

*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 2011 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 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds. See "TAX MATTERS" herein.*

**\$94,510,000**

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**Student Housing Revenue Bonds**

**(University of California, Irvine East Campus Apartments, Phase I Refunding—CHF—Irvine, L.L.C.)**

**Series 2011**

**Dated:** Date of Delivery

**Due:** May 15, as shown on the inside cover

California Statewide Communities Development Authority (the "Issuer") is offering \$94,510,000 aggregate principal amount of its Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase I Refunding—CHF—Irvine, L.L.C.) Series 2011 (the "Series 2011 Bonds"). The proceeds of the sale of the Series 2011 Bonds, together with other funds, will be used to provide funds to (i) pay the costs of acquiring an approximately 1,488-bed student housing facility and related facilities known as Vista Del Campo (collectively, the "Series 2011 Project") located on the campus of the University of California, Irvine in Irvine, California, (ii) fund a Liquidity Account and certain other funds and expenses authorized under the Indenture and (iii) pay the Issuance Costs of the Series 2011 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Series 2011 Project will be owned by CHF—Irvine, L.L.C. (the "Borrower"), a limited liability company organized under the laws of the State of Alabama.

The Series 2011 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 Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended (the "Act"), and an Indenture, dated as of December 1, 2004, between the Issuer and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee (the "Bond Trustee"), as previously amended and supplemented (the "Original Indenture"), and as further supplemented by a Third Supplemental Indenture, dated as of December 1, 2011 (the "Third Supplemental Indenture" and, together with the Original Indenture, the "Indenture"). Principal of, redemption premium, if any, and interest on the Series 2011 Bonds are payable solely, except to the extent paid out of moneys attributable to proceeds of the Series 2011 Bonds and from temporary investments thereof, from a pledge of moneys derived from a Loan Agreement, dated as of December 1, 2004, between the Issuer and the Borrower, as previously amended and supplemented (the "Original Loan Agreement"), and as further supplemented by a Third Supplemental Loan Agreement, dated as of December 1, 2011 (the "Third Supplemental Loan Agreement" and, together with the Original Loan Agreement, the "Loan Agreement"), and from property pledged under the Leasehold Deed of Trust (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Series 2011 Bonds and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture. There are other outstanding Bonds issued pursuant to the Indenture. Moreover, the Indenture permits the Issuer to issue Additional Bonds secured on a parity with the Series 2011 Bonds and all other outstanding Bonds under certain circumstances. See "INTRODUCTORY STATEMENT" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

**The Borrower's obligations with respect to the Series 2011 Bonds are non-recourse. See "NON-RECOURSE OBLIGATION OF THE BORROWER" herein.**

**THE SERIES 2011 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 REGENTS OF THE UNIVERSITY OF CALIFORNIA ("THE REGENTS") OR THE CITY OF IRVINE BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2011 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 REGENTS OR THE CITY OF IRVINE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2011 BONDS. THE ISSUANCE OF THE SERIES 2011 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR THE REGENTS OR THE CITY OF IRVINE 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 2011 Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and any multiple thereof. The Series 2011 Bonds will bear interest from the Date of Delivery, payable semiannually on each May 15 and November 15, commencing May 15, 2012 (each, an "Interest Payment Date"). The Series 2011 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 2011 Bonds. So long as Cede & Co. is the registered owner of the Series 2011 Bonds, references herein to the Owners of the Series 2011 Bonds shall mean Cede & Co. and will not mean the beneficial owners of the Series 2011 Bonds. So long as Cede & Co. is the registered owner of the Series 2011 Bonds, the payment of principal of, interest, and redemption premium, if any, on the Series 2011 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 2011 BONDS" herein.

**The Series 2011 Bonds will be subject to mandatory, optional and extraordinary redemption prior to maturity as described herein. See "THE SERIES 2011 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 2011 Bonds are offered when, as, and if received by the Underwriter, subject to the approval as to legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, counsel to the Issuer; The Regents by its Office of General Counsel; Hand Arendall LLC, Mobile, Alabama, counsel to the Borrower; Glast, Phillips & Murray, P.C., Dallas, Texas, counsel to the Manager; and O'Melveny & Myers LLP, counsel to the Underwriter. It is expected that the Series 2011 Bonds will be available for delivery to DTC in New York, New York on or about January 11, 2012.*

**Barclays Capital**

Dated: December 15, 2011

## MATURITY AND PRICING SCHEDULE

### Serial Bonds

<b><u>Maturity (May 15)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP No.</u></b> <sup>†</sup>
2012	\$1,300,000	3.00%	1.10%	13078REV8
2013	600,000	4.00	1.75	13078REW6
2014	900,000	4.00	2.25	13078REX4
2015	1,150,000	4.00	2.65	13078REY2
2016	1,450,000	4.00	2.90	13078REZ9
2017	1,900,000	5.00	3.10	13078RFA3
2018	2,410,000	5.00	3.35	13078RFB1
2019	2,530,000	5.00	3.55	13078RFC9
2020	2,660,000	5.00	3.80	13078RFD7
2021	2,790,000	5.00	4.10	13078RFE5

\$37,060,000 5.125% Term Bond due May 15, 2031 – Yield 5.125% CUSIP No. 13078RET3<sup>†</sup>

\$39,760,000 5.375% Term Bond due May 15, 2038 – Yield 5.375% CUSIP No. 13078REU0<sup>†</sup>

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<sup>†</sup> Copyright 2011, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Banker's Association, and is set forth herein for convenience of reference only. None of the Issuer, the Borrower or the Underwriter assumes any responsibility for the accuracy of such numbers.

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2011 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 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 Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has 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 Underwriter does 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 Regents, the Manager or the Underwriter. 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.**

**THE SERIES 2011 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 2011 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.**

**The 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 the 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 2011 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 Statewide Communities Development Authority (the "Issuer") is a joint powers agency organized pursuant to a Joint Powers Agreement among a number of State of California (the "State") counties, cities and special districts entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. The Issuer is authorized to participate in financings for the benefit of certain organizations described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). See "THE ISSUER" herein.

### **The Borrower**

CHF-Irvine, L.L.C. (the "Borrower") is a limited liability company, organized in July 2004 under the laws of the State of Alabama for the purpose of assisting UCI (defined below) to provide housing for its students. The Borrower is not expected to have any assets other than the Series 2004 Project (defined below), the Series 2008 Project (defined below) and the Series 2011 Project (defined below and together with the Series 2004 Project and the Series 2008 Project, collectively, the "Project"). 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. The proceeds of the Series 2011 Bonds will be loaned to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2004, between the Issuer and the Borrower, as previously amended and supplemented (the "Original Loan Agreement"), and as further supplemented by a Third Supplemental Loan Agreement, dated as of December 1, 2011 (the "Third Supplemental Loan Agreement" and, together with the Original Loan Agreement, the "Loan Agreement"), to be applied by the Borrower as described below under "ESTIMATED SOURCES AND USES OF FUNDS." See "THE BORROWER" herein.

## **The University and The Regents**

The University of California (the “University”) is a public institution of higher education founded in 1868. It 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 more than 200 laboratories, research stations and institutes, affiliated schools, activity locations, and a statewide Division of Agriculture and Natural Resources. The California State Constitution 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 necessary to ensure the security of its funds and the compliance with certain statutory and administrative requirements. The governing board of the University is composed of 26 members, a majority of whom are appointed by the Governor of the State and approved by a majority vote of the State Senate. See “THE UNIVERSITY OF CALIFORNIA AND THE REGENTS” herein. **The Regents is not obligated with respect to payment of the Series 2011 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Limited Obligations” herein.**

## **UCI**

The University of California, Irvine (“UCI”) is a campus of the University, located in Irvine, California. UCI was established in 1965 as the ninth campus of the University. It offers undergraduate and graduate level study and is a component campus of the University. Total student headcount enrollment for Fall Term 2011 was 27,889, which was an approximately 0.8% increase from Fall Term 2010. Freshman enrollment in Fall Term 2011 totaled 5,029, an increase of approximately 2.0% as compared to Fall Term 2010. Current housing at UCI consists of (i) four University-owned undergraduate residential communities, ranging in size from 796 to 1,761 beds and totaling 5,096 beds in the aggregate, (ii) two University-owned on-campus graduate and family apartment complexes with the capacity to house approximately 2,322 students, and (iii) three non-University-owned student residential communities developed as part of a third-party owned housing project on the east side of UCI’s campus (the “East Campus Apartment Project”), which includes the Series 2004 Project (consisting of 255 graduate beds and 1,309 undergraduate beds), the Series 2008 Project (consisting of 2,074 beds) and the Series 2011 Project (consisting of 252 graduate beds and 1,236 undergraduate beds). There are a total of approximately 12,500 beds on campus for students. See “THE UNIVERSITY OF CALIFORNIA, IRVINE” herein and “THE SERIES 2011 PROJECT—Existing On-Campus Student Housing” in Appendix A hereto. **The Regents is not obligated with respect to payment of the Series 2011 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Limited Obligations” herein.**

<b>The Series 2011 Bonds</b>	<p>The Issuer will issue \$94,510,000 aggregate principal amount of revenue bonds to be designated “California Statewide Communities Development Authority Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase I Refunding—CHF—Irvine, L.L.C.) Series 2011” (the “Series 2011 Bonds”). The proceeds of the sale of the Series 2011 Bonds, together with other funds, will be used to provide funds to (i) pay the costs of acquiring an approximately 1,488-bed student housing facility and related facilities known as Vista Del Campo (see “The Series 2011 Project” below) located on the UCI campus, (ii) fund a Liquidity Account and certain other funds and expenses authorized under the Indenture and (iii) pay the Issuance Costs of the Series 2011 Bonds. See “THE SERIES 2011 BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.</p> <p>The Series 2011 Bonds and all other 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. There are other outstanding Bonds issued pursuant to the Indenture. Moreover, the Indenture permits the Issuer to issue Additional Bonds secured on a parity with the Series 2011 Bonds and all other outstanding Bonds, under certain circumstances. See “INTRODUCTORY STATEMENT,” “DEBT SERVICE” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.</p>
<b>The Bond Trustee</b>	<p>The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.) will act as trustee, bond registrar and paying agent for the Series 2011 Bonds.</p>
<b>The Master Trustee</b>	<p>The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.) also acts as master trustee under the Financing Trust Agreement (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge and Assignment of Financing Trust Estate” herein.</p>
<b>The Series 2011 Project</b>	<p>The project known as “Vista Del Campo” (the “Series 2011 Project”) consists, approximately, of a 488 unit, 1,488-bed student housing facility and related facilities for undergraduate and graduate students. The Series 2011 Project is managed by ACC SC Management (California) LP. See “The Manager” below. The site of the Series 2011 Project (the “Series 2011 Project Site”) comprises approximately twenty-eight acres on the campus of UCI consisting of two parcels, which will be leased to the Borrower pursuant to a Ground Lease Agreement (the “2011 Ground Lease”), dated as of December 1, 2011, between The Regents, as ground lessor (the “Ground Lessor”), and the Borrower, as ground lessee (the “Ground Lessee”). See “The 2011 Ground Lease” below. The ownership of the Series 2011 Project will be transferred from The Regents to the Borrower pursuant to a quitclaim deed in accordance with the Ground Leases. For additional information regarding the Series 2011 Project, see “THE SERIES 2011 PROJECT” herein and APPENDIX A—“THE SERIES 2011 PROJECT.”</p>

