor for both on- and off-campus students. For those living off campus, affordable rent is followed by having a private bedroom, location relative to campus, and adequate living space. For those living on campus, affordable rent is followed by location relative to campus, adequate living space, and security. The top 10 responses, from a list of 21, are sorted by on- and off-campus survey responses in Figure 19.[8]

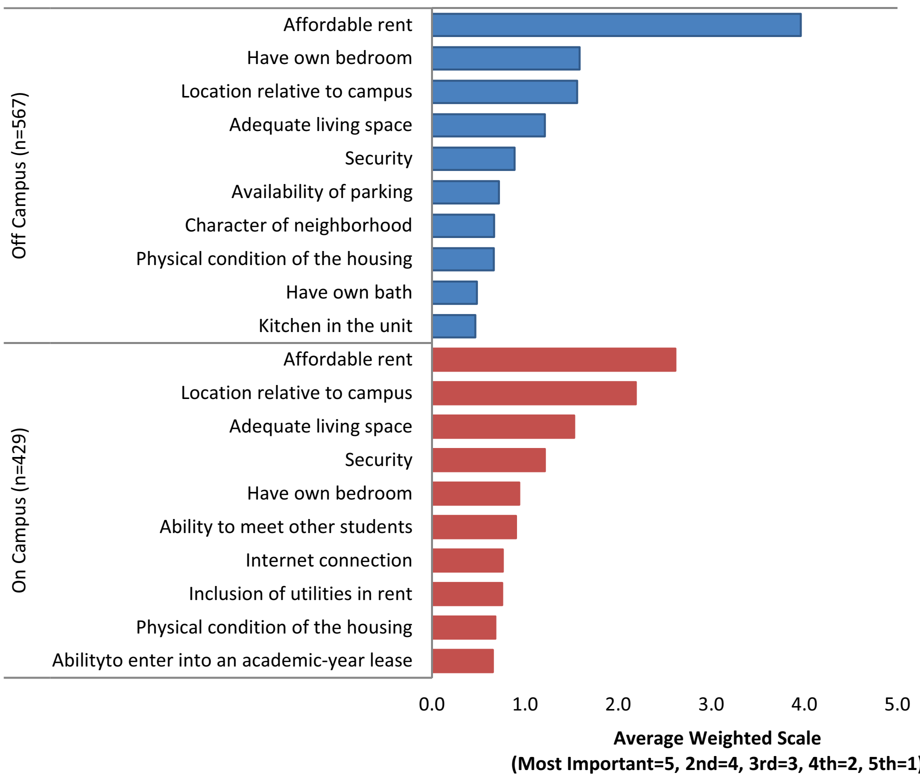

Figure 19: Factors Used in Deciding Where to Live

Of those currently living off campus, 42% had previously lived on campus. The number one reason students wanted to move is that campus housing is too expensive. This is followed by a desire for more privacy, lack of living space (on campus), a desire for more independence, and small bedrooms in campus housing. Reasons listed on the survey are ranked in Figure 20.

[8] Survey respondents were asked to select the five most important factors in deciding where to live for the 2017-18 academic year. Responses were ranked using a weighted scale.

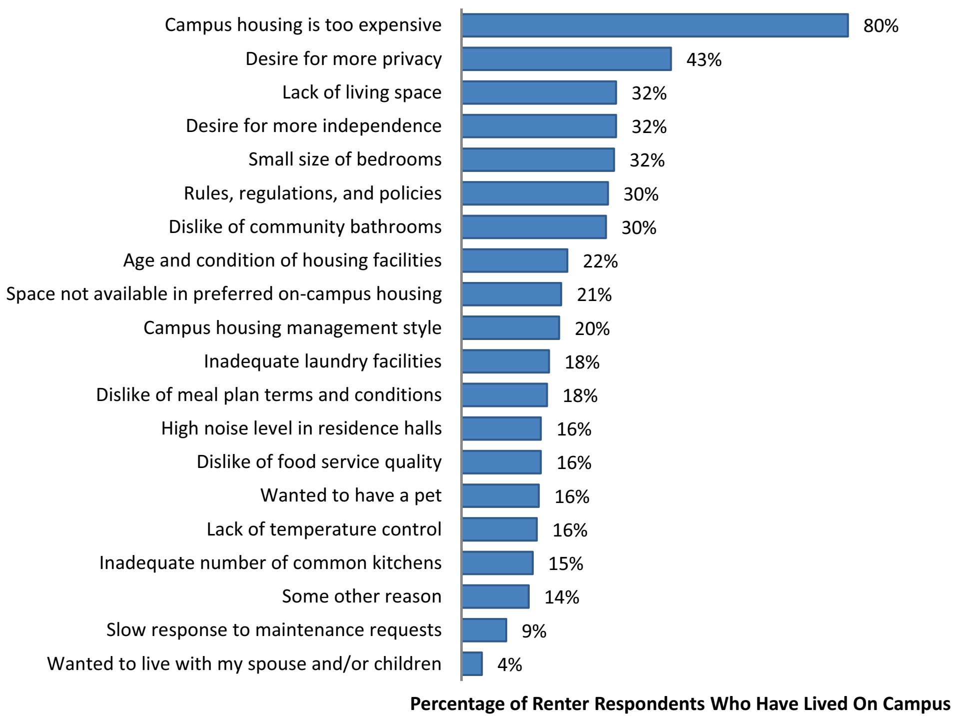

Figure 20: Reasons Students Move Off Campus

Policies and Amenities

At the properties MGT polled, security deposits range from $0 to $2,950, although most individual lease properties have security deposits between $100 and $400 and most conventional properties' deposits are between $300 and $600. All properties offer 12-month leases; nearly all conventional properties offer short-term leases. Short-term leases are generally offered at increased monthly rates. Four of the individual-lease properties offer academic year leases at higher rates, but only one offers a shorter (four-month) lease term. None of the 19 conventional properties include electricity in the rent, but two include Internet and five include basic cable TV. Figure 21 shows the percentage of properties in each category.

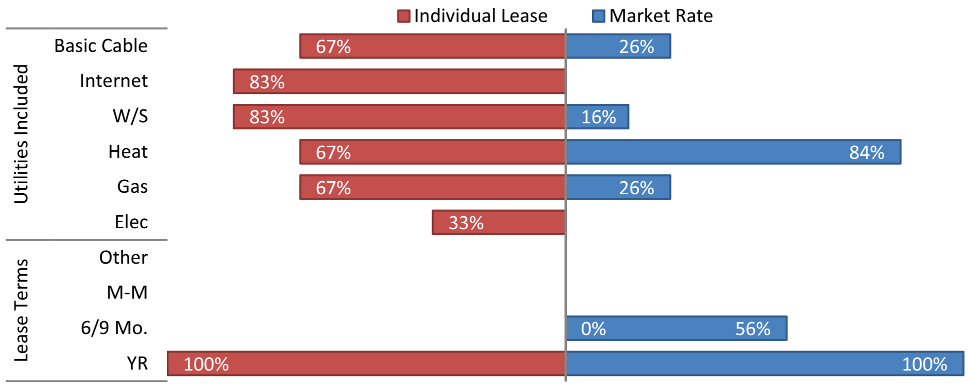

Figure 21: MGT Samples' Utilities and Lease Terms

Parking, dishwashers, air conditioning, and swimming pools are at most properties, whether conventional or individual lease, as Figure 22 shows. Half of the individual lease properties have a laundry center on site; the other half have washers and dryers in the units; two-thirds are furnished. Conventional properties are less likely to have laundry machines in the unit and more likely to have an on-site laundry, very few are furnished. Very few properties have tennis, volleyball, or playgrounds.

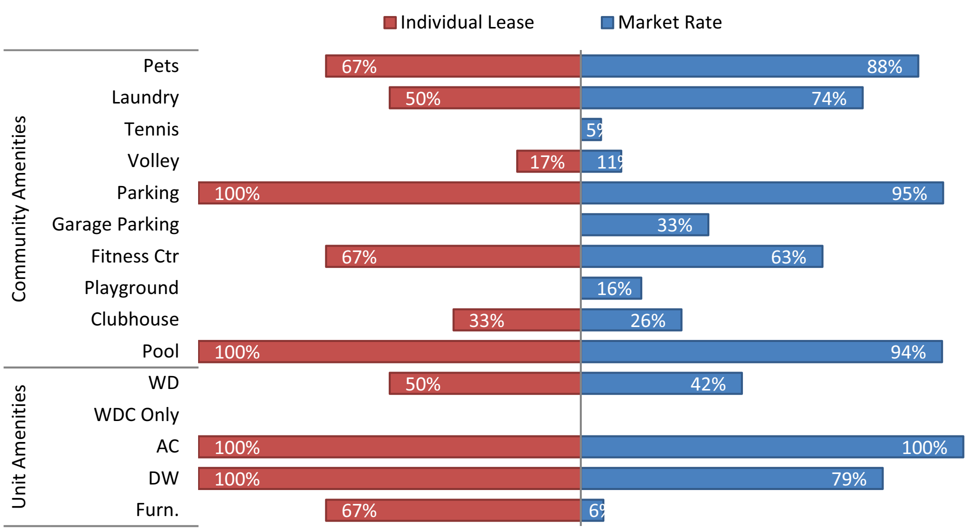

Figure 22: MGT Samples' Unit and Community Amenities

All but two of each property type permit pets with restrictions or rules regarding the number, weight, and type of pet (generally up to two pets are allowed per unit). Refundable pet deposits range from $250 to $500. Most require additional rent between $25 and $50 per month.

HOUSING PREFERENCES

Living Preferences

The survey asked respondents how itemized housing features would influence their interest in living in their preferred unit. Four possible responses were offered: (1) Would not live in new housing without it, (2) Would have a positive influence on my decision, (3) Would have no effect on my decision, and (4) Would have a negative influence on my decision.

When considering individual unit features and housing policies, high-speed wireless Internet ranked highly as being something students would not live in housing without. Temperature control in each unit, having utilities included in the rent, "soundproof walls," and storage space also ranked highly as having a positive influence on a student's decision to live there. All features are ranked in Figure 23.

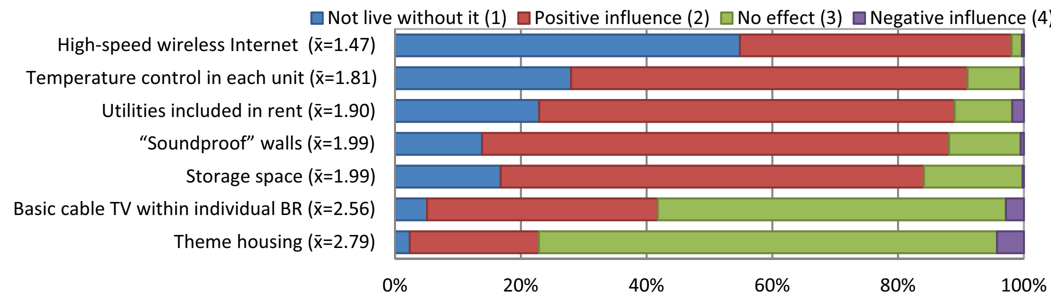

Figure 23: Importance of Unit Features and Housing Policies

When considering community amenities, the most important feature is on-site laundry facilities as shown in Figure 24. There are other amenities that would have a positive influence on students' decision to live in campus housing such as convenient parking, quiet study areas, and a convenience store in or near housing. None of the features would have a great negative impact.

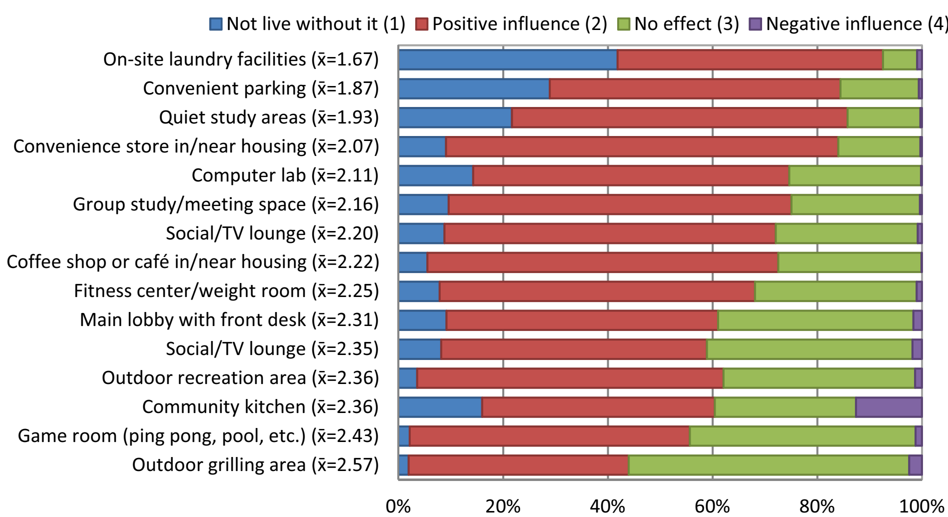

Figure 24: Importance of Community Features

Housing Satisfaction

The survey asked respondents how satisfied they were with their current housing; Figure 25 shows the results. On-campus residents overall show a higher level of being satisfied and being very satisfied compared to off-campus residents.

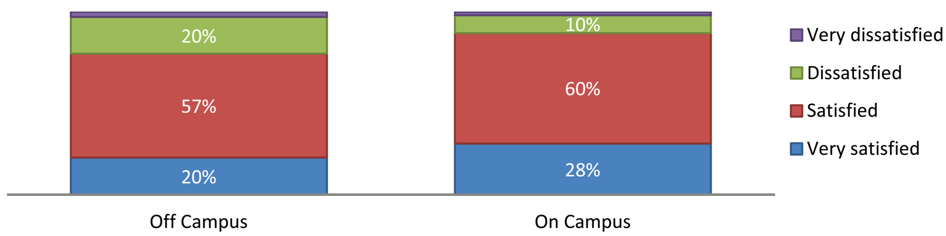

Figure 25: Overall Satisfaction with Current Residence

Plotting satisfaction level by residential situation may help explain the lower off-campus satisfaction. Certain on-campus properties have higher satisfaction: The Plaza, Glen Mor, Aberdeen-Inverness, and Lothian have the highest satisfaction among UCR residential facilities, as Figure 26 shows.

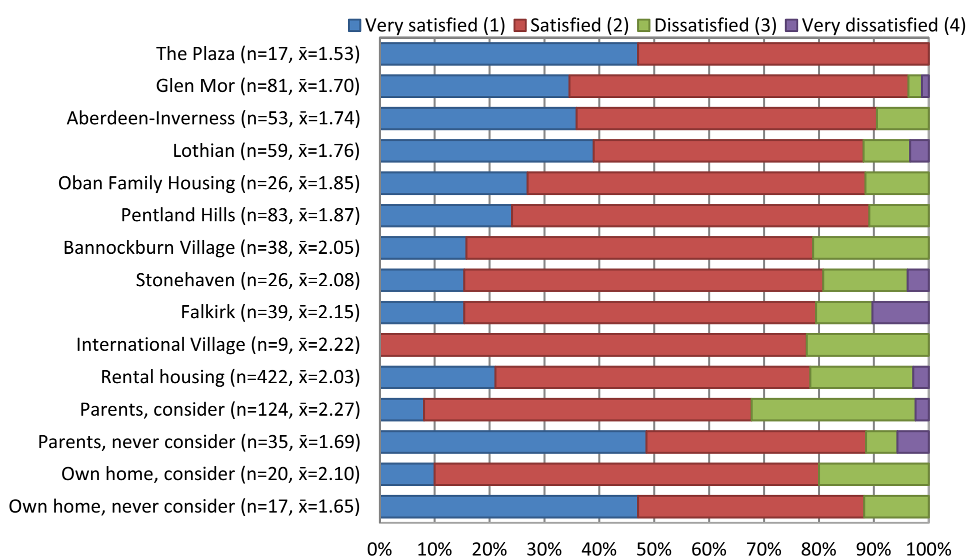

Figure 26: Satisfaction by Residence

Interest in New Residence Hall

The proposed residence hall was described to participants as a seven-story project consisting of two residential buildings adjacent to the existing Aberdeen and Inverness Residence Hall and a newly-proposed 830-seat campus dining facility. Both residential buildings, anchored by an activated ground floor with student-oriented amenities, including multiple seminar rooms, a large 75-person multi-purpose room, a fitness center, social lounges, theatre-style multifunction space, community laundry area, university residence life offices, and a mail center, will be designated freshmen housing. The housing, and the adjacent new dining commons facility are shown in the schematic design images below.

The survey specifically stated that the housing options were to be designated for first-year students. Three unit options were tested on the survey: a lofted triple, a double, and a single. The survey instructed all respondents to assume that the estimated rents will cover individual air conditioning and fully furnished units with included high-speed Internet access and a private wardrobe, twin sized bed, desk, and chair for each resident.

Depending on whether they lived on campus or off campus, respondents saw a different version of the question. The survey instructed on-campus respondents to "Please assume that the new housing would be priced consistently with current on-campus housing for similar accommodations (e.g., single, doubles, triples)." For off-campus respondents, who typically pay a monthly rent without an included meal plan, the rates were provided (with meal plan charges not included) as shown in Table 9.

Unit Option	Room Rate per person per academic year (not including mandatory meal plan)
Lofted Triple Bedroom	$9,900
Double Bedroom	$10,800
Single Bedroom	$11,700

Table 9: Room Rates for Proposed New Housing (without Meal Plan)

Results from the unit preference question are shown in Figure 27. The survey instructed respondents to select only one as "Preferred," select "Acceptable" for any units they would live in if their preferred unit were not available, and select "Would Not Live There" for units they find unacceptable. About 17% of respondents selected "Would Not Live There" for all units; they are shown by the purple WNLA (Would Not Live in Any) bars below. When looking only at the units marked preferred, 30% of respondents chose the single bedroom, 21% the double bedroom, and 10% the lofted triple. About 22% of respondents marked at least one unit as acceptable but did not mark any as preferred.

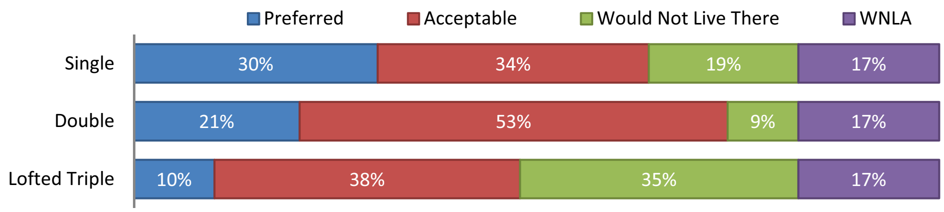

Figure 27: Unit Preference, All Respondents

Figure 28 sorts unit preference by on- and off-campus respondents. Preferences are ranked in the same order for both off- and on-campus residents, although more off-campus respondents indicated they would not live in any of the units. Percentages of "acceptable" ratings are greater with on-campus respondents for all unit types.

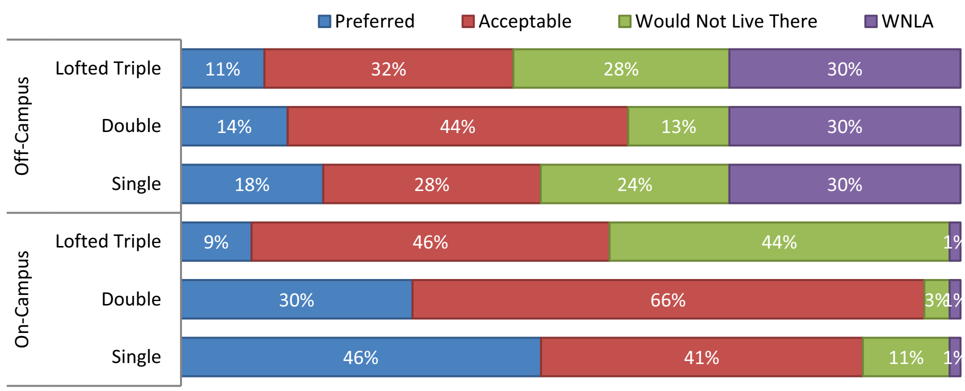

Figure 28: Unit Preference by On- and Off-Campus Respondents

Due to the designation of the proposed housing for first-year students, respondents were asked their likelihood of living there if their preferred housing choice had been available when they were selecting their housing when they were first-year students. Since the unit descriptions from which they selected their preference included pricing information, this level of interest is associated with that pricing. About 30% of off-campus respondents and 62% of on-campus respondents definitely would have lived there and another 42% of off-campus respondents and 35% of on-campus respondents indicated they might have lived there (50/50 chance). Figure 29 shows results sorted by on-campus and off-campus survey respondents.

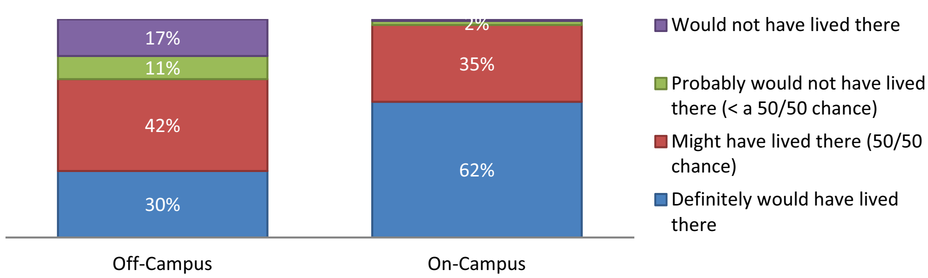

Figure 29: Interest in Proposed Student Housing, Fall 2017

We would expect that interest in first-year housing would be lower among first-year students who live off campus than among sophomores, juniors, and seniors who live off campus, since some of these upperclassmen likely lived on campus during their first-year then moved off campus; Figure 30 shows this is true. Perhaps the slight decline in interest in the proposed first-year housing among on-campus juniors and seniors suggests they would still have preferred to live in the apartment-style units they inhabit now.

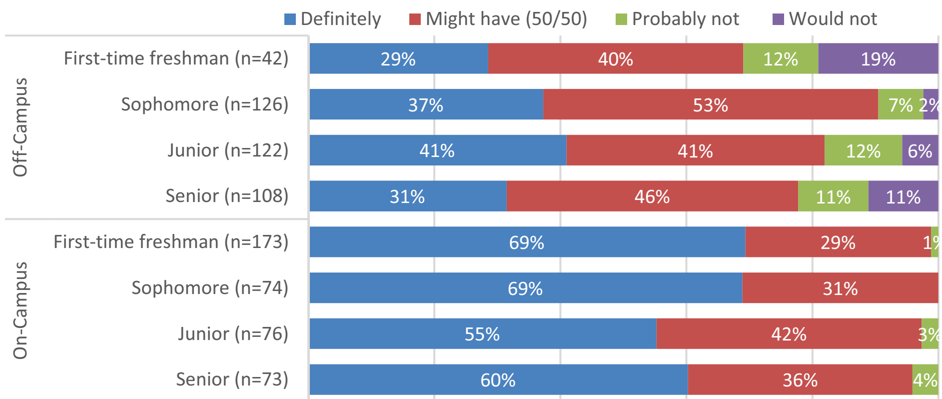

Figure 30: Interest in Proposed First-Year Housing by Class Level

The cost of the proposed housing was the main reason students indicated disinterest in living in the housing, followed by concern about the level of rules and regulations in campus housing. Figure 31 represents responses for all reasons listed in the survey. [9]

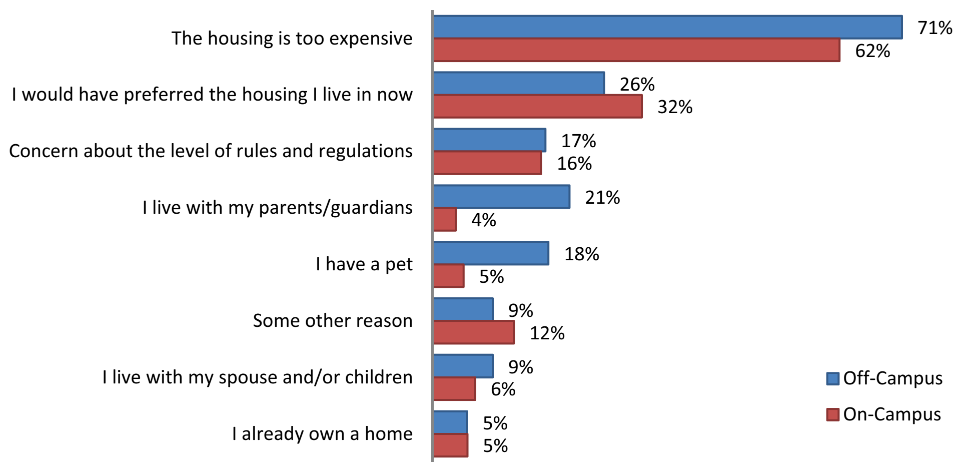

Figure 31: Reasons for Lack of Interest in Proposed Housing

[9] Survey respondents were permitted to select all reasons that applied.