<b>Refunding 2002 Bonds</b>	The Series 2011 Project was originally financed from proceeds of certain Student Housing Revenue Bonds (EAH-East Campus Apartments, LLC—UC Irvine Project), Series 2002A in the original aggregate principal amount of \$104,230,000 and Taxable Student Housing Revenue Bonds (EAH-East Campus Apartments, LLC—UC Irvine Project), Series 2002B in the original aggregate principal amount of \$270,000 (collectively, the “Series 2002 Bonds”) issued by the Issuer in December 2002. As of December 1, 2011, the outstanding aggregate principal amount of the Series 2002 Bonds was \$97,735,000. In connection with the acquisition of the Series 2011 Project by the Borrower, the proceeds of the Series 2011 Bonds will be applied by the Issuer to advance refund and defease the Series 2002 Bonds. See “PLAN OF FINANCE” herein.
<b>The Manager</b>	ACC SC Management (California) LP, a Delaware limited partnership, successor by conversion to American Campus Management (California), LLC, a Delaware limited liability company (the “Manager”), manages the Series 2011 Project. The Manager also manages the Series 2004 Project and the Series 2008 Project. The Manager is an affiliate of American Campus Communities, Inc., a Maryland corporation (“American Campus”). As of September 30, 2011, American Campus or its affiliates managed approximately 144 student housing communities, containing more than 93,000 beds, with an overall occupancy rate of approximately 98.5%. See “THE MANAGER” herein.
<b>The 2011 Ground Lease</b>	Pursuant to the 2011 Ground Lease, The Regents will lease the Series 2011 Project Site to the Borrower for the period commencing on January 11, 2012 (the closing date of the Series 2011 Bonds) and expiring on the earlier of (i) January 11, 2053 or (ii) 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 2011 Ground Lease exceed 41 years. The term of the 2011 Ground Lease is further subject to (x) certain early termination rights of The Regents related to events of default, as provided in the 2011 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. See “THE 2011 GROUND LEASE” herein and APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS.”
<b>Security for the Bondholders</b>	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, 2004, as previously supplemented and as further supplemented by a Third Supplemental Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of December 1, 2011 (collectively, 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 interest in the Project Sites (as defined herein) and all improvements thereon and other interests created by the Ground Leases (as defined herein) 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 and any improvements thereto, and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Project, and all tangible



personal property of the Borrower located on the Project Sites and used primarily in connection with the construction, operation or maintenance of the Project and (ii) an Assignment of Construction Documents, dated as of December 1, 2004, as amended, relating to the Series 2004 Project and an Assignment of Construction Documents, dated as of July 1, 2008, relating to the Series 2008 Project (collectively, the “Assignment of Construction Documents”), pursuant to which the Borrower assigns to the Issuer its rights under the architects’ contracts and construction contracts relating to the design or construction of the Project and any improvements thereto or expansions thereof. As security for its obligations under the Bonds, the Issuer entered into an Indenture, dated as of December 1, 2004, with the Bond Trustee, as amended and supplemented (the “Original Indenture”), and as further supplemented by a Third Supplemental Indenture, dated as of December 1, 2011 (the “Third Supplemental Indenture,” and, together with the Original Indenture, the “Indenture”). 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), the Third Supplemental Leasehold Deed of Trust, the Management Agreement, the Assignment of Construction Documents and all revenues, payments, receipts and moneys to be received and held thereunder. The Borrower also entered into a Financing Trust Agreement as amended, dated as of December 1, 2004, with the Master Trustee, as previously supplemented (the “Original Financing Trust Agreement”), and as further supplemented by a Fourth Supplemental Financing Trust Agreement, dated as of December 1, 2011 (the “Fourth Supplemental Financing Trust Agreement” and, together with the Original Financing Trust Agreement, 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 Bonds and any additional bonds 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 Loan Agreement). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein and APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS.”

The Indenture permits the Issuer to issue Additional Bonds secured on a parity with the Series 2011 Bonds and all other outstanding Bonds, under certain circumstances. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

**Continuing Disclosure**

The Borrower covenants in the Loan Agreement to provide such information as may be required by the provisions of Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission. None of the Issuer, The Regents or the Bond Trustee (except in its role as dissemination agent) will undertake any responsibility with respect to continuing disclosure under Rule 15c2-12. The Master Trustee has covenanted in the Financing Trust Agreement to cooperate with the Borrower and the Bond Trustee, as dissemination agent, with respect to the 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” and APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

**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 Underwriter prior to the issuance and delivery of the Series 2011 Bonds and from the Bond Trustee after the issuance and delivery of the Series 2011 Bonds. See “INTRODUCTORY STATEMENT,” “SOURCES OF INFORMATION” and “MISCELLANEOUS” herein.

# OFFICIAL STATEMENT

**\$94,510,000**

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
STUDENT HOUSING REVENUE BONDS**

**(UNIVERSITY OF CALIFORNIA, IRVINE EAST CAMPUS APARTMENTS, PHASE I REFUNDING—CHF—IRVINE, L.L.C.)  
SERIES 2011**

## INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the appendices hereto, furnishes certain information in connection with the sale by the California Statewide Communities Development Authority (the “Issuer”) of \$94,510,000 in aggregate principal amount of its Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase I Refunding—CHF—Irvine, L.L.C.) Series 2011 (the “Series 2011 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 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, 2004, between the Issuer and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee (the “Bond Trustee”), as previously amended and supplemented (the “Original Indenture”), and as further supplemented by a Third Supplemental Indenture, dated as of December 1, 2011 (the “Third Supplemental Indenture” and, together with the Original Indenture, the “Indenture”).

Prior to the issuance of the Series 2011 Bonds, the Issuer for the benefit of CHF—Irvine, L.L.C. (the “Borrower”), an Alabama limited liability company, has previously issued under the Indenture \$109,780,000 aggregate principal amount of its Student Housing Revenue Bonds (CHF—Irvine, L.L.C.—UCI East Campus Apartments, Phase II) Series 2004 (the “Series 2004 Bonds”) to finance the Series 2004 Project, \$99,290,000 aggregate principal amount of its Student Housing Refunding Revenue Bonds (CHF—Irvine, L.L.C.—UCI East Campus Apartments, Phase II) Series 2006 (the “Series 2006 Bonds”) to refund a portion of the Series 2004 Bonds and \$220,915,000 aggregate principal amount of its Student Housing Revenue Bonds (CHF—Irvine, L.L.C.—UCI East Campus Apartments, Phase II) Series 2008 (the “Series 2008 Bonds”) to finance the Series 2008 Project. The Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds, the Series 2011 Bonds and any Additional Bonds (as defined herein) issued pursuant to the Indenture are collectively referred to herein as the “Bonds.” As of December 1, 2011, there remain Outstanding Bonds in the aggregate principal amount of \$330,710,000 as shown in Table 1 below. See also “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Bonds; Parity Obligations” herein.

**Table 1**

**Outstanding Bonds as of December 1, 2011**

<u>Series</u>	<u>Amount Outstanding</u>
Series 2004 Bonds	\$ 11,260,000
Series 2006 Bonds	\$ 98,535,000
Series 2008 Bonds	<u>\$220,915,000</u>
Total	\$330,710,000

The proceeds of the sale of the Series 2011 Bonds, together with other funds, will be used to provide funds to (i) pay the costs of acquiring an approximately 1,488-bed student housing facility and related facilities known as

Vista Del Campo (collectively, the “Series 2011 Project”) located on the campus of the University of California, Irvine in Irvine, California, (ii) fund a Liquidity Account and certain other funds and expenses authorized under the Indenture and (iii) pay the Issuance Costs of the Series 2011 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The site of the Series 2011 Project (the “Series 2011 Project Site”) comprises approximately twenty-eight acres on the campus of UCI and will be leased to the Borrower, pursuant to a Ground Lease Agreement (the “2011 Ground Lease”), dated as of December 1, 2011 between The Regents of the University of California, as ground lessor, (the “Ground Lessor”) and the Borrower, as ground lessee (the “Ground Lessee”). The Issuer will lend the proceeds of the Series 2011 Bonds to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2004, between the Issuer and the Borrower, as previously supplemented (the “Original Loan Agreement”), and as further supplemented by a Third Supplemental Loan Agreement, dated as of December 1, 2011 (the “Third Supplemental Loan Agreement” and, together with the Original Loan Agreement, the “Loan Agreement”). The Borrower is obligated pursuant to the Loan Agreement to make monthly Basic Loan Payments 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 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 Project. See “THE 2011 GROUND LEASE” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Principal and interest on the Series 2011 Bonds are payable solely, except to the extent paid out of moneys attributable to Series 2011 Bond proceeds and from temporary investments thereof, from a pledge of moneys derived from the Loan Agreement and from property pledged under the Leasehold Deed of Trust (as defined herein). **The obligations of the Borrower under the Loan Agreement and other Bond Documents (as defined herein) are non-recourse to the Borrower, and judgment in any action or proceeding will be enforceable against the Borrower only to the extent of the Borrower’s interest in the Series 2011 Project and the other Security (as defined herein).** See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

**THE SERIES 2011 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 REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2011 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 REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2011 BONDS. THE ISSUANCE OF THE SERIES 2011 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, OR THE REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE 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, 2004, as previously amended and supplemented (the “Original Leasehold Deed of Trust”) and as further supplemented by a Third Supplemental Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of December 1, 2011 (the “Third Supplemental Leasehold Deed of Trust” and together with the Original Leasehold Deed of Trust, collectively, 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 interest in the Project Sites (as defined herein) and all improvements thereon and other interests created by the 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 herein) and any improvements

thereto, and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Project, and all tangible personal property of the Borrower located on the Project Sites and used primarily in connection with the construction, operation or maintenance of the Project and (ii) an Assignment of Construction Documents, dated as of December 1, 2004, as amended, relating to the Series 2004 Project and an Assignment of Construction Documents, dated as of July 1, 2008 relating to the Series 2008 Project (collectively, the “Assignment of Construction Documents”), pursuant to which the Borrower assigns to the Issuer its rights under the architects’ contracts and construction contracts relating to the design or construction of the Project and any improvements thereto or expansions thereof.

The Issuer, pursuant to the Indenture, will assign and grant a first priority security interest in all of its rights under the Loan Agreement (except for Unassigned Rights (as defined in the Indenture)), the Leasehold Deed of Trust, the Management Agreement and the Assignment of Construction Documents to the Bond Trustee which, on behalf of the Owners of the Bonds, will exercise all of the Issuer’s rights thereunder (except for Unassigned Rights). In addition, pursuant to the Financing Trust Agreement, dated as of December 1, 2004, as previously supplemented (the “Original Financing Trust Agreement”), and as further supplemented by a Fourth Supplemental Financing Trust Agreement (the “Fourth Supplemental Financing Trust Agreement” and together with the Original Financing Trust Agreement, the “Financing Trust Agreement”), the Borrower will assign and grant a security interest to the Master Trustee, for the equal and pro rata benefit of all bonds secured by the Financing Trust Agreement (including but not limited to the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 Bonds), in the UCI Bonds Pooling Subaccount, the UCI Bonds Redemption Subaccount and all amounts from time to time on deposit therein, and the UCI Bonds Liquidity Account Loan Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

**Certain terms defined in the Indenture, the Financing Trust Agreement, the Loan Agreement and the 2011 Ground Lease are set forth in Appendix C attached to this Official Statement.** Capitalized terms used but not defined herein or in Appendix C 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, UCI, the Series 2011 Project, the Manager, the Series 2011 Bonds, the Loan Agreement, the 2011 Ground Lease, the Financing Trust Agreement and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the 2011 Ground Lease, the Loan Agreement, the Financing Trust Agreement and the Indenture (collectively, the “Bond Documents”) are qualified in their entirety by reference to such documents, and references herein to the Series 2011 Bonds are qualified in their entirety to the forms thereof included in the Indenture.

## THE ISSUER

The California Statewide Communities Development Authority is a joint powers agency organized pursuant to a Joint Powers Agreement among a number of State counties, cities and special districts entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. The Issuer is authorized to participate in financings for the benefit of certain organizations described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

The Issuer has sold and delivered obligations other than those represented by the Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Loan Agreement. The holders of such obligations of the Issuer have no claim on the security for the Bonds and the holders of the Bonds will have no claim on the security of such other obligations issued by the Issuer.

## THE SERIES 2011 PROJECT

The Series 2011 Project, known as “Vista Del Campo” consists, approximately, of a 488 unit, 1,488-bed student housing facility and related facilities for undergraduate and graduate students. The site of the Series 2011 Project comprises approximately twenty-eight acres on the campus of UCI (the “Series 2011 Project Site,” and together with the 2004 Project Site and the 2008 Project Site, the “Project Sites”), which will be leased to the Borrower pursuant to the 2011 Ground Lease between The Regents, as Ground Lessor, and the Borrower, as Ground Lessee. The Series 2011 Project is an expansion of the projects known as “East Campus Student Apartments, Phase II, Series 2004” (the “Series 2004 Project”) and “East Campus Student Apartments, Phase II, Series 2008” (the “Series 2008 Project” and together with the Series 2004 Project and the Series 2011 Project, the “Project”). The Series 2004 Project is located on a site (the “2004 Project Site”) leased to the Borrower pursuant to a Ground Lease dated as of December 1, 2004 (as amended, the “2004 Ground Lease”). The Series 2008 Project is located on a site (the “2008 Project Site”) leased to the Borrower pursuant to a Ground Lease dated as of July 1, 2008 (as amended, the “2008 Ground Lease,” and together with the 2004 Ground Lease and the 2011 Ground Lease, the “Ground Leases”), between The Regents, as Ground Lessor, and the Borrower, as Ground Lessee. The Series 2004 Project was completed in 2006, the Series 2008 Project was completed in 2010 and the Series 2011 Project was completed in 2004. See APPENDIX A—“THE SERIES 2011 PROJECT.”

The Series 2011 Project is managed by ACC SC Management (California) LP, a Delaware limited partnership, successor by conversion to American Campus Management (California), LLC, a Delaware limited liability company (the “Manager”), an affiliate of American Campus Communities, Inc. See “THE MANAGER” herein.

## THE BORROWER

### General

The Borrower, CHF-Irvine, L.L.C., is a limited liability company organized in July 2004 under the laws of the State of Alabama for the purpose of assisting UCI to provide housing for its students. The Borrower is not expected to have any assets other than the Project. 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 Leases. 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 38 student housing Projects in 20 different states, with aggregate project costs exceeding \$1 billion.