DEMAND ANALYSIS

Overview

The demand analysis takes into consideration survey respondents expressing interest (see Figure 29, above) in their preferred option/cost (see Figure 27 and Figure 28 above) for the proposed housing. The first step in calculating demand is to determine a capture rate for each class level at two levels of interest: those indicating they would have "definitely" and those who indicated they "might have" lived in the proposed housing had it been available at the start of their first year at UCR, using the following equation:

$$\text{Capture Rate} = \frac{\text{Number of Full-time Respondents Definitely Interested in Housing}}{\text{Number of Full-time Respondents}}$$

A "closure" rate based on MGT empirical results is used to reflect that not all students who express interest in housing would actually sign a lease. MGT uses a slightly different approach for off- and on-campus students. For off-campus students, the demand calculation uses a 50% closure rate for those who indicated that they "definitely would have lived" in the housing and a 25% closure rate for those who indicated that they "might have lived" in the housing (or 25% of those with 50/50 interest). For on-campus students, the closure rates are less conservative, 100% and 50%. Off- and on-campus, for each class level, the full-time enrollment is multiplied by the capture rate; then the closure rate is applied to yield the projected demand. This demand is explicitly based on the description of the units that included the rental rates proposed for the housing.

Off-Campus Demand

For off-campus first-time freshmen, Table 10 shows the mid-point of demand based on their choice of unit and the pricing quoted (without meal plan). Demand from those living off campus would amount to 276 beds, the midpoint of a range of 247 to 305 based on the sample size and the total population.[10] If UCR had the proposed housing online for this academic year, about 21% of those first-time freshmen who live off campus would have preferred to live on campus in the new Dundee-Glasgow housing.

FALL 2017		Definitely Interested		Might Be Interested						
Class	Full-Time Off-Campus	*Capture Rate*	*50% Closure*	*Capture Rate*	*25% Closure*	Potential Incremental Demand	Range	**Potential Demand 95% Confidence Interval**		
First-Time Freshmen	1,293	25%	162	35%	114	**276**	±29	247	to	305

Table 10: Off-Campus Demand, Fall 2016

[10] The level of response to the survey and the size of UCR's enrollment result in a confidence interval in the results of plus or minus 2.97% at a 95% confidence level—the plus-or-minus figure seen in many survey or poll results, for example, if the confidence interval is 3.0% and 50% per-cent of the sample picks an answer; it is 95% certain that if the entire population had been asked the same question, between 47% (50%-3%) and 53% (50%+3%) would have picked that answer. The "Potential Incremental Demand" represents our best estimate and the midpoint of this range.

On-Campus Demand

For on-campus first-time freshmen who already live in UCR housing, Table 11 shows the mid-point of demand for the preferred units at the price level quoted ("priced consistently with current on-campus housing for similar accommodations"). Demand from those living on campus would amount to 2,762 beds, the midpoint of a range of 2,616 to 2,908 based on the sample size and the total population. If UCR had the proposed housing online for this academic year, about 84% of those first-time freshmen who live on campus would have preferred to live in the new Dundee-Glasgow housing rather than in the existing housing that they live in now.

FALL 2017 Class	On-Campus Headcount	Definitely Interested *Capture Rate*	Definitely Interested *100% Closure*	Might Be Interested *Capture Rate*	Might Be Interested *50% Closure*	Potential Incremental Demand	Range	**Potential Demand 95% Confidence Interval**		
First-Time Freshmen	3,284	69%	2,278	29%	484	**2,762**	±146	2,616	to	2,908

Table 11: On-Campus Demand, Fall 2017

The strong demand from residents of current freshman residence halls will not harm their occupancy. An applicant who would prefer Dundee-Glasgow but is not selected for one of the 792 beds would still live in the existing Aberdeen-Inverness, Lothian, or Pentland Hills beds. Similarly, off-campus students who were unable to secure on-campus housing this year because of missed deadlines or late applications would likely accept assignment to one of the other residence halls.

Unit Preference

Based on the stated preference among the three options, the demand may be distributed as Table 12 shows. For each unit type, demand at the proposed price level exceeds the number of proposed units. In total, more than 3,000 UCR students would prefer to live in the 792 proposed Dundee-Glasgow beds.

Unit Type	Academic Year Rent (No Meal Plan)	Interested Off-Campus Preference	Potential Incremental Demand	Interested On-Campus Preference	Potential On-Campus Demand	Total Demand	Proposed Units
Lofted Triple	$9,900	35%	98	16%	433	531	144
Double	$10,800	29%	80	39%	1,072	1,152	624
Single	$11,700	35%	98	45%	1,256	1,354	24
Total		**100%**	**276**	**100%**	**2,762**	**3,038**	**792**

Table 12: Distribution of Demand by Unit Type

Demand Growth

As UCR expects the continuing growth in enrollment that was shown above in Figure 3, demand will rise accordingly. Currently UCR houses 3,420 students in the residence halls[11] and 276 additional full-time first-time freshmen currently live off campus but would prefer to live in Dundee-Glasgow. Together, these

[11] Housing counts 3,307 "new" freshmen residents as of the third week of fall 2017, while Institutional Research figures show 3,284 "First-time" freshmen as of the fall census date in October, as shown in Table 1 on page 7. Housing's 3,420 occupancy includes 113 "Returning Students (Staff)" in fall 2017 and projects 108 for the next two years until Dundee-Glasgow opens and they will need 130. Housing tracks occupancy targets based on overall (full-time plus part-time) enrollment. For consistency, Figure 32 follows Housing conventions.

represent residence hall demand of 3,696, including 78% of new freshmen. With no reason to assume a change in this percentage, Figure 32 shows the growth in residence hall demand over the next decade. While Dundee-Glasgow will meet almost all demand when it opens in fall 2020, enrollment growth by 2027 will cause almost 600 beds of demand to go unmet.

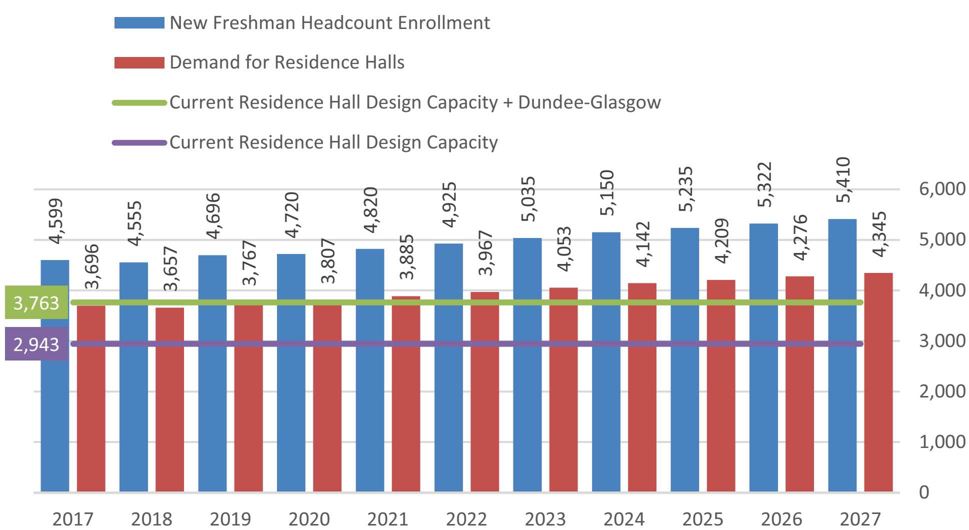

Figure 32: Residence Hall Demand Growth Projections

Unmet Demand Summary

Freshman demand for Dundee Glasgow comes from several sources. The first is about 276 beds of demand from first-time freshmen who currently live off campus. This demand is unmet by UCR; these students live at home or rent their housing. The second source is about 477 beds of demand for Dundee-Glasgow that will be unmet by UCR if they no longer house these first-time freshmen in overflow triples and the residence halls are occupied at their design capacity. The third source of demand is from enrollment growth, which will add another 104 beds of unmet demand for Dundee-Glasgow by 2020, based on UCR's enrollment projections and the conservative assumption that the same percentage od first-time freshmen would demand housing as do currently. This demand is unmet because these will be new students at UCR. The fourth source of demand is staff beds; the 28 staff residents are not first-time freshmen and would be in addition to existing staff beds in other UCR freshman halls, so it is unmet by UCR currently. Total unmet demand in fall 2020, therefore, amounts to 885 beds, as shown in Table 13.

Source	Beds
Incremental demand, fall 2017, off-campus students	276
Demand from overflow triples returned to design occupancy	477
Demand from enrollment growth by 2020	104
Demand from non-freshman staff	28
Total Unmet Demand, Fall 2020	**885**

Table 13: Unmet Demand Summary

CONCLUSION

MGT's analysis concludes that there is more than sufficient demand for the proposed new Dundee-Glasgow housing. While there is substantial competition in the off-campus market, its high occupancy rates and tight market support UCR's plans to develop additional housing on campus. Students, if given their preference, would prefer a mix more heavily weighted towards single-occupancy units, but the demand for doubles and triples well exceeds their proposed quantities. Demand for Dundee-Glasgow is sufficient to allow it to reach full occupancy at opening while allowing the existing halls to maintain full occupancy at their design capacity.

ATTACHMENT 1: OFF-CAMPUS MARKET DATA

OFF CAMPUS MARKET ANALYSIS
Property Listing

Individual Lease Complexes

Apartment Complex	Address	Phone	Efficiency			One Bedroom			Two Bedroom				Three Bedroom				Four Bedroom				Lease Terms			
			Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths	YR	6/9 Mo.	M-M	Other
Campus Crossings	1133 W Blaine St	(951) 686-5843				$515 $1,030 $575 $1,150	504 504 701 701	$1.02 $2.04 $0.82 $1.64	$405 $810 $440 $880	212 425 251 502	$1.91 $1.91 $1.75 $1.75	1 1 2 2	395 790	192.7 385.3	2.05 2.05	2 2					Y	N	N	10-mo
GrandMarc	3549 Iowa Ave					$1,475	677	$2.18	$984	452	$2.18	2					$785	356	$2.20	4	Y	N	N	10-mo
Sterling Highlander	3080 Iowa Avenue		$1,399	561	2.49				$999 $999 $649 $999	406 428 445 445	$2.46 $2.33 $1.46 $2.25	2 2 2 2	949	383.7	2.47	3	$609 $609 $829	348.3 380 348.3	$1.75 $1.60 $2.38	4 4 4	Y	N	N	
The Palms on University	1400 University Ave								$870	440	$1.98	2					$735	359	$2.05	4	Y	N	N	N
University Village Towers	3500 Iowa Avenue	(951) 276-2929				$1,285 $1,375	410 610	$3.13 $2.25	$915 $935 $910 $570	779 822 941 779	$1.17 $1.14 $0.97 $0.73	2 2 2.5 2.5	815 830	234 346	3.48 2.40	3 3	$685 $725 $575 $730	304 440 440 440	$2.25 $1.65 $1.31 $1.66	3 3 4 4	Y	N	N	10mo 4 mo.
University Crest Apartments	3170 Canyon Crest Dry					$1,036 $1,304	425 850	$2.44 $1.53	$752 $376	250 250	$3.01 $1.50	1 1									Y	N	N	10 mo. 11 mo.
		Low	**$1,399**	**561**	**$2.49**	**$515**	**410**	**$0.82**	**$376**	**212**	**$0.73**		**$395**	**193**	**$2.05**		**$575**	**304**	**$1.31**					
6		**Median**	**$1,399**	**561**	**$2.49**	**$1,150**	**610**	**$2.04**	**$875**	**442**	**$1.83**		**$815**	**346**	**$2.40**		**$725**	**359**	**$1.75**					
		High	**$1,399**	**561**	**$2.49**	**$1,475**	**850**	**$3.13**	**$999**	**941**	**$3.01**		**$949**	**385**	**$3.48**		**$829**	**440**	**$2.38**					