The proceeds of the Series 2011 Bonds will be loaned to the Borrower pursuant to the Loan Agreement to be used by the Borrower to pay certain costs of the Series 2011 Project and other related costs as described herein. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. **The Foundation has no obligation to make payments on the Series 2011 Bonds.**

Important information regarding the financial condition of the Borrower is set forth in APPENDIX B — “FINANCIAL STATEMENTS OF THE BORROWER FOR THE YEARS ENDED JUNE 30, 2011 AND 2010” attached hereto, which prospective investors should read in its entirety.

## 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 December 1, 2011:

<u>Name</u>	<u>Business Affiliation</u>	<u>Term Expires</u>
Leeman H. Covey	President of the Foundation, Former Vice President of Finance, Spring Hill College, Mobile, Alabama	2011
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	2012
Jack Edwards	Member of Hand Arendall LLC Former President Pro Tem of the Board of Trustees of the University of Alabama System	2011
John Brooks Slaughter	President Emeritus, Occidental College President and Chief Executive Officer, National Action Council for Minorities in Engineering, Inc.	2014
Thomas M. Daly	Former Senior Vice President and Managing Director, Legg Mason Student Housing Public Finance Group	2012
Linda Flaherty- Goldsmith	Former Vice President and Chief Operating Officer, University of Connecticut, 2003-2006	2011

## NON-RECOURSE OBLIGATION OF THE BORROWER

The Issuer has agreed in the Loan Agreement not to enforce the liability and obligations of the Borrower under the Loan Agreement or any of the other Bond Documents in any action or proceeding wherein a money judgment shall be sought against the Borrower, except that the Issuer (or the Bond Trustee, as the assignee of the Issuer) may bring a foreclosure action, action for specific performance, or other appropriate action or proceeding to enable the Issuer (or the Bond Trustee, as the assignee of the Issuer) to enforce the Borrower's obligations under the Bond Documents or to enforce and realize upon the Leasehold Deed of Trust and the Assignment of Construction Documents, and the Borrower's interest in the property pledged under the Leasehold Deed of Trust, provided, however, that any judgment in any such action or proceeding shall be enforceable against the Borrower only to the extent of the Borrower's interest in the Project and the other Security. The Issuer has agreed in the Loan Agreement that it will not sue for, seek or demand any deficiency against the Borrower, its officers, directors, employees or agents, in such action or proceeding, under or by reason of or in connection with the Loan Agreement or any of the other Bond Documents. This agreement effectively means the Issuer (or the Bond Trustee, as the assignee of the Issuer) will not be able to bring any claim against the Borrower or the Foundation that will require it to utilize any of its funds or property other than that specifically pledged to the payment of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Project Gross Revenues" herein. Because of the limited nature of the Borrower's obligation, only limited information is being provided herein regarding the financial assets or business affairs of the Borrower.

## THE SERIES 2011 BONDS

### General Description

The Series 2011 Bonds will be dated the Date of Delivery and will mature on May 15 of the years 2012 through 2021 inclusive, 2031 and 2038, subject to mandatory redemption provisions. The Series 2011 Bonds will bear interest at the rates shown on the inside cover page of this Official Statement, payable initially on May 15, 2012, and semi-annually thereafter on each May 15 and November 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 2011 Bond, unless such Series 2011 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 2011 Bonds will be in default, in which event such Series 2011 Bond will bear interest from the date to which interest will have been paid in full on such Series 2011 Bond, or unless no interest will have been paid on the Series 2011 Bonds, in which event such Series 2011 Bond will bear interest from the dated date.

Interest on the Series 2011 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2011 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 2011 Bonds are being issued as Additional Bonds pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds” herein.

### Payment of the Series 2011 Bonds

Principal of and redemption premium, if any, on the Series 2011 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 2011 Bond upon presentation and surrender of the Series 2011 Bonds being paid or redeemed. Interest on each Series 2011 Bond will be paid by check or draft mailed to the person in whose name such Series 2011 Bond is registered, at the address as it appears on the Bond Register as of the close of business on the Regular Record Date for such payment, irrespective of any transfer or exchange of such Series 2011 Bond subsequent to a Regular Record Date and prior to the related Interest Payment Date by the person in whose name such Series 2011 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 2011 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 2011 Bond to the Bond Trustee. While DTC or its nominee is owner of the Series 2011 Bonds, all payments of principal of, and redemption premium, if any, and interest on the Series 2011 Bonds will be paid to DTC or its nominee by wire transfer. See “Book-Entry Only System for the Series 2011 Bonds” below and APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.”

### Book-Entry Only System for the Series 2011 Bonds

DTC will act as securities depository for the Series 2011 Bonds. The ownership of one fully registered Series 2011 Bond for the maturity date set forth on the cover page hereof, in the aggregate principal amount of the Series 2011 Bonds maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC, or any successor nominee. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM” for a description of DTC and the Book-Entry Only System.

### Redemption

*Optional Redemption.* The Series 2011 Bonds maturing on or before May 15, 2021 are not subject to optional redemption. The Series 2011 Bonds maturing on and after May 15, 2022 are subject to optional redemption prior to maturity, as set forth in a written request of an Authorized Borrower Representative filed with the Bond



Trustee, on and after May 15, 2021, in whole or in part, equal to the principal amount of the Series 2011 Bonds called for redemption plus accrued interest thereon to the date of redemption, without premium.

*Extraordinary Optional Redemption.* The Series 2011 Bonds are also subject to redemption in full as set forth in a written request of an Authorized Borrower Representative filed with the Bond Trustee if:

(i) the Project shall have been destroyed or damaged and the Bond Trustee determines to redeem Bonds from funds made available in accordance with the applicable Ground Lease or the Borrower elects not to restore the Project and terminates the Ground Leases in accordance with the terms of the Ground Leases because there are less than five years remaining in the terms of the Ground Leases, existing laws do not permit restoration of the Project to substantially the same amount of square feet that existed immediately prior to such destruction or damage or the destruction or damage is an uninsured risk and the reasonable cost to restore is greater than the amount in the Repair and Replacement Fund; or

(ii) title to, or the temporary use of, a substantial portion of the 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 Project cannot be reasonably restored or replaced within a period of 12 months to substantially the condition thereof immediately preceding such taking, or (B) the Borrower is thereby prevented from carrying on its normal operations therein for a period of 12 consecutive months, or (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 Series 2011 Bonds will also be subject to redemption in part as set forth in a written request of an Authorized Borrower Representative filed with the Bond Trustee if:

(i) the Project shall have been destroyed or damaged and the Bond Trustee determines to redeem Bonds from funds made available in accordance with the applicable Ground Lease or the Borrower elects not to restore the Project and terminates the Ground Leases in accordance with the terms of the Ground Leases because there are less than five years remaining in the terms of the Ground Leases, existing laws do not permit restoration of the Project to substantially the same amount of square feet that existed immediately prior to such destruction or damage or the destruction or damage is an uninsured risk and the reasonable cost to restore is greater than the amount in the Repair and Replacement Fund; or

(ii) in the event of partial condemnation to the 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 Project or for the acquisition of substitute property suitable for the Borrower's operations at the 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 Project that was taken is not essential to the Borrower's use or occupancy of the Project or to its operation at substantially the same revenue-producing level prior to such taking, or (b) that the Project has been restored to a condition substantially equivalent to its condition prior to such taking, or (c) that the Borrower has acquired or will acquire improvements that are substantially equivalent to the property forming a part of the Project that was taken, or (ii) a written report of a Financial Consultant that the Fixed Charges Coverage Ratio for each of the two 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 most recent Fiscal Years prior to such taking for which audited financial statements are available.

If the Series 2011 Bonds are called for extraordinary optional redemption, in whole or in part, upon the occurrence of any of the events described above in this subheading, the Series 2011 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 2011 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 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 Project (or any other portion of the Project if the Borrower directs that such Net Proceeds be used to redeem Bonds) to the extent such Net Proceeds are not used, at the option of the Borrower, to acquire or construct replacement or substitute property; **or**

(ii) any proceeds of a sale or disposition of any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Equipment (as defined in the Loan Agreement) (or any other portion of the Project if the Borrower directs that such proceeds be used to redeem Bonds) to the extent such Net Proceeds are not used, at the option of the Borrower, to acquire replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended; **or**

(iii) any Net Proceeds of insurance received by the Borrower as a result of destruction of or damage to the Project (or any other portion of the Project if the Borrower directs that such Net Proceeds be used to redeem Bonds) to the extent such Net Proceeds are not used, at the option of the Borrower, to restore the Project and/or to acquire or construct replacement or substitute property; **or**

(iv) any Net Proceeds received by the Borrower as a result of the taking of the Project or any part thereof (or any other portion of the Project if the Borrower directs that such Net Proceeds be used to redeem Bonds) under the exercise of the power of eminent domain to the extent such Net Proceeds are not used, at the option of the Borrower, to restore the Project and/or to acquire or construct replacement or substitute property; **or**

(v) the release price for any unimproved portion of the Project (or any other unimproved portion of the Project if the Borrower directs that such amount be used to redeem Bonds) released from the lien of the Leasehold Deed of Trust determined and paid to the Bond Trustee pursuant to the provisions of the Loan Agreement; **or**

(vi) any funds released from the UCI Bonds Redemption Subaccount within the Liquidity Account pursuant to the Financing Trust Agreement for deposit into the Redemption Fund in order to redeem the Bonds.

In all instances where the Bond Trustee is directed by the terms of the Indenture to redeem Series 2011 Bonds from moneys deposited in the Redemption Fund, the Bond Trustee will redeem the maximum number of Series 2011 Bonds that may be redeemed in accordance with the provisions of the preceding paragraphs, and any excess moneys will remain in the Redemption Fund.

*Mandatory Sinking Fund Redemption.* The Series 2011 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 to the redemption date, in the following principal amounts and on the dates set forth below:

Series 2011 Bonds Maturing on May 15, 2031

<b>May 15 of the Year</b>	<b>Principal Amount</b>
2022	\$2,935,000
2023	3,075,000
2024	3,240,000
2025	3,400,000
2026	3,580,000
2027	3,760,000
2028	3,950,000
2029	4,160,000
2030	4,365,000
2031	4,595,000*

\*Final maturity

Series 2011 Bonds Maturing on May 15, 2038

<b>May 15 of the Year</b>	<b>Principal Amount</b>
2032	\$4,830,000
2033	5,090,000
2034	5,360,000
2035	5,650,000
2036	5,950,000
2037	6,270,000
2038	6,610,000*

\*Final 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 2011 Bonds delivered, purchased or redeemed, as hereinafter provided, if the Issuer or the Borrower at its option, on or before the forty-fifth (45<sup>th</sup>) day immediately preceding any May 15 on which Series 2011 Bonds are to be retired pursuant to the schedules above, (i) delivers to the Bond Trustee for cancellation Series 2011 Bonds or portions thereof, in any aggregate principal amount desired or (ii) directs the Bond Trustee to grant a credit for any such Series 2011 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 2011 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 2011 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 2011 Bonds will be redeemed only in Authorized Denominations. If less than all of the Series 2011 Bonds of any maturity are called for redemption in any of the circumstances set forth above (other than mandatory sinking fund redemption), the particular Series 2011 Bonds or portions thereof within a maturity to be redeemed will be selected by the Bond Trustee in such manner as the Bond Trustee in its sole discretion will determine. 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 2011 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 2011 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 2011 Bonds are called for redemption, notice thereof identifying the Series 2011 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 2011 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 2011 Bonds or any defect therein will not affect the validity of any proceedings for the redemption of any other Series 2011 Bonds for which notice will have been properly given. Each notice will specify the CUSIP numbers of the Series 2011 Bonds being called, the numbers of the Series 2011 Bonds being called, if less than all of the Series 2011 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 2011 Bonds to be redeemed and that on the redemption date, the redemption price will become due and payable upon each Series 2011 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 2011 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 2011 Bonds actually receives such notice. Upon the written request of the Borrower, any notice of optional redemption of Series 2011 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 2011 Bonds is conditioned upon the receipt by the Bond Trustee of amounts equal to the redemption price of the Series 2011 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 2011 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, 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 2011 Bonds or portions thereof called for redemption will cease to accrue interest, whether or not such Series 2011 Bonds are presented and surrendered for payment on such date. If any Series 2011 Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Series 2011 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 2011 Bonds. No Series 2011 Bonds will be registered to bearer. Any Series 2011 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 2011 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 2011 Bond will be effective until entered on the Bond Register.

Any Series 2011 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 2011 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 2011 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 2011 Bonds, the cost of printing, lithographing and engraving of all Series 2011 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 2011 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 2011 Bond as the absolute owner of such Series 2011 Bond for the purpose of receiving any payment on such Series 2011 Bond and for all other purposes of the Indenture and the Loan Agreement, whether such Series 2011 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 2011 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 2011 Bond to the extent of the sum or sums so paid.