OFF CAMPUS MARKET ANALYSIS
Property Listing

Market Complexes

Apartment Complex	Address	Phone	Efficiency			One Bedroom			Two Bedroom				Three Bedroom				Four Bedroom				Lease Terms			
			Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths	YR	6/9 Mo.	M-M	Other
807 West	807 Blaine Street					$1,315 $1,425	585 659	$2.25 $2.16	$1,550 $1,525 $1,572 $1,625	877 912 943 966	$1.77 $1.67 $1.67 $1.68	2 2 2 2									YR			
Boulder Creek Apartments	2442 Iowa Avenue	(951) 682-4104	$1,021 $1,136	500 500	2.04 2.27	$1,215 $1,625	715 715	$1.70 $2.27	$1,490 $1,960	986 986	$1.51 $1.99	1.5 1.5									Y	Y	N	2-12mo
CastleRock	5700 Lochmoor Drive	(951) 263-7494				$1,240 $1,475 $1,746 $1,915	815 829 851 $994	$1.52 $1.78 $2.05 $1.93	$1,730 $2,005	1118 1118 1042	$1.55 $1.79	$1.55 $1.79									Y	Y	N	1-14mo
Concord Square Apartments	2700 Iowa Avenue	(951) 682-3340	$1,070	500	$2.14	$1,130	720	$1.57	$1,350	900	$1.50	2									Y	N	N	N
Copper Canyon	1234 W. Blaine St.	(951) 335-8904	$1,025 $1,190	400 $400	2.56 $2.98	$1,050 $1,265	400 $529	$2.63 $2.39	$1,250	729	$1.71	1	$1,965	1229	1.60						Y	Y	N	6-18 mo.
Cranford Court Apartments	3939 Cranford Avenue	(951) 787-4940				$1,235	623	$1.98	$1,300 $1,398 $1,408	713 755 860	$1.82 $1.85 $1.64	1 2 2									Y	N	N	10-mo 11-mo
Dwell Apartment Homes	160 W Big Springs Rd					$1,075 $1,145	700 $750	$1.54 $1.53	$1,545 $1,545	900 950	$1.72 $1.63	2 2									Y	Y	N	3-mo
Falcon Pointe	2934 Canyon Crest Dr					$1,068	650	$1.64	$1,470	850	$1.73	2									Y	Y	N	3-12 mo.
Highlander Park Apt Homes	3131 Watkins Drive	(951) 683-1422				$1,325	731	$1.81	$1,525 $1,635	1175 1030	 $1.59	1.5 2									Y	N	N	N
Highlander Pointe	1055 West Blaine St					$1,255 $1,360	612 701	$2.05 $1.94	$1,475 $1,685	849 1003	$1.74 $1.68	1 2	$1,950	1156	1.69	2					Y	Y	N	6-18mo
Los Arbolitos and the Timbers	1175 W Blaine					$1,250 $1,320 $1,475	578 713 849	$2.16 $1.85 $1.74	$1,535 $1,775 $1,695 $1,925	986 1129 1003 1156	$1.56 $1.57 $1.69 $1.67	1 1 2 2									Y	Y	N	1-14 mo.
Metro Gateway	3411 Grande Vista Pkwy		$1,474 $1,723	649 859	2.271186 2.005821	$1,612 $1,825 $1,675	730 750 806	$2.21 $2.43 $2.08	$1,975 $2,290 $2,082 $2,075	1076 1309 1094 1205	$1.84 $1.75 $1.90 $1.72	2 2 2 2									Y	N	N	9-13mo
Mission Grove Park	7450 Northrop Drive					$1,430	773	$1.85	$1,660 $1,765	1015 1152	$1.64 $1.53	2 2	$2,300	1440	1.60	2					Y	Y	N	2-12mo
Spruce Village	1046 Spruce St					$1,155 $1,315	660 660	$1.75 $1.99	$1,415 $1,525	900 900	$1.57 $1.69	2 2									Y	N	N	7mo- 13mo
Stone Canyon	5100 Quail Run Road					$1,525	792	$1.93	$1,910 $1,920 $1,720	1121 1260 984	$1.70 $1.52 $1.75	2 2 2									Y	Y	N	2-11mo
Summer Meadows	3429 Rustin Avenue	(951) 339-2643				$1,243	720	$1.73	$1,609	975 995	$1.65	2 2		1180		2					Y	N	N	13 mo.
Summit Pointe Apartments	2800 Chicago Avenue					$1,195	660	$1.81	$1,310	860	$1.52	1									NY	N	N	N
The Met	2770 Atlanta Avenue	(951) 274-9722							$1,330 $1,595	920 920	$1.45 $1.73	1 1									Y	N	N	N
Windwood Apartments	1120 W Linden					$1,185 $1,330	614 635	$1.93 $2.09	$1,485 $1,680	860 886	$1.73 $1.90	1.25 2									Y	Y	N	3-13mo
		Low	**$1,021**	**400**	**$2.01**	**$1,050**	**400**	**$1.52**	**$1,250**	**713**	**$1.45**		**$1,950**	**1,156**	**$1.60**									
		Median	**$1,136**	**500**	**$2.27**	**$1,315**	**714**	**$1.93**	**$1,595**	**984**	**$1.69**		**$1,965**	**1,205**	**$1.60**									
		High	**$1,723**	**859**	**$2.98**	**$1,915**	**994**	**$2.63**	**$2,290**	**1,309**	**$1.99**		**$2,300**	**1,440**	**$1.69**									

OFF CAMPUS MARKET ANALYSIS
Property Listing

Individual Lease Complexes

Apartment Complex	Security Deposit	Utilities Included						Unit Amenities					Community Amenities									Pets	Miles from Campus	March 2018 Occ.	Year built	# of Units
		Elec	Gas	Heat	W/S	Inter-net	Basic Cable	Furn.	DW	AC	WDC Only	WD	Pool	Club-house	Play-ground	Fitness Ctr	Garage Parking	Parking	Volley	Tennis	Laundry					
Campus Crossings	$100 (shared $ 200 (single	N	N	N	Y	N	N	N	Y	Y	N	N	Y	N	N	N	N	Y	N	N	Y	Y($)	1	100%	1978	348
GrandMarc	2-mo rent	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	N	N	N	N	0.9	100%	2002	212
Sterling Highlander	$0	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	N	N	N	$350 dep	1.4	97%	2012	658 beds
The Palms on University	$150	Y*	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y($)	Y	Y	N	N	$250 dep, $25/mo/pet	0.9	100%	2006	152
University Village Towers	$0	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N	Y	N	Y	N	N	Y	N	0.5	100%	2005	148
University Crest Apartments	$400	N	N	Y	N	Y	N	N	Y	Y	N	N	Y	N	N	N	N	Y	N	N	Y	Y	1	98% 4 beds	1977	92(Units)

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OFF CAMPUS MARKET ANALYSIS
Property Listing

Market Complexes

Apartment Complex	Security Deposit	Utilities Included						Unit Amenities					Community Amenities									Pets	Miles from Campus	March 2018 Occ.	Year built	# of Units
		Elec	Gas	Heat	W/S	Inter-net	Basic Cable	Furn.	DW	AC	WDC Only	WD	Pool	Club-house	Play-ground	Fitness Ctr	Garage Parking	Parking	Volley	Tennis	Laundry					
807 West	$600	N	Y	Y	N	N	N		Y	Y	N	Y	Y	N	N	Y	Y($)	Y	N	N	N	N	1	89%	2015	55
Boulder Creek Apartments	$500	N	Y	Y	N	N	N	N	Y	Y	N	S	Y	N	N	Y	Y (S)	Y	N	Y	Y	Y	1.8	97%	1982	264
CastleRock	$400	N	N	Y	N	N	N	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N	N	N	2 max, wt & breed restr, $400 dep, $25/mo/pet	2.9	93%	2000	272
Concord Square Apartments	$199-$500	N	N	Y	N	Y	Y	N	Y	S	N	N	Y	N	N	N	Y$	Y	N	N	Y	$500 dep, $25/mo./pet	1.6	99%	1986	78
Copper Canyon	$300 $500	N	N	Y	N	N	N	N	Y	Y	N	N	Y	Y	Y	N	N	Y	Y	N	Y	2max, $500 dep ($750 if pet is <1 yr. age)	1.2	100%	1986	301
Cranford Court Apartments	$500	N	N	Y	N	N	Y	N	Y	Y	N	N	Y	N	N	Y	Y$	Y	N	N	Y	2 max, >6mo old, $300 dep, $50/mo	1.2	97%	2002	69
Dwell Apartment Homes	$99*	N	N	Y	N	N	Y	N	N	Y	N	N	Y	N	N	Y	N	Y	N	N	Y	max 2, $300 dep; $50/pet	0.9	97%	1964	116
Falcon Pointe	$300 (1BR) $500(2BR)	N	N	N	N	N	Y	N	Y	Y	N	N	Y	N	N	Y	Y	Y	N	N	Y	2max, $500 dep, $25/mo/pet	1.1	92%	1986	148
Highlander Park Apt Homes	$400 (1BR), $500 (2BR)	N	N	Y	N	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y$	Y	Y	N	Y	$350 dep, 1max(dogs, reptiles) or 2(cats, birds, fish)	1	98%	1972	92
Highlander Pointe	$300	N	N	Y	N	N	N	N	Y	Y	N	Y	Y	N	N	N	Y	Y	N	N	Y	Y	1	87%	1975	133
Los Arbolitos and the Timbers	$500	N	Y	Y	N	Y	N	N	N	Y	N	N	Y	N	N	N	N	Y	N	N	Y	$500 dep, $40/mo./pet	1.2	96%	1974	112
Metro Gateway	$500 - rent	N	N	Y	N	N	N	N	Y	Y	N	Y	Y	Y	N	Y	Y	N	N	N	N	Y	10.9	97%	2017	187
Mission Grove Park	$500	N	N	Y	N	N	N	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	4.9	97%	2001	432
Spruce Village	$300	N	N	N	Y	N	N	N	Y	Y	N	S	Y	N	N	Y	Y$	Y	N	N	Y	$250 dep, 2 max	1.4		1991	207
Stone Canyon	$500	N	N	Y	N	N	Y	A	Y	Y	N	Y	Y	N	N	Y	A	Y	N	N	N	2 max	1.8	96%	2006	208
Summer Meadows	$600 99*	N	N	Y	N	N	N	N	Y	Y	N	N	Y*	N	N	N	N	Y	N	N	Y	2max, $300 dep, $25/mo/pet, 25lb wt limit	0.9	98%	1977	123
Summit Pointe Apartments	$250	N	Y	Y	Y	N	N	N	Y	Y	N	N	N	N	N	N	N	Y	N	N	Y	N	2	97%	1984	38
The Met	$300	N	Y	N	Y	N	N	N	N	Y	N	N	Y	N	Y	N	Y	Y	N	N	Y	Y	1.8	97%	1965	72
Windwood Apartments	$750	N	N	Y	N	N	N	N	N	Y	N	N	Y	Y	N	Y	N	Y	N	N	Y	Dogs,$500 dep, $50/mo/pet; Cats,$250 dep, $25/mo/pet	0.6	92%	1985	221

OFF CAMPUS MARKET ANALYSIS
Property Listing

Individual Lease Complexes	
Apartment Complex	**Notes**
Campus Crossings	private patio/balconies; reserved parking available; roommate matching service; monthly resident events; BBQ area *prices for plan show shared room and private room prices
GrandMarc	*$30/mo. elec cap/rm; pat/balc; tanning, parking; movie theater, b-ball, game rm, comp ctr; outdoor lounge/grill; roommate matching; allow dble occ; deposit is 2 mo. rent if on own, if w/guarantor, depends on credit
Sterling Highlander	b-ball, tanning dome, study rms, computer ctr, bum-a-bike prog, roommate matching, carports (A), patio/balcony, LEED certified; $30 electricity cap must show income 4x rent w/ guarantor, 3x rent w/o one
The Palms on University	bus ctr, study rms; tanning; BBQ sta; social events; Parking: reserved $25, garage $15; *$30/person/month allowance; private balc; roommate matching
University Village Towers	comp lab, hydrotherapy message, tanning, BBQ area, study rms, movie theater, roommate matching; elec controlled key card door, balcony & patio*, cable w/HBO included red: townhome with one private room/one shared room
University Crest Apartments	1 bedroom: shows shared price then private price 2 bedroom townhome: 1 private rm, one shared rm; shows shared room price; private room price Renovated townhomes 2016-17 yr. and switched to by bed pricing; roommate matching, community events; balconies &/or yards;

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OFF CAMPUS MARKET ANALYSIS
Property Listing

Market Complexes	
Apartment Complex	**Notes**
807 West	Pets: service animals accepted; garage parking $; private patios
Boulder Creek Apartments	Business center, onsite recycling program, personal patio/balconies*
CastleRock	coffee station, outdoor fireplace and BBQ, private balcony/patio's
Concord Square Apartments	small pets welcome, private patio/balcony, storage areas available; Free RTA & Trolley rides to UCR Students
Copper Canyon	printing services, serenity garden, private patios, upgraded units available
Cranford Court Apartments	business center, BBQ areas, garages $50/mo., furniture rentals available, private patio/balconies; App fee: $45
Dwell Apartment Homes	balcony and view; smart apartments
Falcon Pointe	Patio/Balcony; BBQ/grilling area; new interiors
Highlander Park Apt Homes	Patio/balcony, spa, grill and picnic area
Highlander Pointe	
Los Arbolitos and the Timbers	private backyards/balconies; new/renovated interiors; cable ready
Metro Gateway	Income Requirement: Must have 2.5x the rent in total household income ; renters insurance required; app fee $46; media room; key fob access; BBQ/grill area
Mission Grove Park	balcony/patios(S); open concept living areas; BBQ areas; dog park; business center ***No 3 BR available, price is based on last unit signed
Spruce Village	balcony/patio; BBQ area
Stone Canyon	movie theater, basketball court, billiards table, cyber lounge, horseshoe pit, green friendly community; patios and balcony; newly renovated
Summer Meadows	computer center w/ printer; bas BBQ/picnic areas; enclosed backyard or patio
Summit Pointe Apartments	balcony/patios
The Met	
Windwood Apartments	patio/balcony; BBQ and picnic area, community events, TV lounge, carport, additional apt storage, refrigerator rental available

ATTACHMENT 2: STUDENT SURVEY TABULATION

Tabulation of Student Survey Responses

	Off-Campus		On-Campus		Overall	
	#	%	#	%	#	%
1. What is your academic class level for the 2017-18 academic year?						
1. First-time freshman	48	8%	173	40%	221	21%
2. Returning or other freshman	2	0%	2	0%	4	0%
3. Sophomore	134	21%	74	17%	208	20%
4. Junior	130	21%	76	18%	206	20%
5. Senior	124	20%	73	17%	197	19%
6. Master's	53	8%	7	2%	60	6%
7. Ph.D.	129	21%	22	5%	151	14%
8. Medical (e.g., MD, resident, School of Medicine)	3	0%	3	1%	6	1%
9. Other (e.g., non-degree, certificate)	1	0%	1	0%	2	0%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
2. What is your student status?						
1. Full-time (undergraduate 12 or more credits; graduate 9 or more credits)	608	97%	430	100%	1,038	98%
2. Part-time	16	3%	1	0%	17	2%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
3. Where did you live prior to coming to UCR?						
1. Imperial County	2	0%	1	0%	3	0%
2. Los Angeles County	128	21%	154	36%	282	27%
3. Orange County	46	7%	52	12%	98	9%
4. Riverside County	117	19%	45	10%	162	15%
5. San Bernardino County	102	16%	36	8%	138	13%
6. San Diego County	26	4%	36	8%	62	6%
7. Elsewhere in California	83	13%	73	17%	156	15%
8. Elsewhere in the United States	57	9%	10	2%	67	6%
9. Another country	62	10%	24	6%	86	8%
(blank)	1	0%		0%	1	0%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
4. What is your [*age*] (*Calculated as of 9/25/2017 from DOB*)						
16	1	0%	1	0%	2	0%
17	12	2%	35	8%	47	4%
18	57	9%	136	32%	193	18%
19	124	20%	74	17%	198	19%
20	68	11%	55	13%	123	12%
21	80	13%	46	11%	126	12%
22	46	7%	16	4%	62	6%
23	25	4%	8	2%	33	3%
24	28	4%	8	2%	36	3%
25	35	6%	4	1%	39	4%
26	27	4%	3	1%	30	3%
27	18	3%	5	1%	23	2%
28	14	2%	2	0%	16	2%
29	21	3%		0%	21	2%
30	6	1%	2	0%	8	1%
31	3	0%	1	0%	4	0%
32	3	0%	1	0%	4	0%
33	7	1%	6	1%	13	1%

Tabulation of Student Survey Responses

	Off-Campus		On-Campus		Overall	
	#	%	#	%	#	%
35	3	0%		0%	3	0%
36	3	0%	2	0%	5	0%
37	1	0%	1	0%	2	0%
38	1	0%		0%	1	0%
39	2	0%		0%	2	0%
40	2	0%		0%	2	0%
41	1	0%		0%	1	0%
44	1	0%		0%	1	0%
45		0%	1	0%	1	0%
46	2	0%		0%	2	0%
50	2	0%		0%	2	0%
51	1	0%		0%	1	0%
54	1	0%		0%	1	0%
56	1	0%		0%	1	0%
58	2	0%		0%	2	0%
61		0%	1	0%	1	0%
62	1	0%		0%	1	0%
[blank]	25	4%	23	5%	48	5%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

5. What is your gender?						
1. Female	380	61%	285	66%	665	63%
2. Male	224	36%	135	31%	359	34%
3. Other	5	1%	4	1%	9	1%
4. Decline to state	11	2%	7	2%	18	2%
(blank)	4	1%		0%	4	0%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

6. What is your primary method of transportation for getting to campus?						
1. Walk	118	19%	357	83%	475	45%
2. Bicycle	62	10%	19	4%	81	8%
3. My own car or motor vehicle	314	50%	37	9%	351	33%
4. Carpool	38	6%	7	2%	45	4%
5. Public transportation	68	11%	5	1%	73	7%
6. Other	21	3%	6	1%	27	3%
(blank)	3	0%		0%	3	0%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

7. How far is your current housing from your on-campus classes?						
1. Less than one mile	80	13%	323	75%	403	38%
2. 1-2 miles	196	31%	69	16%	265	25%
3. 3-10 miles	156	25%	13	3%	169	16%
4. 11-20 miles	79	13%	3	1%	82	8%
5. 21-30 miles	51	8%	4	1%	55	5%
6. 31-40 miles	24	4%	8	2%	32	3%
7. 41-50 miles	10	2%	4	1%	14	1%
8. More than 50 miles	26	4%	7	2%	33	3%
(blank)	2	0%		0%	2	0%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
8. How satisfied or dissatisfied are you with your current housing situation?						
1. Very satisfied	126	20%	121	28%	247	23%
2. Satisfied	351	56%	260	60%	611	58%
3. Dissatisfied	124	20%	42	10%	166	16%
4. Very dissatisfied	17	3%	8	2%	25	2%
(blank)	6	1%		0%	6	1%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
9. Where do you live?						
1. Aberdeen-Inverness		0%	53	12%	53	5%
2. Lothian		0%	59	14%	59	6%
3. Pentland Hills		0%	83	19%	83	8%
4. Bannockburn Village		0%	38	9%	38	4%
5. Falkirk		0%	39	9%	39	4%
6. Glen Mor		0%	81	19%	81	8%
7. International Village		0%	9	2%	9	1%
8. The Plaza		0%	17	4%	17	2%
9. Stonehaven		0%	26	6%	26	2%
10. Oban Family Housing		0%	26	6%	26	2%
11. Rental housing off campus	426	68%		0%	426	40%
12. With parents/relatives, but would consider living on campus	125	20%		0%	125	12%
13. With parents/relatives and would never consider living on campus	36	6%		0%	36	3%
14. Own my home, but would consider living on campus	20	3%		0%	20	2%
15. Own my home and would never consider living on campus	17	3%		0%	17	2%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
10. What is your ZIP Code?						
11366	1	0%		0%	1	0%
19015	1	0%		0%	1	0%
90007	1	0%		0%	1	0%
90012	1	0%		0%	1	0%
90034	1	0%		0%	1	0%
90045	1	0%		0%	1	0%
90260	1	0%		0%	1	0%
90650	1	0%		0%	1	0%
90660	1	0%		0%	1	0%
90804	1	0%		0%	1	0%
91001	1	0%		0%	1	0%
91106	1	0%		0%	1	0%
91202	1	0%		0%	1	0%
91521	1	0%		0%	1	0%
91706	1	0%		0%	1	0%
91739	1	0%		0%	1	0%
91748	1	0%		0%	1	0%
91754	1	0%		0%	1	0%
91761	1	0%		0%	1	0%
91766	1	0%		0%	1	0%
91768	1	0%		0%	1	0%
91784	1	0%		0%	1	0%

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
91792	1	0%		0%	1	0%
92282	1	0%		0%	1	0%
92324	1	0%		0%	1	0%
92337	1	0%		0%	1	0%
92354	2	0%		0%	2	0%
92373	1	0%		0%	1	0%
92374	1	0%		0%	1	0%
92399	1	0%		0%	1	0%
92415	1	0%		0%	1	0%
92501	16	3%		0%	16	2%
92502	1	0%		0%	1	0%
92503	1	0%		0%	1	0%
92504	2	0%		0%	2	0%
92505	2	0%		0%	2	0%
92506	7	1%		0%	7	1%
92507	308	49%		0%	308	29%
92508	2	0%		0%	2	0%
92509	2	0%		0%	2	0%
92517	1	0%		0%	1	0%
92521	4	1%		0%	4	0%
92532	1	0%		0%	1	0%
92543	1	0%		0%	1	0%
92553	9	1%		0%	9	1%
92555	5	1%		0%	5	0%
92557	13	2%		0%	13	1%
92583	1	0%		0%	1	0%
92587	1	0%		0%	1	0%
92647	1	0%		0%	1	0%
92701	1	0%		0%	1	0%
92804	1	0%		0%	1	0%
92843	1	0%		0%	1	0%
92851	1	0%		0%	1	0%
92879	1	0%		0%	1	0%
92882	1	0%		0%	1	0%
93307	1	0%		0%	1	0%
95207	2	0%		0%	2	0%
95542	1	0%		0%	1	0%
95946	1	0%		0%	1	0%
(blank)	203	33%	431	100%	634	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

11. What type of housing unit do you live in?	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
1. Apartment - in an apartment complex/building or a condominium I rent	230	37%		0%	230	22%
2. A full apartment not in an apartment building or complex	4	1%		0%	4	0%
3. House - where you (or a group) rent the whole house	157	25%		0%	157	15%
4. A bedroom only (not a separate unit) - in a private home	31	5%		0%	31	3%
5. Other	2	0%		0%	2	0%
(blank)	200	32%	431	100%	631	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
12. What is the name of your apartment complex or building, if applicable?						
807 West Apt Homes	2	0%		0%	2	0%
Alvista	2	0%		0%	2	0%
Alvista Canyons	1	0%		0%	1	0%
Artists Village	1	0%		0%	1	0%
Barret Rd	1	0%		0%	1	0%
Boulder Creek	1	0%		0%	1	0%
Bridgeport Apts	1	0%		0%	1	0%
Brookside Apts	1	0%		0%	1	0%
Buena Vida	1	0%		0%	1	0%
Bunker Hill	2	0%		0%	2	0%
Campus Crossings	8	1%		0%	8	1%
Canyon Court	1	0%		0%	1	0%
Canyon Cove	1	0%		0%	1	0%
Canyon Crest	3	0%		0%	3	0%
Canyon Crest Hills	1	0%		0%	1	0%
Casa Verde	1	0%		0%	1	0%
Castlerock	3	0%		0%	3	0%
Cedar Crest Apts	1	0%		0%	1	0%
Colonnade	1	0%		0%	1	0%
Colony Housing	1	0%		0%	1	0%
Concord Square Apts	3	0%		0%	3	0%
Copper Canyon Apts	4	1%		0%	4	0%
Corona Del Rey	1	0%		0%	1	0%
Country Club Villas	1	0%		0%	1	0%
Cranford Court	1	0%		0%	1	0%
D202B	1	0%		0%	1	0%
Dwell Apt Homes	3	0%		0%	3	0%
Edificio Mahil's	1	0%		0%	1	0%
Emerald Pointe	1	0%		0%	1	0%
Granada Pueblo Apts	1	0%		0%	1	0%
GrandMarc at University Village	33	5%		0%	33	3%
Hidden Springs Apts	1	0%		0%	1	0%
Highland Parc	4	1%		0%	4	0%
Highlander Park	1	0%		0%	1	0%
Highlander Pointe Apts	4	1%		0%	4	0%
Iowa Gardens	1	0%		0%	1	0%
Jia	1	0%		0%	1	0%
La Cita	1	0%		0%	1	0%
La Pacifica	1	0%		0%	1	0%
La Rivera	4	1%		0%	4	0%
Lindy East	1	0%		0%	1	0%
Lindy West	1	0%		0%	1	0%
Metro Gateway	1	0%		0%	1	0%
Mission Grove Park	1	0%		0%	1	0%
Orange Tree Villas	1	0%		0%	1	0%
Palms on University	10	2%		0%	10	1%
Philadelphia Housing	3	0%		0%	3	0%
Quail Ridge	1	0%		0%	1	0%