New Series 2011 Bonds delivered upon any transfer or exchange will be valid limited obligations of the Issuer, evidencing the same obligation as the Series 2011 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 2011 Bonds (or portions thereof) surrendered. The Bond Trustee will not be required to transfer or exchange any Series 2011 Bonds (a) after the notice calling such Series 2011 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 2011 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 2011 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 REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2011 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 REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2011 BONDS. THE ISSUANCE OF THE SERIES 2011 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, OR THE REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.**

### **Leasehold Deed of Trust and Assignment of Construction Documents**

As security for the Borrower's obligations under the Loan Agreement in connection with the financing of the Series 2004 Project, the Borrower executed and delivered (i) the Original Leasehold Deed of Trust pursuant to which the Borrower, subject to Permitted Encumbrances, granted 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 2004 Project Site and its interest in all improvements thereon and other interests created by the 2004 Ground Lease (as amended) and, subject to Permitted Encumbrances, assigned and pledged 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 Series 2004 Project and any improvements thereto, and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Series 2004 Project and all tangible personal property of the Borrower located on the 2004 Project Site and used primarily in connection with the construction, operation or maintenance of the Series 2004 Project and (ii) the Assignment of Construction Documents pursuant to which the Borrower assigned to the Issuer its rights under the architect's contract and construction contracts relating to the design or construction of the Series 2004 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 2004 Ground Lease as the fee simple owner of the 2004 Project Site. The Leasehold Deed of Trust does not constitute a lien on the Ground Lessor's fee simple interest in the 2004 Project Site. See "INVESTMENT CONSIDERATIONS—Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws)" herein.

As security for the Borrower's obligations under the Loan Agreement in connection with the financing of the Series 2008 Project, the Borrower executed and delivered (i) a Second Supplemental Leasehold Deed of Trust, supplementing and amending the Original Leasehold Deed of Trust, pursuant to which the Borrower, subject to Permitted Encumbrances, granted 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 Series 2008 Project Site and its interest in all improvements thereon and other interests created by the 2008 Ground Lease and, subject to Permitted Encumbrances, assigned and pledged 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 Series 2008 Project and any improvements thereto (excluding rents or income from 361 parking spaces that are included in the Series 2008 Project's parking facilities, which consist of certain surface parking spaces and available parking spaces in a seven story parking structure), and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Series 2008 Project and all tangible personal property of the Borrower located on the Series 2008 Project Site and used primarily in connection with the construction, operation or maintenance of the Series 2008 Project and (ii) an Assignment of Construction Documents pursuant to which the Borrower assigned to the Issuer its rights under the architects' contracts and construction contracts relating to the design or construction of the Series 2008 Project and any improvements thereto or expansions thereof. The lien created by the Leasehold Deed of Trust (as amended and supplemented) is subject to the rights of the Ground Lessor under the respective Ground Leases as the fee simple owner of the Project Sites. The Leasehold Deed of Trust does not constitute a lien on the Ground Lessor's fee simple interest in the Project Sites. See "INVESTMENT CONSIDERATIONS—Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws)" herein.

As security for the Borrower's obligations under the Loan Agreement in connection with the financing of the Series 2011 Project, the Borrower will execute and deliver a Third Supplemental Leasehold Deed of Trust, supplementing and amending the Original Leasehold Deed of Trust, pursuant to which the Borrower, subject to Permitted Encumbrances, will grant 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 Series 2011 Project Site and its interest in all improvements thereon and other interests created by the 2011 Ground Lease and, subject to Permitted Encumbrances, will assign and pledge 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 Series 2011 Project and any improvements thereto, and all fixtures, attachments, appliances, equipment, machines and other articles incorporated into the Series 2011 Project and all tangible personal property of the Borrower located on the Series 2011 Project Site and used primarily in connection with the construction, operation or maintenance of the Series 2011 Project. The lien to be created by the Leasehold Deed of Trust (as amended and supplemented) is subject to the rights of the Ground Lessor under the respective Ground Leases as the fee simple owner of the Project Sites. The Leasehold Deed of Trust will not constitute a lien on the Ground Lessor's fee simple interest in the Project Sites. See "INVESTMENT CONSIDERATIONS—Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws)" herein.

### **Pledge of Project Gross Revenues**

As security for its obligations under the Loan Agreement, the Borrower assigns and pledges to the Issuer its interest in the Project Gross Revenues and the Trust Estate (as defined herein) and grant a security interest to the Issuer in the accounts, documents, chattel paper, instruments and general intangibles arising in any manner from the Borrower's operation of the Project, all of which the Issuer assigns and pledges to, and grant a security interest in, the Bond Trustee pursuant to the Indenture to secure its obligations under the Bonds.

### **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 Bonds, in and to the following (the "Trust Estate") which consists of:

(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 and (d) the Assignment of Construction

Documents, and all extensions and renewals of the terms thereof, if any, and all amounts encumbered thereby, including, but without limitation, 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 Bonds (but not including the escrow fund established by any escrow agreement for any refunded 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 Series 2008 Deferred Construction Expense Fund, the Working Capital and Marketing Fund, the Coverage Reserve 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;

(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, 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 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.**

#### **Pledge and Assignment of Financing Trust Estate**

Pursuant to the Financing Trust Agreement, the Borrower assigns and grants a security interest to the Master Trustee, in order to secure the payment of any and all bonds secured under the Financing Trust Agreement (including, but not limited to, the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 Bonds), according to the tenor and effect thereof and the interest thereon, and to secure the performance and observance by the Borrower and other borrowers from time to time in the future of all the covenants and conditions contained in the Financing Trust Agreement, all right, title and interest of such borrowers in, and to each of the funds and accounts established and maintained thereunder, but only as and to the extent set forth in the Financing Trust Agreement and subject to the terms and conditions thereof (the "Financing Trust Estate"). Bonds in addition to the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 Bonds may be secured by the Financing Trust Agreement if such bonds satisfy the requirements thereof, including the requirement that such bonds receive not less than an investment grade rating from Moody's (collectively, the "FTA-Secured Bonds"). See "Liquidity Account and Subaccounts" below. See also "INVESTMENT CONSIDERATIONS—Liquidity Account Available to Secure Other FTA-Secured Bonds; Financing Trust Agreement Subject to Amendment."

**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 C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS” for a summary of the Financing Trust Agreement.**

#### **Coverage Reserve Fund**

The Indenture created a Coverage Reserve Fund that is to be funded as provided in the Ground Leases. Amounts in the Coverage Reserve Fund will be used to pay interest on, redemption premium (if any) for and principal of the Bonds. In addition, amounts in the Coverage Reserve Fund may be included in calculating the Fixed Charges Coverage Ratio when determining compliance with the additional borrowing test and the rate covenant under the Indenture and the Loan Agreement. Subject to the terms of the Indenture, certain amounts on deposit in the Surplus Fund may be deposited into the Coverage Reserve Fund to restore the Coverage Reserve Fund to the Coverage Reserve Required Balance. The Coverage Reserve Required Balance equals 5% of the Maximum Annual Debt Service. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS.”

#### **Repair and Replacement Fund**

The Indenture also creates a Repair and Replacement Fund, which is a trust 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 Minimum Repair and Replacement Fund Balance equals the sum of (i) with respect to the Series 2004 Bonds, during the period from July 1, 2005 to June 30, 2015, \$750,000, and, during the period from July 1, 2015 and thereafter, \$1,000,000, (ii) with respect to the Series 2008 Bonds, during the period from July 1, 2010 to June 30, 2015, \$850,000, and, during the period from July 1, 2015 to June 30, 2020, \$1,100,000, and thereafter, \$1,500,000, and (iii) with respect to the Series 2011 Bonds, \$1,000,000. In addition, subject to the terms of the Indenture, certain amounts on deposit in the Surplus Fund may be deposited into the Repair and Replacement Fund to establish and maintain a balance in the Repair and Replacement Fund in an amount not greater than the Minimum Repair and Replacement Fund Balance. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS.” The Indenture provides that moneys in the Repair and Replacement Fund will be disbursed by the Bond Trustee to pay (i) the budgeted costs of maintenance and repair of the Project or (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.

#### **Working Capital and Marketing Fund**

A Working Capital and Marketing Fund was created under the Indenture. The Indenture permits the Working Capital and Marketing Fund to be used to provide working capital for the Borrower in respect of the Project and to pay certain fees and costs relating to the Project prior to and during the first year of operation, in accordance with the Loan Agreement. All funds deposited in such fund with respect to the Series 2004 Project and the Series 2008 Project have been used or transferred and no such amounts remain on deposit therein. No additional amounts will be deposited in such fund in connection with the Series 2011 Project given that the Series 2011 Project is already completed and operational.

#### **Liquidity Account and Subaccounts**

So long as any of the FTA-Secured Bonds (including the Series 2011 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 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 UCI Bonds Pooling Subaccount and (2) the UCI Bonds Redemption Subaccount. 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 2011 Bonds, the Bond Trustee, on behalf of the Borrower, will have on deposit in the UCI Bonds Pooling Subaccount held by the Master Trustee the amount of \$26,869,740.63 which is equal to the sum of (i) 100% of Maximum Annual Debt Service with respect to the Series 2004 Bonds and the Series 2006 Bonds and 75% of Maximum Annual Debt Service with respect to the Series 2008 Bonds, which amounts are already on deposit with the Master Trustee and (ii) 100% of Maximum Annual Debt Service with respect to the Series 2011 Bonds, which is being funded from funds available upon the closing of the Series 2011 Bonds (see “ESTIMATED SOURCES AND USES OF FUNDS” herein). The Indenture permits the remaining 25% of Maximum Annual Debt Service with respect to the Series 2008 Bonds (approximately \$4 million) to be funded in future years.

The Financing Trust Agreement and the Loan Agreement require the Borrower to maintain funds on deposit in the UCI Bonds Pooling Subaccount in an aggregate amount not less than the Liquidity Account 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 (including the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 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 of such 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 (as defined in the Financing Trust Agreement and including, but not limited to, the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 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 C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS.” 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 Series 2011 Project and an endorsement to the existing mortgagee’s title insurance policy covering the Series 2004 Project and the Series 2008 Project, will be available to the Bond Trustee at or prior to closing of the Series 2011 Bonds in the amount of not less than the Outstanding amount of the Bonds 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 Project Sites, subject only to Permitted Encumbrances and the standard exclusions from the coverage of such policy. Any net proceeds payable either to the Issuer or to the Borrower under such policy shall be paid to the Bond Trustee and held by the Bond Trustee in the Insurance Fund, and shall, at the Borrower’s written direction, be either (i) used to acquire or construct replacement or substitute property in Irvine, California for that to which title has been lost or (ii) used to redeem the Bonds pursuant to the Indenture.

The Borrower also agrees in the Loan Agreement to keep the 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 Ground Leases (including (i) property damage insurance on an “all risk” or “special form” basis; (ii) business auto liability insurance; (iii) commercial general liability insurance; and (iv) workers’ compensation and/or employers’ liability insurance; all as more particularly described in the Ground Leases); and (b) business interruption 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 Project caused by damage or destruction insured under the property insurance required under the Ground Leases in an amount not less than Annual Debt Service on the Bonds for the next succeeding twenty-four months (the deductible provisions for such business interruption insurance shall not exceed Twenty-Five Thousand Dollars (\$25,000) per occurrence or such greater amount as may be approved in writing by the Ground Lessor). See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS.”

The Loan Agreement does not require earthquake insurance to be maintained with respect to the Project, and neither the Borrower nor The Regents has obtained or plans to obtain or maintain such coverage for any portion of the Project. The Manager does maintain earthquake insurance with respect to the Project (which insurance is subject to deductibles and limits on overall coverage amounts) but the Manager is not required to do so by the Project agreements and such coverage may not be maintained in future years. See “INVESTMENT CONSIDERATIONS—Seismic Risks and Other Disasters.”

### **Outstanding Bonds; Parity Obligations**

In December 2004, the Issuer issued \$109,780,000 aggregate principal amount of Series 2004 Bonds and loaned the proceeds thereof to the Borrower to be used, among other things, to pay costs of the Series 2004 Project. In March 2006, the Issuer issued \$99,290,000 aggregate principal amount of Series 2006 Bonds and loaned the proceeds thereof to the Borrower. The Borrower applied the net proceeds of the Series 2006 Bonds to advance refund a portion of the Series 2004 Bonds in the aggregate principal amount of \$95,040,000 and such Series 2004 Bonds are no longer Outstanding and are no longer payable from funds available under the Indenture. In July 2008, the Issuer issued \$220,915,000 aggregate principal amount of Series 2008 Bonds and loaned the proceeds thereof to the Borrower to be used, among other things, to pay costs of the Series 2008 Project. As of December 1, 2011, \$330,710,000 aggregate principal amount of Series 2004 Bonds, Series 2006 Bonds and Series 2008 Bonds remain Outstanding under the Indenture, continue to be payable from funds available therefor under, and are secured by the lien of, the Indenture, and are payable on a parity with the Series 2011 Bonds and any other Additional Bonds issued pursuant to the Indenture. See “INTRODUCTORY STATEMENT.” See also “Additional Bonds” below.

### **Additional Bonds**

The Series 2011 Bonds are being issued as Additional Bonds pursuant to the Indenture. The Indenture provides that, so long as no Event of Default under the Indenture is then existing, Additional Bonds (including but not limited to the Series 2011 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, (ii) the costs of refunding any 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. Such Additional Bonds will be issued on a parity with the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds, the Series 2011 Bonds and any Additional Bonds hereafter issued, will be secured by the lien and security interests granted by a leasehold deeds of trust equally and ratably with the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds, the Series 2011 Bonds and any 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 the Additional Bonds for the additional security of the Financing Trust Agreement in accordance therewith will be required to be deposited into the Liquidity Account.

No Additional Bonds may be issued pursuant to the Indenture unless and until there is furnished to the Bond Trustee written confirmation from each Rating Agency then rating the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds, the Series 2011 Bonds or Additional Bonds that the issuance of such Additional Bonds will not result in a reduction, suspension or withdrawal of any such rating.

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 next 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 shall be reduced.

### **Rate Covenant**

The Borrower has covenanted in the Loan Agreement to operate the Project as a revenue producing student housing facility on a non-discriminatory basis and to the extent permitted by law and by the Ground Leases, 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 (i) pay promptly all expenses of operation, maintenance and repair of the Project, (ii) provide all payments required to be made by the Borrower under the Loan Agreement and (iii) maintain a Fixed Charges Coverage Ratio of at least 1.2:1.0. The Loan Agreement provides that, in the event that, based upon the financial statements of the Borrower required by the Loan Agreement, that for any Fiscal Year, such Fixed Charges Coverage Ratio was not maintained at a level of at least 1.15:1.0 (which, for purposes of this requirement, will be calculated without including any amount on deposit in the Coverage Reserve Fund), such failure shall not constitute an Event of Default so long as the Borrower will promptly: (i) (not later than 30 days after such determination) employ a Financial Consultant to submit (within 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) follow such recommendations to the extent permitted by law and by the 2011 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.

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 Leases, 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.

### **Enforceability of Remedies**

The realization of value from the real and personal property comprising the Project and from the other security for the Bonds upon any default will depend upon the exercise of various remedies specified by the Bond Documents. 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 – Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws) herein.”

## **THE MANAGER**

### **General**

ACC SC Management (California) LP, a Delaware limited partnership, successor by conversion to American Campus Management (California), LLC, a Delaware limited liability company (the “Manager”), manages the Series 2011 Project. The Manager is an affiliate of American Campus Communities, Inc., a Maryland corporation (“American Campus” or “ACC”).

American Campus is a publicly traded corporation which closed its initial public offering in August 2004. One of American Campus’ predecessor entities, American Campus Communities, L.L.C. was founded in 1993 for the purpose of developing, acquiring and managing student housing assets throughout the United States. American Campus’ headquarters are located in Austin, Texas. On June 11, 2008, American Campus acquired GMH

Communities Trust (the “Merger”), which managed and developed student housing facilities prior to its acquisition by American Campus. As of September 2011, including properties acquired in connection with the Merger, American Campus owned approximately 114 student housing properties containing approximately 69,200 beds.

As of September 30, 2011, including properties now managed as a result of the Merger, American Campus and its affiliates managed approximately 144 student housing communities, containing more than 93,000 beds, with an overall occupancy rate of approximately 98.5%. A list of student housing communities managed by American Campus or its affiliates is available at [www.americancampuscommunities.com](http://www.americancampuscommunities.com). The referenced information from the American Campus website is not intended to be incorporated in this Official Statement by this reference. **The obligations of the Manager with respect to the Series 2011 Project are not guaranteed by American Campus.**

### **Management Agreement**

The Borrower has engaged the Manager to manage, operate and lease the Project pursuant to a Management Agreement, which Management Agreement will be amended and restated in connection with, and to include, the Series 2011 Project (the “Management Agreement”). Under the Management Agreement, the Manager will be responsible for (a) hiring, training and overseeing the on-site manager, resident assistants and on-site maintenance personnel; (b) preparation of a marketing program for the Project and supervision of all advertising layouts, brochures and campaigns; (c) preparation and execution of rental contracts and room assignments; (d) preparation of a capital budget plan relating to capital expenditures for building, grounds and furniture, in connection with the annual budget process; (e) negotiation and execution of utilities and other service contracts for the Project; (f) preparation of an annual budget describing in detail all of the revenue and expenses entailed in the operation and maintenance of the 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 Project; (h) assuring proper scheduled maintenance of the Project; (i) in the absence of an applicable exemption, paying all property taxes and governmental fees; and (j) maintaining records, books and accounts related to the Project, and providing the Borrower with monthly operating reports.

The Management Agreement requires the Manager to manage, operate and maintain the Project in compliance with the standards, rules and procedures outlined within the Ground Leases. All employees necessary or appropriate to the implementation of the terms of the Management Agreement will be employed by the Manager, and will be under the control and supervision of the Manager. As provided in the Management Agreement, the Manager will continue to be paid a monthly fixed fee amount, which will be increased annually thereafter based upon changes in the consumer price index (the “Fixed Fee Amount”). The Fixed Fee Amount for January 2012 will be approximately \$67,329. 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, the lesser of (i) an amount equal to the sum of the monthly Fixed Fee Amounts due and payable to Manager during such Lease Year and (ii) four and a half percent (4.5%) of the Occupancy Receipts received during such Lease Year in excess of \$20.4 million.

Under the Management Agreement, the Manager and/or its affiliates may engage in, or possess an interest in, any other project and ventures, even if such other project or ventures compete with the Series 2011 Project. Notwithstanding the potentially competitive nature of such other project or ventures, the Manager agrees in the Management Agreement to carry out its duties to the Series 2011 Project in good faith at all times.

### **Termination of Manager**

The primary term of the Management Agreement will terminate on June 30, 2016 unless terminated earlier in accordance with the provisions thereof. At the expiration of the primary term, the Management Agreement will automatically renew for successive monthly terms, unless on or before 30 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 2011 Ground Lease, terminate the Management Agreement at any time without cause by providing written notice to the Manager and the payment of certain termination fees described in the Management Agreement. Manager and Borrower also

have the right to terminate the Management Agreement for cause upon the occurrence of certain events described in the Management Agreement.

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 UCI 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 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 or (ii) the Annual Average Occupancy Percentage of the Project falls below 80% for two consecutive Fiscal Years. 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.

### **Key Personnel**

The following is a brief description of the education and professional background of the senior management of American Campus:

William C. Bayless, Jr. serves as president and chief executive officer, is a co-founder of ACC and serves on its board of directors. Prior to assuming the role of CEO in 2003, he served as chief operating officer where he directed all of the company's business segments. From 1993 until July 1995, he served as vice president of development. Prior to the formation of ACC, he served as the director of operations for Century Development's student housing division and as the director of marketing for the student housing division of Cardinal Industries. His student housing career began in 1984 with Allen & O'Hara where he held the positions of resident assistant, resident manager and area marketing coordinator. Mr. Bayless, who received a B.S. in Business Administration from West Virginia University, is considered one of the nation's foremost experts on student housing.

Greg Dowell serves as senior executive vice president and chief operating officer. In this capacity, he directs the management services division that oversees the operations of ACC's student housing communities, and is responsible for corporate support functions that enhance the scalability of its operating platforms. Prior to being promoted to executive vice president in May 2005, he served as senior vice president and chief of operations. From October 2001 until August 2004, he served as the senior vice president of management services. Before joining ACC, he spent 10 years in progressive capacities with Century Development where he began as an accountant and ultimately served as a senior vice president over the operations of their 29-property student housing portfolio. A certified public accountant, Mr. Dowell received a B.S. in Accounting from the University of Louisiana, Lafayette.

Steve Crawford serves as a senior vice president of management services at ACC. Mr. Crawford provides executive supervision for 40 properties consisting of over 32,000 beds. His primary focus is providing day-to-day corporate support to the on-site and regional management staff and overseeing all operational aspects of ACC's managed communities as well as being the project's corporate liaison between ACC and the university/client. Mr. Crawford has more than 21 years of experience in the student housing industry. While attending the University of California, he started his student housing career as a resident assistant at Francisco Torres, a privately owned 1,350-bed residence hall, where he was promoted to residential life director. Upon graduation, he continued his student housing management career at El Conquistador, serving the students of San Diego State University. He was then promoted to Granville Towers, Allen & O'Hara's flagship property in North Carolina, serving more than 1,400 students at the University of North Carolina at Chapel Hill. He has a B.A. from the University of California and an M.A. in Public Administration from San Diego State University. Mr. Crawford joined ACC in 1997 as a regional manager and has served in his current capacity since 2005.

Jennifer Beese serves as senior vice president of leasing and marketing and supports all aspects of the leasing administration process. Her duties include overseeing the administration of, and providing corporate support related to, ACC's leasing administration system, which utilizes customized proprietary software developed by the company. She ensures that all of its communities properly implement prospecting and follow-up procedures. In addition, Ms. Beese analyzes system-generated reports to evaluate traffic flow, marketing medium effectiveness,

closing ratios, the conversion of applications to leases and leasing trends compared to competition and prior years. Prior to joining ACC, Ms. Beese held a variety of management, leasing and training positions with several large multi-family development and management companies including JPI, Wildwood and Pace. She is a 1995 graduate of Texas A&M University with a B.A. in History.

## **THE UNIVERSITY OF CALIFORNIA AND THE REGENTS**

### **General**

The University of California (the “University”) is the public institution of higher education designated by 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 its founding in 1868, the University has conferred over 1,991,945 higher education degrees, as of June 30, 2011. The University’s administrative offices are located in Oakland, California.

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 more than 200 laboratories, research stations and institutes, affiliated schools, activity locations, and a statewide Division of Agriculture and Natural Resources. The Education Abroad Program of the University is offered at many different host institutions around the world.

During the year ended June 30, 2011, the University provided instruction to approximately 235,000 full-time equivalent undergraduate and graduate students.

The University has a pre-eminent faculty of approximately 10,000 members. The faculty includes more than 420 members of the National Academy of Sciences. Through the years, fifty-seven researchers affiliated with the University had been awarded 58 Nobel prizes. Current faculty includes 25 Nobel Laureates. More Guggenheim fellowships, approximately 1,488, have been awarded to University faculty than to any other university or college. As of April 2011, in addition to the teaching faculty, the University employed, on a full-time and part-time basis, approximately 46,000 other academic personnel and approximately 131,000 staff and management personnel.

**The Series 2011 Bonds are not obligations of The Regents. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Limited Obligations” herein.**

### **The Regents of the University of California**

The University is governed by The Regents of the University of California, a 26-member board. The board is composed of 18 members appointed by the Governor of the State 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 elected 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 President of the University.

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.

### **Budgetary Process**

The University presents to the State a single budget for the ten-campus system. For the most part, State funds for the operating budget are appropriated to the University in a lump sum, although amounts for a few

programs of particular interest to the State are appropriated by line item. Capital budget funds are appropriated by project, except that funds for minor capital projects are appropriated as a lump sum. Operating funds received from the State are allocated by the President to the campuses and to the Office of the President after consultation with the Executive Budget Committee, Chancellors, Vice Presidents and faculty groups.

### **Current Budget Matters**

While some of the earlier cuts in State support imposed on the University in 2008-09 and 2009-10 were restored in 2010-11, the University continued to face significant mandatory cost increases and a significant budget shortfall as it planned for 2011-12. In November 2010, in addition to requesting further restoration of support, support for contributions to the University of California Retirement Plan, and funding to cover the costs of unfunded enrollments from the State, the University implemented an 8% student tuition and fee increase for 2011-12.

Despite the University's request for an increase in funding, in January 2011, the Governor proposed a \$500 million reduction in State support for the University and in spring 2011 the Legislature approved this reduction to the University's budget for 2011-12. The University also faces \$362.5 million in unfunded mandatory costs, bringing the University's total budget gap for 2011-12 at that point to \$862.5 million, which is partially offset by the 8% student tuition and fee increases.

On June 28, 2011 the Legislature adopted a second budget package for 2011-12 that includes additional targeted reductions for many State programs, including \$150 million in additional reductions to the University and the California State University budgets, and a trigger mechanism for more cuts mid-year if certain revenue projections are not realized. On December 13, 2011, the Director of the State Department of Finance determined that State revenues had fallen short of the target called for in the budget act and engaged the trigger mechanism, thereby reducing the University's budget for FY 2011-12 by \$100 million effective January 1, 2012.

The additional reduction for the University means that State support declined by a total of \$650 million for 2011-12, representing a decrease from a high of \$3.25 billion in 2007-08 to \$2.37 billion in 2011-12. This is also a 21.3 percent decrease from support provided during 2010-11. With the total cuts proposed for 2011-12 and the unfunded mandatory cost increases the University faces, the University's budget shortfall rises above \$1 billion.

Furthermore, the trigger mechanism included in the budget package means that if State revenues fall short of \$4 billion in projected additional revenues by more than \$1 billion (as determined by the Department of Finance in December 2011), the University will face an additional mid-year budget reduction of up to \$100 million.