Tabulation of Student Survey Responses

	Off-Campus		On-Campus		Overall	
	#	%	#	%	#	%
Raincross Promenade	1	0%		0%	1	0%
Redington	9	1%		0%	9	1%
Riverside Gardens	2	0%		0%	2	0%
Sonata	2	0%		0%	2	0%
Spruce Village Apts	1	0%		0%	1	0%
Sterling Highlander	13	2%		0%	13	1%
Stone Canyon Apts	1	0%		0%	1	0%
Summer Meadows	4	1%		0%	4	0%
Taylor Woods	1	0%		0%	1	0%
The Englander	1	0%		0%	1	0%
The Grove	1	0%		0%	1	0%
The Hills at Quail Run	2	0%		0%	2	0%
The Met	1	0%		0%	1	0%
The Woodlands	3	0%		0%	3	0%
Timbers	2	0%		0%	2	0%
UCLA University Village	1	0%		0%	1	0%
University Crest Apts	7	1%		0%	7	1%
University Gardens	2	0%		0%	2	0%
University Greens	3	0%		0%	3	0%
University Riverside Gardens Apts	8	1%		0%	8	1%
University Village Apts	2	0%		0%	2	0%
University Village Towers	21	3%		0%	21	2%
Victoria Woods Apts	1	0%		0%	1	0%
Villas at Towngate	3	0%		0%	3	0%
Vista Imperio	1	0%		0%	1	0%
Windemere	4	1%		0%	4	0%
Windwood Apts	6	1%		0%	6	1%
Wooden Land	1	0%		0%	1	0%
(blank)	399	64%	431	100%	830	79%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

13. Do you live alone or with others?						
1. I live by myself; I am the only one who lives in my housing unit	25	4%		0%	25	2%
2. Other people live with me and share my housing unit	397	64%		0%	397	38%
(blank)	202	32%	431	100%	633	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

14. Including yourself, how many people live in the housing unit where you live?						
1. Two (myself and one other)	94	15%		0%	94	9%
2. Three (myself and two others)	59	9%		0%	59	6%
3. Four (myself and three others)	135	22%		0%	135	13%
4. More than four (myself and four or more others)	112	18%		0%	112	11%
(blank)	224	36%	431	100%	655	62%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
15. With whom do you live?						
a. Roommates and/or apartment-mates	345	55%		0%	345	33%
b. My children	18	3%		0%	18	2%
c. Parents or guardians	7	1%		0%	7	1%
d. Spouse	51	8%		0%	51	5%
(blank)	226	36%	431	100%	657	62%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
16. How many bedrooms are in your apartment/unit?						
1. One	55	9%		0%	55	5%
2. Two	105	17%		0%	105	10%
3. Three	52	8%		0%	52	5%
4. Four	155	25%		0%	155	15%
5. More than four	53	8%		0%	53	5%
6. None - an efficiency/studio	4	1%		0%	4	0%
(blank)	200	32%	431	100%	631	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
17. How many bathrooms are in your apartment/unit? (A half bath is a bathroom with no shower or tub.)						
1. One	90	14%		0%	90	9%
2. One and a half	16	3%		0%	16	2%
3. Two	156	25%		0%	156	15%
4. Two and a half	43	7%		0%	43	4%
5. Three	50	8%		0%	50	5%
6. More than three	70	11%		0%	70	7%
(blank)	199	32%	431	100%	630	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
18. Do you share a bedroom?						
1. No, I have a bedroom to myself	265	42%		0%	265	25%
2. Yes, I share a bedroom with my spouse and/or children	42	7%		0%	42	4%
3. Yes, I share a bedroom with my partner or significant other	37	6%		0%	37	4%
4. Yes, I share a bedroom with a roommate	80	13%		0%	80	8%
(blank)	200	32%	431	100%	631	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
19. Why do you choose to share a bedroom?						
a. Lower rent	74	12%		0%	74	7%
b. Wanted to live with friends	19	3%		0%	19	2%
c. Could not find housing with a private bedroom	12	2%		0%	12	1%
d. Other		0%		0%		0%
(blank)	543	87%	431	100%	974	92%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
20. What is your lease term?						
1. Twelve months	281	45%		0%	281	27%
2. Academic year (9 or 10 months)	49	8%		0%	49	5%
3. Six months	6	1%		0%	6	1%
4. Academic quarter	1	0%		0%	1	0%
5. Three months	1	0%		0%	1	0%
6. Month-to-month since the beginning of my lease	51	8%		0%	51	5%
7. Month-to-month starting at the end of my original lease term	17	3%		0%	17	2%
8. Other	19	3%		0%	19	2%
(blank)	199	32%	431	100%	630	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
21. How do you rent your unit?						
1. Furnished	107	17%		0%	107	10%
2. Partially furnished	66	11%		0%	66	6%
3. Unfurnished	252	40%		0%	252	24%
(blank)	199	32%	431	100%	630	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
22. What is your living situation during this academic year?						
1. I live on my own or with roommates in a rented unit.	358	57%		0%	358	34%
2. I live with my parent(s)/guardian in their home and I contribute toward my living expenses.	3	0%		0%	3	0%
3. I live with my spouse/partner and/or child(ren) in a rented unit.	61	10%		0%	61	6%
(blank)	202	32%	431	100%	633	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

23. What is your share of monthly housing costs? (*live on their own, with roommates, or live with parents and contribute*) or What is the monthly rental cost for the entire unit? (*live with spouse/partner/children*)

	Rent n=	Rent Median	Total Other n=	Total Other Median
On own or with roommate(s)/apartment-mate(s)	358	$607	358	$52
With parent(s)/guardian(s) and contribute	3	$600	3	$105

	Rent n=	Rent Median	Total Other n=	Total Other Median
With spouse/partner/child(ren)	61	$1,500	61	$200

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
24. Does your rent include any utilities?						
1. No	201	32%		0%	201	19%
2. Yes	224	36%		0%	224	21%
(blank)	199	32%	431	100%	630	60%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus		On-Campus		Overall	
	#	%	#	%	#	%
25. Which utilities are included in your rent?						
a. Electricity	125	20%	1	0%	126	12%
b. Gas	137	22%	1	0%	138	13%
c. Water/sewer	200	32%	1	0%	201	19%
d. Trash	193	31%	1	0%	194	18%
(blank)	403	65%	430	100%	833	79%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
26. What other features or services are included in your rent?						
a. Air conditioning	286	46%		0%	286	27%
b. Dishwasher	271	43%		0%	271	26%
c. Internet	171	27%		0%	171	16%
d. Cable TV	100	16%		0%	100	9%
e. Laundry machines in unit	260	42%		0%	260	25%
f. Local telephone	14	2%		0%	14	1%
g. Shuttle services	27	4%		0%	27	3%
h. Parking	311	50%		0%	311	29%
(blank)	223	36%	431	100%	654	62%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
27. Have you ever lived on campus at UCR and then decided to move off campus?						
1. No	332	53%	1	0%	333	32%
2. Yes	238	38%		0%	238	23%
(blank)	54	9%	430	100%	484	46%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
28. What are the reason(s) you decided to move off campus?						
a. Age and condition of housing facilities	52	8%		0%	52	5%
b. Campus housing is too expensive	190	30%		0%	190	18%
c. Campus housing management style	48	8%		0%	48	5%
d. Desire for more independence	76	12%		0%	76	7%
e. Desire for more privacy	103	17%		0%	103	10%
f. Dislike of community bathrooms	71	11%		0%	71	7%
g. Dislike of food service quality	39	6%		0%	39	4%
h. Dislike of meal plan terms and conditions	42	7%		0%	42	4%
i. High noise level in residence halls	39	6%		0%	39	4%
j. Inadequate laundry facilities	43	7%		0%	43	4%
k. Inadequate number of common kitchens	35	6%		0%	35	3%
l. Lack of living space	76	12%		0%	76	7%
m. Lack of temperature control	37	6%		0%	37	4%
n. Rules, regulations, and policies	72	12%		0%	72	7%
o. Slow response to maintenance requests	22	4%		0%	22	2%
p. Small size of bedrooms	75	12%		0%	75	7%
q. Space was not available in my preferred on-campus housing	49	8%		0%	49	5%
r. Wanted to have a pet	38	6%		0%	38	4%
s. Wanted to live with my spouse and/or children	10	2%		0%	10	1%
t. Some other reason (Please specify.)	33	5%		0%	33	3%
AI/Lothian only available to 1st years	*1*	*0%*		*0%*	*1*	*0%*
Bad roommate experience	*1*	*0%*		*0%*	*1*	*0%*

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Campus ran out of unit	*1*	*0%*		*0%*	*1*	*0%*
Couldn?t find anyone to be roommates with	*1*	*0%*		*0%*	*1*	*0%*
Did not get offered housing	*1*	*0%*		*0%*	*1*	*0%*
I did not get a housing offer that I wanted	*1*	*0%*		*0%*	*1*	*0%*
I have 2 dogs - emotional support - not accomodated at UCR	*1*	*0%*		*0%*	*1*	*0%*
I stupidly followed my friends	*1*	*0%*		*0%*	*1*	*0%*
I was a first year and I couldn't live in AI anymore.	*1*	*0%*		*0%*	*1*	*0%*
I was denied housing.	*1*	*0%*		*0%*	*1*	*0%*
It was hell. I had fleas from a possum living in my wall.	*1*	*0%*		*0%*	*1*	*0%*
Lack of housing	*1*	*0%*		*0%*	*1*	*0%*
Lived close and home cooked meals	*1*	*0%*		*0%*	*1*	*0%*
Location of food like chinese and ramen	*1*	*0%*		*0%*	*1*	*0%*
My roommate was disrespectful, inconsiderate, and immature.	*1*	*0%*		*0%*	*1*	*0%*
No availability	*1*	*0%*		*0%*	*1*	*0%*
No control over roommates	*1*	*0%*		*0%*	*1*	*0%*
No meal plan or any extra benefits	*1*	*0%*		*0%*	*1*	*0%*
No more rooms for rent	*1*	*0%*		*0%*	*1*	*0%*
No space for on campus	*1*	*0%*		*0%*	*1*	*0%*
Not a first year	*1*	*0%*		*0%*	*1*	*0%*
Personal issues with roommate affected my health and safety	*1*	*0%*		*0%*	*1*	*0%*
RA not responding well with multiple requests or meetups	*1*	*0%*		*0%*	*1*	*0%*
Stopped going to school, had to leave	*1*	*0%*		*0%*	*1*	*0%*
There is not enough housing units for students	*1*	*0%*		*0%*	*1*	*0%*
Too expensive. 300% more expensive	*1*	*0%*		*0%*	*1*	*0%*
Too far walk, have to pay for parking	*1*	*0%*		*0%*	*1*	*0%*
Transfer student, whist in JC I need a room close to campus	*1*	*0%*		*0%*	*1*	*0%*
Unable to get along with roommates	*1*	*0%*		*0%*	*1*	*0%*
Wanted to live with friends	*1*	*0%*		*0%*	*1*	*0%*
Was affordable for a shared bedroom but not an individual	*1*	*0%*		*0%*	*1*	*0%*
was not offered a campus aptment with the friends I requeste	*1*	*0%*		*0%*	*1*	*0%*
Was not offered housing	*1*	*0%*		*0%*	*1*	*0%*
(blank)	382	61%	431	100%	813	77%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

29. What were the most important factors you considered in your decision of where to live this academic year? Please rank the top five.