At its July 2011 meeting, The Regents approved an additional increase in mandatory systemwide charges of 9.6% that will offset the additional reduction in State support of \$150 million. The revenue from this increase, combined with the earlier increase approved in November 2010, will offset about 26% of the University's \$1 billion budget shortfall.

The University is considering a number of permanent actions and bridging strategies to address the budget shortfall.

Additional information regarding fee increases and other budgetary matters can be found on the University's website at [www.universityofcalifornia.edu](http://www.universityofcalifornia.edu) and [www.ucop.edu](http://www.ucop.edu). Such information is not incorporated in, and should not be considered a part of, this Official Statement.

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## THE UNIVERSITY OF CALIFORNIA, IRVINE

### General

The University of California, Irvine is a campus of the University, located on approximately 1500 acres in Irvine, California, approximately 40 miles south of Los Angeles and five miles from the Pacific Ocean. UCI was established in 1965 as the ninth campus of the University of California. It offers undergraduate and graduate level study, and is a component campus of the University of California. **The Regents is not obligated with respect to payment of the Series 2011 Bonds.** See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Limited Obligations” herein.

### Enrollment

Total UCI student headcount enrollment for Fall Term 2011 was 27,889, which was an approximately 0.8% increase from Fall Term 2010. Freshman enrollment in Fall Term 2011 totaled 5,029, an increase of approximately 2.0% as compared to Fall Term 2010. The following table shows student enrollment levels at UCI for the last five 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.

<u>Academic Year</u>	<u>Undergraduate</u>		<u>Graduate<sup>(1)</sup></u>	
	<u>Fall</u>	<u>Three-Term Average</u>	<u>Fall</u>	<u>Three-Term Average</u>
2006-07	20,719	20,293	5,151	5,058
2007-08	21,696	21,246	5,430	5,308
2008-09	22,122	21,756	5,509	5,405
2009-10	22,226	21,599	5,566	5,424
2010-11	21,976	21,298	5,700	5,543

<sup>(1)</sup> This table reports enrollment data using the Office of Institutional Research method, which counts Postbaccalaureate students as graduate students.

### Housing

Current housing at UCI consists of (i) four University-owned undergraduate residential communities, ranging in size from 796 to 1,761 beds and totaling 5,096 beds in the aggregate, (ii) two University-owned on-campus graduate and family apartment complexes with the capacity to house approximately 2,322 students, and (iii) three non-University-owned student residential communities developed as part of a third-party owned housing project on the east side of UCI’s campus (the “East Campus Apartment Project”), which includes the Series 2004 Project (consisting of 255 graduate beds and 1,309 undergraduate beds), the Series 2008 Project (consisting of 2,074 beds) and the Series 2011 Project (consisting of 252 graduate beds and 1,236 undergraduate beds). There are a total of approximately 12,500 beds on campus for students.

Rental rates range from \$10,112 to \$13,628 (includes room and board) per academic year per student in the University-owned undergraduate residence halls, and from \$353 to \$1,006 per month in the University-owned graduate apartments and \$764 to \$1,842 per month for family apartments. Rental rates for the Series 2011 Project currently range from \$8,316 to \$13,104 per year per student for undergraduate student apartments and from \$9,516 to \$14,148 per year for graduate student apartments, which are leased on a 12-month basis only. Such rental rates may be increased for various reasons, including whether the Series 2011 Project is subject to ad valorem taxes as described in “INVESTMENT CONSIDERATIONS – Property Tax Risk” herein.

Occupancy rates in University-owned residential communities averaged over 99% in each of the Academic Years 2003 through 2011. Occupancy rates in University-owned apartments also averaged over 99% in each of the Calendar Years 2003 through 2011. See APPENDIX A –“THE SERIES 2011 PROJECT—Existing On-Campus Student Housing” and “—Occupancy Data for Existing University-Owned Student Housing” for additional information regarding University-owned residential communities and apartments.



Although UCI does not require any of its students to live on campus, they do offer guaranteed housing to freshmen, sophomores and new transfer students (assuming they are single and under the age of 25). Incoming Doctoral and M.F.A. students are also offered guaranteed housing for one year less than the normative time to degree for their program. Any on-campus beds remaining after guarantees are met are offered to returning students who have applied to be on a wait-list and are selected through a lottery system.

Over the last five years, UCI housing for students has increased by approximately 20% and now nearly half of UCI students live on campus. During that five year period, two new on-campus housing communities were built (Camino del Sol and Puerta del Sol). In 2011, Puerta del Sol reconfigured some units to double occupancy and offered them to undergraduates, filling them by the fall opening. This reconfiguration of a graduate housing community to a mixed graduate/undergraduate housing community was done to address the variation in demand across class levels and price points.

In fall 2011, more than 5,000 freshmen enrolled at UCI and more than 4,100 freshmen lived on campus. As freshman enrollment grows, housing demand has exceeded the capacity of the residence halls, and other communities have accepted a contingent of freshman residents. In the 2011-12 academic year, there are five different on-campus communities housing freshmen. As freshman class sizes grow, more and more transfer students and returning students are turning to third-party owned communities for on-campus housing. In fall 2011, all on-campus communities opened at approximately 99% occupancy, and several communities still had waitlists ranging in size from approximately 30-155.

Each year, approximately 500-900 returning students put themselves on a housing wait-list for University-owned communities. In these communities, there tend to be approximately 150-200 spaces available for non-guaranteed returning student applicants.

As the third-party on-campus housing inventory has increased, more spaces have become available for non-guaranteed students. While spaces in University-owned housing communities remain very limited, third-party owned housing has provided non-guaranteed students with a wider set of options. For the 2011-12 academic year, approximately 1,600-2,000 non-guaranteed undergraduate students were able to secure on-campus housing (mostly in third-party owned housing).

On-campus graduate student housing is assigned on a first-come, first-served basis in the two University-owned apartment complexes for those not under a housing guarantee program.

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

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## ESTIMATED SOURCES AND USES OF FUNDS

The schedule below contains the estimated sources and uses of funds resulting from the sale of the Series 2011 Bonds:

### SOURCES OF FUNDS:

Par Amount of Bonds	\$ 94,510,000.00
Net Original Issue Premium	1,232,545.70
Series 2002A Debt Service Reserve Fund	7,740,625.00
Available Funds <sup>(1)</sup>	14,959,012.19
TOTAL SOURCES OF FUNDS	\$118,442,182.89

### USES OF FUNDS:

Deposit to Escrow Fund <sup>(2)</sup>	\$103,145,049.59
Transfer to Master Trustee for Deposit to UCI Bonds Pooling Subaccount	6,971,425.00
Issuance Costs <sup>(3)</sup>	1,477,137.05
Deposit to Other Funds <sup>(4)</sup>	6,848,571.25
TOTAL USES OF FUNDS	\$ 118,442,182.89

- (1) Certain funds remaining in the Operations Surplus Contingency Fund, Bond Fund, Operations Contingency Fund, Repair and Replacement Fund, and Revenue Fund established with respect to the Series 2002 Bonds.
- (2) To be applied towards defeasance of the Series 2002 Bonds in accordance with the Escrow Agreement. See “PLAN OF FINANCE” herein.
- (3) Issuance Costs include Underwriter’s discount, legal fees, printing costs, fees of the Issuer, the Bond Trustee, the rating agency and other miscellaneous costs.
- (4) Including Coverage Reserve Account, Repair and Replacement Fund and Surplus Fund.

## PLAN OF FINANCE

Since its original development and construction (commencing in 2002), the UCI Phase I of the East Campus Apartment Project (referred to herein as the Series 2011 Project, see “THE SERIES 2011 PROJECT” in Appendix A hereto) has been owned by EAH-East Campus Apartments, LLC, a California limited liability company (the “Original Owner”). The project was originally financed from proceeds of certain Student Housing Revenue Bonds (EAH-East Campus Apartments, LLC—UC Irvine Project), Series 2002A in the original aggregate principal amount of \$104,230,000 and Taxable Student Housing Revenue Bonds (EAH-East Campus Apartments, LLC—UC Irvine Project), Series 2002B in the original aggregate principal amount of \$270,000 (collectively, the “Series 2002 Bonds”) issued by the Issuer in December 2002. The Series 2002 Bonds were issued pursuant to an Indenture, dated as of December 1, 2002 (the “2002 Indenture”), by and between the Issuer and U.S. Bank National Association, as successor trustee (the “2002 Trustee”). As of December 1, 2011, the outstanding aggregate principal amount of the Series 2002 Bonds was \$97,735,000.

The Borrower will acquire the Series 2011 Project indirectly from the Original Owner on the date of issuance of the Series 2011 Bonds. Pursuant to a Termination Agreement, dated as of December 1, 2011 (the “Termination Agreement”), between the Original Owner and The Regents, all interests of the Original Owner in the Series 2011 Project will terminate upon the issuance of the Series 2011 Bonds and the defeasance of the Series 2002 Bonds, described below. Pursuant to the Termination Agreement, the termination will be evidenced by various instruments (such as a quitclaim deed, reconveyance of leasehold deed of trust, bill of sale) whereby unencumbered title to the Series 2011 Project will vest in The Regents. At that time, pursuant to the 2011 Ground Lease and a quitclaim deed contemplated thereby, The Regents will transfer a leasehold interest in the land underlying the Series 2011 Project and an ownership interest in the Series 2011 Project to the Borrower.

In connection with the acquisition of the Series 2011 Project by the Borrower, the proceeds of the Series 2011 Bonds will be applied to advance refund and defease the Series 2002 Bonds pursuant to the 2002 Indenture.

The proceeds of the Series 2011 Bonds, together with other available monies, will be deposited with the 2002 Trustee, as escrow agent (the “Escrow Agent”), pursuant to an Escrow Agreement, dated as of December 1, 2011 (the “Escrow Agreement”), between the Issuer and the Escrow Agent. Pursuant to the Escrow Agreement, (i) the Escrow Agent will invest amounts held pursuant to the Escrow Agreement in certain direct noncallable United States Treasury obligations (the “Government Obligations”) and (ii) the Government Obligations and any other securities and money in the escrow fund established by the Escrow Agent (collectively, the “Escrow Securities”) will be irrevocably pledged, subject to the provisions of the Escrow Agreement, to secure the payment of the Series 2002 Bonds. (Accordingly, such Escrow Securities will not be available for payment of debt service on the Bonds, including the Series 2011 Bonds.) Upon defeasance of the Series 2002 Bonds on the date of issuance of the Series 2011 Bonds, all prior liens on the Series 2011 Project related to the Series 2002 Bonds will be released.

For information on the mathematical verification of the sufficiency of scheduled payments with respect to the Escrow Securities held for the Series 2002 Bonds, see “VERIFICATION OF MATHEMATICAL ACCURACY” herein.

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## DEBT SERVICE

The following table shows the scheduled debt service payments on the outstanding Bonds:

Bond Year Ending May 15	Series 2004 Debt Service	Series 2006 Debt Service	Series 2008 Debt Service	Series 2011 Debt Service			Total Debt Service
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2012	\$2,079,300	\$5,130,719	\$15,130,375	\$1,300,000	\$1,671,908	\$2,971,908	\$25,312,301
2013	2,299,550	5,127,056	14,161,375	600,000	4,814,925	5,414,925	27,002,906
2014	2,428,300	5,127,919	14,723,688	900,000	4,790,925	5,690,925	27,970,831
2015	2,429,675	5,128,075	15,418,688	1,150,000	4,754,925	5,904,925	28,881,363
2016	230,000	7,327,500	16,073,688	1,450,000	4,708,925	6,158,925	29,790,113
2017	230,000	7,325,250	16,448,688	1,900,000	4,650,925	6,550,925	30,554,863
2018	230,000	7,327,000	16,445,688	2,410,000	4,555,925	6,965,925	30,968,613
2019	230,000	7,327,250	16,447,188	2,530,000	4,435,425	6,965,425	30,969,863
2020	230,000	7,325,750	16,445,488	2,660,000	4,308,925	6,968,925	30,970,163
2021	230,000	7,327,250	16,446,988	2,790,000	4,175,925	6,965,925	30,970,163
2022	230,000	7,326,250	16,445,488	2,935,000	4,036,425	6,971,425	30,973,163
2023	230,000	7,327,500	16,450,088	3,075,000	3,886,006	6,961,006	30,968,594
2024	230,000	7,325,500	16,449,288	3,240,000	3,728,413	6,968,413	30,973,200
2025	230,000	7,330,000	16,448,613	3,400,000	3,562,363	6,962,363	30,970,975
2026	230,000	7,325,250	16,448,963	3,580,000	3,388,113	6,968,113	30,972,325
2027	230,000	7,326,250	16,449,238	3,760,000	3,204,638	6,964,638	30,970,125
2028	4,230,000	3,327,250	16,449,888	3,950,000	3,011,938	6,961,938	30,969,075
2029		7,557,750	16,446,100	4,160,000	2,809,500	6,969,500	30,973,350
2030		7,560,750	16,446,725	4,365,000	2,596,300	6,961,300	30,968,775
2031		7,557,000	16,445,038	4,595,000	2,372,594	6,967,594	30,969,631
2032		7,556,250	16,449,600	4,830,000	2,137,100	6,967,100	30,972,950
2033		7,552,750	16,448,400	5,090,000	1,877,488	6,967,488	30,968,638
2034		7,556,000	16,449,200	5,360,000	1,603,900	6,963,900	30,969,100
2035		7,555,000	16,447,800	5,650,000	1,315,800	6,965,800	30,968,600
2036		7,559,250	16,447,100	5,950,000	1,012,113	6,962,113	30,968,463
2037		7,557,750	16,449,700	6,270,000	692,300	6,962,300	30,969,750
2038		7,560,000	16,447,900	6,610,000	355,288	6,965,288	30,973,188
2039			16,449,300				16,449,300
2040			16,445,900				16,445,900