Most important	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
1. Abilityto enter into an academic-year lease	12	2%	20	5%	32	3%
2. Ability to enter into a 12-month lease	4	1%	6	1%	10	1%
3. Ability to meet other students	5	1%	26	6%	31	3%
4. Adequate living space	30	5%	34	8%	64	6%
5. Affordable rent	342	55%	156	36%	498	47%
6. Availability of parking	5	1%	2	0%	7	1%
7. Character of neighborhood	12	2%	7	2%	19	2%
8. Fitness center	1	0%		0%	1	0%
9. Have own bath	5	1%	7	2%	12	1%
10. Have own bedroom	44	7%	27	6%	71	7%
11. Inclusion of utilities in rent	2	0%	2	0%	4	0%

Tabulation of Student Survey Responses

	Off-Campus		On-Campus		Overall	
	#	%	#	%	#	%
12. Internet connection	1	0%	11	3%	12	1%
13. Kitchen in the unit	3	0%	1	0%	4	0%
14. Laundry machines in the unit	3	0%		0%	3	0%
15. Location relative to campus	53	8%	87	20%	140	13%
16. Management of the property	2	0%	1	0%	3	0%
17. On-site laundry facility		0%	1	0%	1	0%
18. Physical condition of the housing	9	1%	10	2%	19	2%
19. Satisfy parents' wishes	10	2%	6	1%	16	2%
20. Security	22	4%	18	4%	40	4%
21. Theme housing (such as LLCs or theme halls)		0%	5	1%	5	0%
(blank)	59	9%	4	1%	63	6%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Second most important						
1. Abilityto enter into an academic-year lease	18	3%	17	4%	35	3%
2. Ability to enter into a 12-month lease	13	2%	6	1%	19	2%
3. Ability to meet other students	11	2%	28	6%	39	4%
4. Adequate living space	56	9%	59	14%	115	11%
5. Affordable rent	99	16%	55	13%	154	15%
6. Availability of parking	33	5%	12	3%	45	4%
7. Character of neighborhood	28	4%	10	2%	38	4%
8. Fitness center	2	0%	7	2%	9	1%
9. Have own bath	14	2%	13	3%	27	3%
10. Have own bedroom	82	13%	33	8%	115	11%
11. Inclusion of utilities in rent	13	2%	27	6%	40	4%
12. Internet connection	14	2%	15	3%	29	3%
13. Kitchen in the unit	21	3%	5	1%	26	2%
14. Laundry machines in the unit	9	1%		0%	9	1%
15. Location relative to campus	86	14%	67	16%	153	15%
16. Management of the property	1	0%	1	0%	2	0%
17. On-site laundry facility	4	1%	5	1%	9	1%
18. Physical condition of the housing	17	3%	17	4%	34	3%
19. Satisfy parents' wishes	16	3%	9	2%	25	2%
20. Security	28	4%	38	9%	66	6%
21. Theme housing (such as LLCs or theme halls)		0%	4	1%	4	0%
(blank)	59	9%	3	1%	62	6%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Third most important						
1. Abilityto enter into an academic-year lease	13	2%	18	4%	31	3%
2. Ability to enter into a 12-month lease	13	2%	6	1%	19	2%
3. Ability to meet other students	3	0%	26	6%	29	3%
4. Adequate living space	59	9%	46	11%	105	10%
5. Affordable rent	31	5%	26	6%	57	5%
6. Availability of parking	44	7%	14	3%	58	5%
7. Character of neighborhood	34	5%	22	5%	56	5%
8. Fitness center	5	1%	6	1%	11	1%
9. Have own bath	33	5%	8	2%	41	4%
10. Have own bedroom	66	11%	28	6%	94	9%

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
11. Inclusion of utilities in rent	26	4%	31	7%	57	5%
12. Internet connection	21	3%	33	8%	54	5%
13. Kitchen in the unit	23	4%	10	2%	33	3%
14. Laundry machines in the unit	16	3%	2	0%	18	2%
15. Location relative to campus	56	9%	46	11%	102	10%
16. Management of the property	6	1%	3	1%	9	1%
17. On-site laundry facility	11	2%	5	1%	16	2%
18. Physical condition of the housing	40	6%	29	7%	69	7%
19. Satisfy parents' wishes	11	2%	16	4%	27	3%
20. Security	46	7%	46	11%	92	9%
21. Theme housing (such as LLCs or theme halls)		0%	5	1%	5	0%
(blank)	67	11%	5	1%	72	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Fourth most important						
1. Abilityto enter into an academic-year lease	8	1%	23	5%	31	3%
2. Ability to enter into a 12-month lease	10	2%	1	0%	11	1%
3. Ability to meet other students	8	1%	24	6%	32	3%
4. Adequate living space	43	7%	39	9%	82	8%
5. Affordable rent	15	2%	13	3%	28	3%
6. Availability of parking	38	6%	20	5%	58	5%
7. Character of neighborhood	35	6%	24	6%	59	6%
8. Fitness center	3	0%	7	2%	10	1%
9. Have own bath	33	5%	9	2%	42	4%
10. Have own bedroom	58	9%	19	4%	77	7%
11. Inclusion of utilities in rent	29	5%	39	9%	68	6%
12. Internet connection	40	6%	38	9%	78	7%
13. Kitchen in the unit	33	5%	12	3%	45	4%
14. Laundry machines in the unit	20	3%	7	2%	27	3%
15. Location relative to campus	37	6%	37	9%	74	7%
16. Management of the property	13	2%	10	2%	23	2%
17. On-site laundry facility	14	2%	11	3%	25	2%
18. Physical condition of the housing	54	9%	29	7%	83	8%
19. Satisfy parents' wishes	13	2%	14	3%	27	3%
20. Security	44	7%	44	10%	88	8%
21. Theme housing (such as LLCs or theme halls)		0%	4	1%	4	0%
(blank)	76	12%	7	2%	83	8%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Fifth most important						
1. Abilityto enter into an academic-year lease	13	2%	12	3%	25	2%
2. Ability to enter into a 12-month lease	13	2%	6	1%	19	2%
3. Ability to meet other students	12	2%	19	4%	31	3%
4. Adequate living space	50	8%	33	8%	83	8%
5. Affordable rent	16	3%	17	4%	33	3%
6. Availability of parking	42	7%	24	6%	66	6%
7. Character of neighborhood	34	5%	25	6%	59	6%
8. Fitness center	7	1%	13	3%	20	2%
9. Have own bath	27	4%	5	1%	32	3%

Tabulation of Student Survey Responses	Off-Campus		On-Campus		Overall	
	#	%	#	%	#	%
10. Have own bedroom	37	6%	13	3%	50	5%
11. Inclusion of utilities in rent	24	4%	34	8%	58	5%
12. Internet connection	31	5%	36	8%	67	6%
13. Kitchen in the unit	29	5%	23	5%	52	5%
14. Laundry machines in the unit	34	5%	4	1%	38	4%
15. Location relative to campus	32	5%	24	6%	56	5%
16. Management of the property	17	3%	12	3%	29	3%
17. On-site laundry facility	18	3%	15	3%	33	3%
18. Physical condition of the housing	35	6%	29	7%	64	6%
19. Satisfy parents' wishes	19	3%	22	5%	41	4%
20. Security	55	9%	52	12%	107	10%
21. Theme housing (such as LLCs or theme halls)	1	0%	6	1%	7	1%
(blank)	78	13%	7	2%	85	8%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

30. UCR is considering developing a new residence hall designated for first-year students. The seven-story project consists of two residential buildings adjacent to the existing Aberdeen and Inverness Residence Hall and a newly proposed 830-seat campus dining facility. Both residential buildings are anchored by an activated ground floor with student-oriented amenities, including multiple seminar rooms, a large 75-person multi-purpose room, a fitness center, social lounges, theatre-style multifunction space, community laundry area, university residence life offices, and a mail center with substantial package storage area. The housing, and the adjacent new dining commons facility are shown in the schematic design images below.

Please provide your feedback on the following unit types and proposed rents for first-year students. Assume that the estimated rents will cover individual air conditioning and fully furnished units with included high-speed Internet access. Each student will have his or her own private wardrobe, twin sized bed, desk, and chair. Rents are based on an academic year lease and do not include meal plan charges.

· Please select no more than one as "preferred."

· Mark as "acceptable" any unit plan you would live in if your preferred choice were not available.

· Select "would not live there" for any unit that you would find unacceptable.

Lofted Triple Bedroom

Academic year rate without meal plan: $9,900

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
1. Preferred	61	10%	39	9%	100	9%
2. Acceptable	182	29%	198	46%	380	36%
3. Would not live there	327	52%	194	45%	521	49%
(blank)	54	9%		0%	54	5%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Double Bedroom

Academic year rate without meal plan: $10,800

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
1. Preferred	78	13%	128	30%	206	20%
2. Acceptable	249	40%	283	66%	532	50%
3. Would not live there	243	39%	20	5%	263	25%
(blank)	54	9%		0%	54	5%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Single Bedroom						
Academic year rate without meal plan: $11,700						
1. Preferred	104	17%	199	46%	303	29%
2. Acceptable	159	25%	178	41%	337	32%
3. Would not live there	307	49%	54	13%	361	34%
(blank)	54	9%		0%	54	5%
Grand Total	624	100%	431	100%	1,055	100%

31. For each of the following unit features and housing policies, please indicate how influential it would be on your interest in living in campus housing.

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Basic cable TV within individual bedrooms						
1. Would not live in new housing without it	33	5%	17	4%	50	5%
2. Would have a positive influence on my decision	183	29%	178	41%	361	34%
3. Would have no influence on my decision	325	52%	220	51%	545	52%
4. Would have a negative influence on my decision	18	3%	10	2%	28	3%
(blank)	65	10%	6	1%	71	7%
Grand Total	624	100%	431	100%	1,055	100%
High-speed wireless Internet						
1. Would not live in new housing without it	298	48%	241	56%	539	51%
2. Would have a positive influence on my decision	245	39%	180	42%	425	40%
3. Would have no influence on my decision	12	2%	4	1%	16	2%
4. Would have a negative influence on my decision	1	0%	2	0%	3	0%
(blank)	68	11%	4	1%	72	7%
Grand Total	624	100%	431	100%	1,055	100%
"Soundproof" walls						
1. Would not live in new housing without it	83	13%	53	12%	136	13%
2. Would have a positive influence on my decision	405	65%	325	75%	730	69%
3. Would have no influence on my decision	64	10%	48	11%	112	11%
4. Would have a negative influence on my decision	4	1%	1	0%	5	0%
(blank)	68	11%	4	1%	72	7%
Grand Total	624	100%	431	100%	1,055	100%
Storage space						
1. Would not live in new housing without it	89	14%	76	18%	165	16%
2. Would have a positive influence on my decision	374	60%	287	67%	661	63%
3. Would have no influence on my decision	91	15%	63	15%	154	15%
4. Would have a negative influence on my decision	2	0%		0%	2	0%
(blank)	68	11%	5	1%	73	7%
Grand Total	624	100%	431	100%	1,055	100%

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Temperature control in each unit						
1. Would not live in new housing without it	158	25%	117	27%	275	26%
2. Would have a positive influence on my decision	343	55%	277	64%	620	59%
3. Would have no influence on my decision	52	8%	31	7%	83	8%
4. Would have a negative influence on my decision	3	0%	2	0%	5	0%
(blank)	68	11%	4	1%	72	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Theme housing (LLCs, special interest housing, etc.)						
1. Would not live in new housing without it	15	2%	8	2%	23	2%
2. Would have a positive influence on my decision	99	16%	103	24%	202	19%
3. Would have no influence on my decision	412	66%	305	71%	717	68%
4. Would have a negative influence on my decision	31	5%	11	3%	42	4%
(blank)	67	11%	4	1%	71	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Utilities included in rent						
1. Would not live in new housing without it	106	17%	119	28%	225	21%
2. Would have a positive influence on my decision	371	59%	278	65%	649	62%
3. Would have no influence on my decision	68	11%	22	5%	90	9%
4. Would have a negative influence on my decision	11	2%	7	2%	18	2%
(blank)	68	11%	5	1%	73	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

32. For each of the following community features, please indicate how influential it would be on your interest in living in campus housing.