## THE 2011 GROUND LEASE

**The Projects Sites are leased by The Regents to the Borrower pursuant to three Ground Leases. The 2004 Ground Lease leases the 2004 Project Site to the Borrower. The 2008 Ground Lease leases the 2008 Project Site to the Borrower. The 2011 Ground Lease, described below, leases the 2011 Project Site to the Borrower. The terms of the 2004 Ground Lease and the 2008 Ground Lease, which are being amended in connection with the issuance of the Series 2011 Bonds, are or will be substantially similar to the terms of the 2011 Ground Lease. In particular, the events of default thereunder and the basic covenants therein are identical in all material respects.**

Pursuant to the 2011 Ground Lease, The Regents will lease the Series 2011 Project Site to the Borrower for a period commencing on January 11, 2012 (the closing date of the Series 2011 Bonds) and expiring on the earlier of (i) January 11, 2053 or (ii) 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 2011 Ground Lease exceed 41 years. The 2011 Ground Lease is also subject to certain early termination rights of The Regents related to events of default, as provided in the 2011 Ground Lease. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF RELEVANT DOCUMENTS” for a summary of the 2011 Ground Lease.

The Borrower may assign or transfer its interest in the Series 2011 Project and/or the Series 2011 Project Site with the prior written consent of The Regents, which consent is not to be unreasonably withheld. The Borrower’s interest in the Project and/or the Project Sites is also subject to an exclusive option to purchase granted to The Regents in the Ground Leases. The Regents may only exercise the option to purchase with respect to the entire Project, not just a portion thereof. The Regents’ option to purchase, effective on and after the Effective Date and continuing through the balance of the Term, may be exercised by providing appropriate notice and paying to Borrower: (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. Upon exercise of the option, title to the Project 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.

The occurrence of any of the following will constitute an event of default on the part of the Borrower under the 2011 Ground Lease:

(i) The Borrower shall fail to pay the rent due thereunder at the times specified therein, 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 2011 Ground Lease) within the periods provided for in the 2011 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 2011 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 2011 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 2011 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) An Event of Default as defined in the 2004 Ground Lease shall have occurred under the 2004 Ground Lease and shall have continued beyond all applicable cure periods.

(x) An Event of Default as defined in the 2008 Ground Lease shall have occurred under the 2008 Ground Lease and shall have continued beyond all applicable cure periods.

Upon the occurrence of any of the foregoing events of default, The Regents will, subject to the provisions of the 2011 Ground Lease described in the two immediately succeeding paragraphs, have the right to (i) upon 90 days written notice and opportunity to cure provided to the Bond Trustee, terminate the 2011 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 rents due from tenants occupying the Premises, and may otherwise treat and occupy the Premises as if the 2011 Ground Lease had expired of its own limitation, or (ii) without terminating the 2011 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 2011 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 2011 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 2011 Ground Lease during such period. If the 2011 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 Premises with The Regents at the same rent and upon the same terms and conditions contained in the 2011 Ground Lease.

The Borrower's liability under the 2011 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 Premises and the revenues related thereto.

The Borrower will be obligated to maintain and repair the Premises as provided in the 2011 Ground Lease. The 2011 Ground Lease will require the Borrower to enter into a management agreement with the Manager that will provide for operation of the Premises. The 2011 Ground Lease will prohibit the Borrower from materially amending the Management Agreement or entering an agreement with a subsequent manager without the consent of The Regents.

## **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 2011 Bonds. The following is intended only as a summary of certain risk factors attendant to an investment in the Series 2011 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 APPENDIX B — "FINANCIAL STATEMENTS OF THE BORROWER FOR THE YEARS ENDED JUNE 30, 2011 AND 2010". Investors should read APPENDIX B 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 2011 Bonds that are as material to an investment decision with respect to the Series 2011 Bonds that are otherwise described or referred to elsewhere herein.

### **Limited Security; Non-Recourse Obligations**

THE SERIES 2011 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 REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2011 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 REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2011 BONDS. THE ISSUANCE OF THE SERIES 2011 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, OR THE REGENTS OF THE UNIVERSITY OF CALIFORNIA OR THE CITY OF IRVINE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

**The Borrower's obligations with respect to the Bonds are non-recourse. See "NON-RECOURSE OBLIGATION OF THE BORROWER" herein.**

### **Competing Facilities and Rental Market Considerations**

The Bond Documents contain no restrictions on the ability of The Regents or the Borrower to develop, operate or own facilities that could compete with the Project for tenants. Any competing facilities, if so constructed, could materially adversely affect the occupancy and revenues of the Project and, as a result, the ability of the Borrower to pay principal of and interest on the Bonds when due.

Moreover, the economic feasibility of the Project depends in large part upon the ability of the Manager to attract sufficient numbers of residents to the Project to maintain substantial occupancy throughout the entire term of the Bonds. The ability of the Manager to maintain substantial occupancy for the entire term of the 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 UCI, changes in rates of commuting or telecommuting by students at UCI, and perceived desirability of the Project to prospective residents.

### **No Break-Even Occupancy Obligation with Respect to the 2011 Ground Lease**

The 2004 Ground Lease and the 2008 Ground Lease required The Regents to execute sufficient leases to achieve Break-Even Occupancy (or Partial Completion Break-Even Occupancy) during the early Lease Years for each such portion of the Project. Currently, this obligation remains in effect only with respect to the 2008 Ground Lease and only for the Lease Year commencing July 1, 2012. The 2011 Ground Lease does not contain a Break-Even Occupancy (or Partial Completion Break-Even Occupancy) requirement for any Lease Year. No assurance can be given that The Regents will meet its obligation for Lease Year commencing July 1, 2012 with respect to the Series 2008 Project or that sufficient occupancy levels will be achieved or sustained in any period with regard to any portion of the Project. If the occupancy of the Series 2011 Project or any other portion of the Project is less than anticipated, the ability of the Borrower to pay principal of and interest on the Bonds, including the Series 2011 Bonds, may be materially adversely affected.

### **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 Bonds is subject to many factors, including the capabilities of the Manager, the operation of the University (in particular UCI) by The Regents, the status of the Project as official student housing facilities at UCI, the demand for student housing facilities such as the Project, demographic changes in the service area of the Project, competition from other housing facilities (including student housing facilities developed, operated and owned by The Regents on the UCI campus), rates and charges for rentals of facilities such as those of the Project, coverage under insurance, 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 Project or that the Borrower will be able to successfully manage (or cause to be managed) the Project if the Manager is terminated or resigns. The Manager will rely on certain key employees to carry out their obligations under the Management Agreement. The ability of the Manager to manage the marketing and operation of the Project successfully will depend on the same key employees. If these key employees are not available to the Manager for any reason, and such employees are not replaced with other qualified individuals, there can be no assurance that the Manager will be able to perform its obligations under the Management Agreement. Even if such key employees are available, there is no assurance that they will successfully manage the Project. Moreover, no assurance can be given that The Regents will continue to operate the University and, in particular, the student housing system at UCI as contemplated in this Official Statement or that The Regents will not provide incentives in the future for students at UCI to elect to live in student housing facilities owned by The Regents rather than in the Project. For example, The Regents or the Borrower may pursue additional housing projects that compete with the Project. See “Competing Facilities and Rental Market Considerations” above.

If the Manager fails to perform as contemplated in the Management Agreement or The Regents or private developers other than the Borrower take actions that alter the student housing market at UCI, the ability of the Borrower to make timely payment of debt service may be materially adversely affected. Neither The Regents nor the Manager has any obligation to pay debt service on the Bonds.

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

As security for the payment of the Series 2011 Bonds and any other FTA-Secured Bonds (including the Series 2004 Bonds, the Series 2006 Bonds and the Series 2008 Bonds), the UCI Bonds Pooling Subaccount and the UCI Bonds Redemption Subaccount and all amounts on deposit therein, and the UCI Bonds Liquidity Account Loan Payments will be pledged for the equal and pro rata benefit of all such 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 such a series of bonds, the Master Trustee may, under certain circumstances, transfer funds on deposit in any Series Pooling Subaccount to pay debt service on any other series of Bonds (as defined in the Financing Trust Agreement). Currently, the UCI Bonds Pooling Subaccount is the only Series Pooling Subaccount established within the Liquidity Account under the Financing Trust Agreement. Pursuant to the Financing Trust Agreement, the Borrower is obligated to replenish the UCI 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.

Any use of funds on deposit pursuant to the Financing Trust Agreement to pay debt service on FTA-Secured Bonds other than the Bonds could result in decreased amounts available under the Financing Trust Agreement to secure payment of the Bonds or increased additional payments required to be made by the Borrower to replenish the UCI Bonds Pooling Subaccount if the funds in such subaccount are less than the Liquidity Account Requirement and, ultimately, 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 Bonds when due.



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 (as defined in the Financing Trust Agreement and including, but not limited to, the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 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 Bonds when due.

### **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 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 Project, or any part of the Project, were uninhabitable during restoration after damage or destruction, it could materially adversely affect the ability of the Project to generate sufficient revenues to enable the Borrower to pay principal of and interest on the Bonds when due.

### **Property Tax Risk**

On August 30, 2002, The Regents received an opinion of the State Board of Equalization for UCI Phase I of the East Campus Apartment Project (referred to herein as the Series 2011 Project, see “PLAN OF FINANCE” herein) that provided that the Series 2011 Project would not be subject to property taxes. The Orange County Assessor’s Office (the “Assessor”), which administers property tax exemptions, has never assessed, or imposed taxes on, the Series 2004 Project, the Series 2008 Project or the Series 2011 Project. No assurances can be given, however, that the Assessor will not assess such taxes with respect to the Series 2004 Project, the Series 2008 Project or the Series 2011 Project in future years. It is the intention of The Regents and the Borrower to contest any such imposition of property taxes. In the event any property interest in the Project becomes subject to property taxes at any time, the amount of such property taxes (which could be significant), would constitute an expense of the Project. Increased expenses relating to property taxes could result in material increases in rental rates with respect to the Project, possibly materially adversely affecting the marketability of the Project to students.

### **Environmental Risks**

There are potential risks relating to liabilities for environmental conditions with respect to the ownership of real property. 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. Neither the Borrower nor the Ground Lessor is aware of any pending or threatened claim, investigation or enforcement action regarding environmental issues relating to the Project, which, if determined adversely, would have material adverse consequences to the operations or financial condition of the 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 Project is located in a seismically active region of southern California. The Project was designed to meet all applicable seismic standards. However, the occurrence of severe seismic activity in the area could result in substantial damage to the Project. Earthquake insurance is not currently required to be maintained with respect to any portion of the Project, and neither the Borrower nor The Regents plan to obtain or maintain such coverage. The Manager does maintain earthquake insurance with respect to the Project (which insurance is subject to deductibles

and limits on overall coverage amounts) but the Manager is not required to do so by the Project agreements and such coverage may not be maintained in future years. The 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 Project and, as a result, such a disaster could materially adversely affect the Borrower’s ability to pay principal of and interest on the Bonds.

### **No Credit Facility or Bond Insurance**

The payment of the principal of, redemption premium, if any, and interest on the Series 2011 Bonds will not 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 2011 Bonds are non-recourse. See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

### **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 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 Indenture, the Loan Agreement or the Leasehold Deed of Trust 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 2011 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.

### **Limits on Remedies Under the Deed of Trust (Anti-Deficiency Laws)**

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 2011 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 2011 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 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 D—“FORM OF BOND COUNSEL OPINION.”

*Tax-Exempt Status of Interest on the Series 2011 Bonds.* The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2011 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of the Series 2011 Bond proceeds, limitations on the investment earnings of the Series 2011 Bond proceeds prior to expenditure, a requirement that certain investment earnings on the Series 2011 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 Borrower and the Foundation have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by 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 2011 Bonds as taxable, retroactively to the date of original issuance of the Series 2011 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 2011 Bonds. Neither the Borrower nor the Foundation has sought to obtain a private letter ruling from the IRS with respect to the Series 2011 Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that an IRS examination of the Series 2011 Bonds will not adversely affect the market value of all or any portion of the Series 2011 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 UCI to provide housing for its students, is disregarded for federal income tax purposes. The tax-exempt status of interest on the Series 2011 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 2011 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 2011 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 2011 Bonds and other present and future tax-exempt debt of the Foundation, if any. See “TAX MATTERS.”