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Community kitchen						
1. Would not live in new housing without it	96	15%	61	14%	157	15%
2. Would have a positive influence on my decision	220	35%	217	50%	437	41%
3. Would have no influence on my decision	151	24%	114	26%	265	25%
4. Would have a negative influence on my decision	92	15%	32	7%	124	12%
(blank)	65	10%	7	2%	72	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Coffee shop or café in/near housing						
1. Would not live in new housing without it	25	4%	29	7%	54	5%
2. Would have a positive influence on my decision	355	57%	302	70%	657	62%
3. Would have no influence on my decision	175	28%	93	22%	268	25%
4. Would have a negative influence on my decision	1	0%		0%	1	0%
(blank)	68	11%	7	2%	75	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Convenience store in/near housing						
1. Would not live in new housing without it	45	7%	44	10%	89	8%
2. Would have a positive influence on my decision	400	64%	336	78%	736	70%
3. Would have no influence on my decision	111	18%	43	10%	154	15%
4. Would have a negative influence on my decision	2	0%	1	0%	3	0%
(blank)	66	11%	7	2%	73	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Computer lab						
1. Would not live in new housing without it	52	8%	88	20%	140	13%
2. Would have a positive influence on my decision	319	51%	274	64%	593	56%
3. Would have no influence on my decision	186	30%	61	14%	247	23%
4. Would have a negative influence on my decision	1	0%	1	0%	2	0%
(blank)	66	11%	7	2%	73	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Convenient parking						
1. Would not live in new housing without it	200	32%	84	19%	284	27%
2. Would have a positive influence on my decision	299	48%	247	57%	546	52%
3. Would have no influence on my decision	54	9%	93	22%	147	14%
4. Would have a negative influence on my decision	5	1%	1	0%	6	1%
(blank)	66	11%	6	1%	72	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Fitness center/weight room						
1. Would not live in new housing without it	44	7%	33	8%	77	7%
2. Would have a positive influence on my decision	322	52%	269	62%	591	56%
3. Would have no influence on my decision	184	29%	119	28%	303	29%
4. Would have a negative influence on my decision	6	1%	4	1%	10	1%
(blank)	68	11%	6	1%	74	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Game room (ping pong, pool, etc.)						
1. Would not live in new housing without it	10	2%	11	3%	21	2%
2. Would have a positive influence on my decision	284	46%	241	56%	525	50%
3. Would have no influence on my decision	255	41%	168	39%	423	40%
4. Would have a negative influence on my decision	8	1%	4	1%	12	1%
(blank)	67	11%	7	2%	74	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**
Group study/meeting space						
1. Would not live in new housing without it	40	6%	54	13%	94	9%
2. Would have a positive influence on my decision	359	58%	284	66%	643	61%
3. Would have no influence on my decision	155	25%	86	20%	241	23%
4. Would have a negative influence on my decision	3	0%	1	0%	4	0%
(blank)	67	11%	6	1%	73	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Main lobby with front desk						
1. Would not live in new housing without it	44	7%	46	11%	90	9%
2. Would have a positive influence on my decision	268	43%	241	56%	509	48%
3. Would have no influence on my decision	231	37%	135	31%	366	35%
4. Would have a negative influence on my decision	14	2%	2	0%	16	2%
(blank)	67	11%	7	2%	74	7%
Grand Total	624	100%	431	100%	1,055	100%
On-site laundry facilities						
1. Would not live in new housing without it	229	37%	181	42%	410	39%
2. Would have a positive influence on my decision	279	45%	218	51%	497	47%
3. Would have no influence on my decision	40	6%	24	6%	64	6%
4. Would have a negative influence on my decision	7	1%	2	0%	9	1%
(blank)	69	11%	6	1%	75	7%
Grand Total	624	100%	431	100%	1,055	100%
Quiet study areas						
1. Would not live in new housing without it	107	17%	105	24%	212	20%
2. Would have a positive influence on my decision	349	56%	279	65%	628	60%
3. Would have no influence on my decision	97	16%	39	9%	136	13%
4. Would have a negative influence on my decision	3	0%		0%	3	0%
(blank)	68	11%	8	2%	76	7%
Grand Total	624	100%	431	100%	1,055	100%
Social/TV lounge						
1. Would not live in new housing without it	35	6%	45	10%	80	8%
2. Would have a positive influence on my decision	242	39%	256	59%	498	47%
3. Would have no influence on my decision	263	42%	122	28%	385	36%
4. Would have a negative influence on my decision	16	3%	2	0%	18	2%
(blank)	68	11%	6	1%	74	7%
Grand Total	624	100%	431	100%	1,055	100%
Outdoor 'green' space						
1. Would not live in new housing without it	47	8%	39	9%	86	8%
2. Would have a positive influence on my decision	332	53%	289	67%	621	59%
3. Would have no influence on my decision	169	27%	97	23%	266	25%
4. Would have a negative influence on my decision	8	1%		0%	8	1%
(blank)	68	11%	6	1%	74	7%
Grand Total	624	100%	431	100%	1,055	100%
Outdoor grilling area						
1. Would not live in new housing without it	12	2%	7	2%	19	2%
2. Would have a positive influence on my decision	233	37%	180	42%	413	39%
3. Would have no influence on my decision	295	47%	231	54%	526	50%
4. Would have a negative influence on my decision	17	3%	7	2%	24	2%
(blank)	67	11%	6	1%	73	7%
Grand Total	624	100%	431	100%	1,055	100%

Tabulation of Student Survey Responses

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
Outdoor recreation area						
1. Would not live in new housing without it	16	3%	19	4%	35	3%
2. Would have a positive influence on my decision	318	51%	256	59%	574	54%
3. Would have no influence on my decision	213	34%	146	34%	359	34%
4. Would have a negative influence on my decision	10	2%	3	1%	13	1%
(blank)	67	11%	7	2%	74	7%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

33. Please think back to when you were selecting your housing as a first-year student. How likely would you have selected one of these new housing units for your first year at UCR, assuming your preferred residence hall accommodation type and community amenities had been available.

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
1. I definitely would have lived there.	190	30%	268	62%	458	43%
2. I might have lived there (50/50 chance).	263	42%	152	35%	415	39%
3. I probably would not have lived there (less than 50/50 chance).	66	11%	8	2%	74	7%
4. I would not have lived there.	52	8%	3	1%	55	5%
(blank)	53	8%		0%	53	5%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

34. Why would you not have been interested in living in the proposed housing?

	Off-Campus #	Off-Campus %	On-Campus #	On-Campus %	Overall #	Overall %
a. I already own a home	23	4%	9	2%	32	3%
b. I am concerned about the level of rules and regulations	75	12%	28	6%	103	10%
c. I would have preferred the housing I live in now	114	18%	54	13%	168	16%
d. I live with my parents/guardians	91	15%	6	1%	97	9%
e. I live with my spouse and/or children	40	6%	11	3%	51	5%
f. The housing is too expensive	312	50%	105	24%	417	40%
g. I have a pet	77	12%	8	2%	85	8%
h. Some other reason:	40	6%	21	5%	61	6%
Affordable rent	*1*	*0%*		*0%*	*1*	*0%*
As a graduate student, I wasn't a freshman my first year.	*1*	*0%*		*0%*	*1*	*0%*
As a graduate student, I would have not lived on campus.	*1*	*0%*		*0%*	*1*	*0%*
Cheaper to have own apartment.	*1*	*0%*		*0%*	*1*	*0%*
Considered Pentland against its	*1*	*0%*		*0%*	*1*	*0%*
Cost way too high	*1*	*0%*		*0%*	*1*	*0%*
Depends if I had to room with someone		*0%*	*1*	*0%*	*1*	*0%*
Disabled, no kitchen access	*1*	*0%*		*0%*	*1*	*0%*
Distance from campus and other dorms and glen mor	*1*	*0%*		*0%*	*1*	*0%*
Dont want to live with undergrads	*1*	*0%*		*0%*	*1*	*0%*
Enginuity hall		*0%*	*1*	*0%*	*1*	*0%*
Expensive and not fully furnished	*1*	*0%*		*0%*	*1*	*0%*
Finances	*1*	*0%*		*0%*	*1*	*0%*
Financial aid and expenses at the time.	*1*	*0%*		*0%*	*1*	*0%*
Financial aid issues	*1*	*0%*		*0%*	*1*	*0%*
For 1 person & spouse its expensive,not nice,limited options	*1*	*0%*		*0%*	*1*	*0%*
Graduating		*0%*	*1*	*0%*	*1*	*0%*
Having a community shower/bathroom is a deal-breaker, ie AI		*0%*	*1*	*0%*	*1*	*0%*
Housing complex are too focused with unnecessary amenities	*1*	*0%*		*0%*	*1*	*0%*
Housing is way too expensive	*1*	*0%*		*0%*	*1*	*0%*
I am a graduate student, so, it may not be applicable to me	*1*	*0%*		*0%*	*1*	*0%*
I am a transfer student and would not be able to stay there.	*1*	*0%*		*0%*	*1*	*0%*

Tabulation of Student Survey Responses

	Off-Campus		On-Campus		Overall	
	#	%	#	%	#	%
I am non-traditional student - need own apt.	1	0%		0%	1	0%
I cook a lot	1	0%		0%	1	0%
I don't want to live with undergrads	1	0%		0%	1	0%
I have a child and need family housing	1	0%		0%	1	0%
I like to live alone	1	0%		0%	1	0%
I live with my boyfriend.	1	0%		0%	1	0%
I might have lived their but more like 80% chance instead50%		0%	1	0%	1	0%
I need gender neutral/LGBT friendly housing		0%	1	0%	1	0%
I wanted a traditional dormitory style not suite style	1	0%		0%	1	0%
I would like to live with my friends	1	0%		0%	1	0%
I would not support UCR housing as they didn't support me	1	0%		0%	1	0%
I wouldn't know if its social or what its like to live there		0%	1	0%	1	0%
Interested in family housing		0%	1	0%	1	0%
It's no different from Lothian or Aberdeen-Invernes		0%	1	0%	1	0%
Kitchen is not available somewhere	1	0%		0%	1	0%
Little space provided for the price.		0%	1	0%	1	0%
NO campus housing allows pets and children! I have both	1	0%		0%	1	0%
No interest in sharing a room. Or space with undergrads.	1	0%		0%	1	0%
Not many choices for students with a family(spouse+kid(s))	1	0%		0%	1	0%
Opportunity only for wealthy/privileged students	1	0%		0%	1	0%
Out of state		0%	1	0%	1	0%
Pain to get mail and packages		0%	1	0%	1	0%
Prefer off-campus housing	1	0%		0%	1	0%
Pretty satisfied with current dorm situation		0%	1	0%	1	0%
Privacy		0%	1	0%	1	0%
Rooms are always so small and don't have enough closet space		0%	1	0%	1	0%
Students in the dorms tend to start fights & arguments	1	0%		0%	1	0%
The Palms on University sucks! Stay away from that complex	1	0%		0%	1	0%
The Price	1	0%		0%	1	0%
The price of the rent	1	0%		0%	1	0%
There is no parking	1	0%		0%	1	0%
There's a lot there I wouldn't make use of		0%	1	0%	1	0%
Too noisy; younger crowd		0%	1	0%	1	0%
Transfer student so never would've been a 1st yr here		0%	1	0%	1	0%
UCR housing is the WORST! Non-responsive and too restrictive	1	0%		0%	1	0%
Want to live with my partner	1	0%		0%	1	0%
Whether or not it was a very social dorm		0%	1	0%	1	0%
While I like my roomates, its too crowded for a triple bedro		0%	1	0%	1	0%
Would depend on price comparison		0%	1	0%	1	0%
(blank)	186	30%	261	61%	447	42%
Grand Total	**624**	**100%**	**431**	**100%**	**1,055**	**100%**

APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on] Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By ____

Authorized Officer

UC RIVERSIDE
UNIVERSITY OF CALIFORNIA

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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