## LITIGATION

### **The Issuer**

To the knowledge of the Issuer, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Issuer seeking to restrain or enjoin the sale or issuance of the Series 2011 Bonds, or in any way contesting or affecting any proceedings of the Issuer taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2011 Bonds, the validity or enforceability of the documents executed by the Issuer in connection with the Series 2011 Bonds, the completeness or accuracy of the Official Statement or the existence or powers of the Issuer relating to the sale of the Series 2011 Bonds.

### **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 Construction Documents or that individually or in the aggregate would adversely affect the operations of the Borrower, financial or otherwise.

## 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 2011 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 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D attached hereto.

To the extent the issue price of any maturity of the Series 2011 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 2011 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 2011 Bonds is the first price at which a substantial amount of such maturity of the Series 2011 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 2011 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 2011 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 2011 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 2011 Bonds. The Issuer 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 2011 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 2011 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011 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 2011 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011 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 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 2011 Bonds as substantially related to the Borrower’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 2011 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 2011 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2011 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2011 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 interest on, the Series 2011 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 legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011 Bonds to be subject, directly or indirectly, 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. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013 generally would limit the exclusion from gross income of interest on obligations like the Series 2011 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like

the Series 2011 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011 Bonds. Prospective purchasers of the Series 2011 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses 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 2011 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 or the Borrower, 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 and the Borrower have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2011 Bonds ends with the issuance of the Series 2011 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 2011 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 2011 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 2011 Bonds, and may cause the Issuer, the Borrower or the Beneficial Owners to incur significant expense.

## **UNDERWRITING**

The Issuer is offering the Series 2011 Bonds through Barclays Capital Inc. (the "Underwriter"), pursuant to a bond purchase agreement (the "Bond Purchase Agreement") among the Issuer, the Borrower and the Underwriter, relating to the Series 2011 Bonds. The Underwriter has agreed to purchase the Series 2011 Bonds at a purchase price of \$95,037,720.64 (representing the aggregate principal amount of the Series 2011 Bonds, plus a net original issue premium of \$1,232,545.70, less the Underwriter's discount of \$704,825.06). The Underwriter is purchasing the Series 2011 Bonds and intends to offer the Series 2011 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 Underwriter may offer and sell the Series 2011 Bonds to certain dealers and others at a price lower than the initial offering price. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2011 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 Irvine, California approve the Series 2011 Bonds. The City of Irvine made such an approval on November 22, 2011.

## **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 2011 PROJECT."

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.

### **INDEPENDENT ACCOUNTANTS**

The financial statements of the Borrower for the fiscal years ended June 30, 2011 and 2010, appended hereto as Appendix B to this Official Statement, have been audited by Wilkins Miller Hieronymus LLC (“Wilkins Miller”), independent certified public accountants. The related report of Wilkins Miller dated October 27, 2011 is also appended hereto. These financial statements should be read in their entirety.

### **VERIFICATION OF MATHEMATICAL ACCURACY**

Upon delivery of the Series 2011 Bonds, The Arbitrage Group, Inc. (the “Verification Agent”) will deliver a report stating that it has reviewed and confirmed (a) the mathematical accuracy of certain computations relating to the receipts of principal and interest on the Escrow Securities to pay when due the payments of principal and interest to redeem or pay at maturity the Series 2002 Bonds, and (b) the computation of the yields on the Series 2011 Bonds and the Escrow Securities which support the conclusion of Bond Counsel that the interest on the Series 2011 Bonds is excluded from gross income for federal tax purposes. Such examination will be based solely upon the assumptions and the information supplied by the underwriter on behalf of the Borrower. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information upon which the computations are based, and accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

### **RATINGS**

The Series 2011 Bonds have been assigned a long-term rating of “Baa2” with a stable outlook by Moody’s Investors Service (“Moody’s”). This rating expresses only the views of the rating agency providing such rating. An explanation of the significance of such rating may be obtained from Moody’s. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s if, in the judgment of Moody’s, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Series 2011 Bonds.

### **LEGAL MATTERS**

Legal matters incidental to the authorization and issuance of the Series 2011 Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, the form of which is included as Appendix D 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 2011 Bonds are delivered, for services rendered in connection with the issuance of the Series 2011 Bonds, are contingent upon the sale and delivery of the Series 2011 Bonds.

Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, counsel to the Issuer; The Regents by its Office of General Counsel; Hand Arendall LLC, Mobile, Alabama, counsel to the Borrower; Glast, Phillips & Murray, P.C., Dallas, Texas, counsel to the Manager; and O’Melveny & Myers LLP, counsel to the Underwriter.

### **CONTINUING DISCLOSURE**

No financial or operating data concerning the Issuer is being included or incorporated by reference in this Official Statement, and the Issuer has not agreed to provide any such financial or operating data either currently or on an on-going basis. The Issuer has no continuing disclosure obligations in relation to the Series 2011 Bonds.

The Borrower agrees in the Continuing Disclosure Agreement, for the benefit of the Owners and Beneficial Owners of the Series 2011 Bonds, to provide certain Periodic Reports and Annual Reports (each as defined in the Continuing Disclosure Agreement) and to provide notice of the occurrence of enumerated events to enable the

Underwriter to comply with the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”). 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. None of the Issuer, The Regents or the Bond Trustee (except in its role as dissemination agent) will undertake any responsibility with respect to continuing disclosure under Rule 15c2-12. The Master Trustee has covenanted in the Financing Trust Agreement to cooperate with the Borrower and the Bond Trustee, as dissemination agent, with respect to the Series 2011 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 E – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

The Borrower is subject to continuing disclosure requirements under existing continuing disclosure agreements. The Borrower has never failed to comply in all material respects with any previous undertaking to provide continuing disclosure in accordance with Rule 15c2-12.

### **SOURCES OF INFORMATION**

Information about the Manager and American Campus in this Official Statement has been obtained from the Manager and American Campus. American Campus files annual, quarterly and certain other reports with the SEC. Such reports are available on the SEC’s website ([www.sec.gov](http://www.sec.gov)) and upon request from the Office of Public Reference of the SEC, 450 5<sup>th</sup> Street, NW, Room 1300, Washington, D.C. 20549-0102 (phone: (202) 942-8090; fax: (202) 628-9001; email: [publicinfo@sec.gov](mailto:publicinfo@sec.gov)). No such report is a part of or incorporated into this Official Statement. Information regarding the Series 2011 Project in this Official Statement has been obtained from the Manager.

Information about UCI, the University and The Regents in this Official Statement has been obtained from publicly available documents and from UCI and The Regents. Additional information regarding UCI, the University and The Regents is available at [www.uci.edu](http://www.uci.edu), [www.universityofcalifornia.edu](http://www.universityofcalifornia.edu) and [www.ucop.edu](http://www.ucop.edu). No such information is a part of or incorporated into this Official Statement.

Information about the Issuer included in this Official Statement under the headings “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.

Information about the Project in this Official Statement has been obtained from the Manager.

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.

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**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 2011 Bonds.

The Issuer and the Borrower have duly authorized the execution, delivery and distribution of this Official Statement in connection with the offering of the Series 2011 Bonds.

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT  
AUTHORITY**

By: /s/ Kelli Oropeza  
Authorized Signatory

**CHF-IRVINE, L.L.C.**,  
an Alabama limited liability company

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

By: /s/ Leeman H. Covey  
Leeman H. Covey  
President

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## APPENDIX A

### THE SERIES 2011 PROJECT

#### Description of the Series 2011 Project

The Series 2011 Project is located on the UCI campus and is composed of two separate communities, one for undergraduates and one for graduates. The two communities are connected by a “great street,” a pedestrian and bicycle activity corridor that bisects the site. The 1,488-bed (488 units) student housing community offers students a dense, socially active learning-living environment conducive to academic success.

The Series 2011 Project consists of 42 residential buildings, an approximately 15,126-square-foot community building, an approximately 1,580-square-foot graduate community building and ancillary laundry and maintenance buildings. The main undergraduate community center includes a reception area, social lounge, meeting room with fireplace, 10-station computer room, e-mail terminals, academic center with private rooms, a 40-seat mini-theater, arcade areas, managerial and accounting offices, community assistance workspace, laundry room, community kitchen, public restrooms and storage. Outside amenities include a swimming pool, sand volleyball courts, a half-court basketball/tennis “sport court,” outdoor carwash and various passive gathering areas that can accommodate benches or picnic tables. The Series 2011 Project also includes approximately 1,197 parking spaces.

The residential community is designed utilizing both two and three story buildings, each featuring classic California architectural elements of either the Prairie or the Craftsman style. In addition, the community was developed in a Spanish Colonial style that compliments the residential buildings. Varying in color scheme, the different building types and layouts are interspersed throughout the community, creating a mix of architectural styles and colors. With no particular style dominating as in the typical apartment complex, the effect is of a more mature neighborhood appearance. Each building was constructed with stucco facade and wood-like shingle or Spanish clay tile roofs; concrete-based siding in the covered corridors; and covered decks and balconies.

The 364-unit undergraduate community consists of 216 four-bedroom, two-bath units (1,147 sq. ft.), 84 three-bedroom, two-bath units (1,016 sq. ft.), 56 two-bedroom, two-bath units (762 sq. ft.), and 8 one-bedroom efficiencies (550 sq. ft.) totaling 1,236 rentable bedrooms and approximately 380,168 net rentable square feet. The 124-unit graduate community consists of 36 three-bedroom, two-bath units (1,016 sq. ft.), 56 two-bedroom, two-bath units (794 sq. ft.), and 32 one-bedroom, one-bath units (590 sq. ft.) totaling 252 rentable bedrooms and approximately 99,920 net rentable square feet.

All of the graduate and undergraduate units have private bedroom accommodations. All units have central air conditioning and cable television, as well as data and telephone outlets in the living rooms. Washer/dryer units are available in each graduate unit. All unit types, excluding one-bedrooms and efficiencies, are fully furnished with a cushioned couch, side chair, coffee table, end table, entertainment center, microwave, refrigerator with freezer, dishwasher, stove/oven and built-in kitchenette table with stools in the living area. Each bedroom contains a full-sized bed with headboard, dresser, desk and desk chair and connections for high-speed Internet access, telephone and cable television.

## Existing On-Campus Student Housing

In addition to the Series 2011 Project, UCI currently maintains (i) four University-owned on-campus undergraduate residential communities consisting of 5,096 beds, (ii) two University-owned on-campus graduate and family apartment complexes with the capacity to house approximately 2,322 students, and (iii) two additional non-University-owned student residential communities developed as part of a third-party owned housing project on the east side of UCI's campus (together with the Series 2011 Project, collectively, the "East Campus Apartment Project"), which includes the Series 2004 Project (consisting of 255 graduate beds and 1,309 undergraduate beds) and the Series 2008 Project (consisting of 2,074 beds). There are a total of approximately 12,500 beds on campus for students. The residential communities have had an overall occupancy rate over 99% for Academic Years 2009 and 2010. Since opening in fall 2004, the Series 2011 Project has generated an average occupancy rate of approximately 99%. The Series 2004 Project, which opened in fall 2006, has generated an average occupancy rate of approximately 97%. The fall 2011 occupancy for the Project is approximately 99% on an aggregate basis. UCI currently houses approximately 43% of its student population.

Included below is an overview of the student housing that existed on the campus of UCI as of fall 2011:

### UNDERGRADUATE RESIDENTIAL COMMUNITIES

<u>Facility</u>	<u>No. of Beds</u>	<u>2011 Anticipated Occupancy<sup>(1)</sup></u>	<u>Cost/Academic Year<sup>(2)</sup></u>	<u>Students Housed</u>	<u>Year Built</u>
Arroyo Vista	955	99%	\$5,543	Undergraduate	1993
Mesa Court	1,778	99%	\$11,573	Undergraduate	1965-1970; 2002
Middle Earth	1,579	99%	\$11,573	Undergraduate	1974-2000
Campus Village <sup>(3)</sup>	784	99%	\$5,210	Undergraduate	1981
	5,096				

<sup>(1)</sup> Academic Year; rounded to nearest percentage.

<sup>(2)</sup> Rates are for Academic Year 2011-12, per student, assuming double occupancy. Cost for Mesa Court and Middle Earth also includes a basic meal plan.

<sup>(3)</sup> Campus Village rates based on furnished units.

### ON-CAMPUS GRADUATE APARTMENTS

<u>Facility</u>	<u>No. of Beds</u>	<u>2010 Occupancy<sup>(1)</sup></u>	<u>Cost/Month<sup>(2)</sup></u>	<u>Students Housed</u>	<u>Year Built</u>
Palo Verde	1,087	99%	\$698	Graduate	1990; 2004
Verano Place	1,235	99%	\$544	Graduate	1966-1984
	2,322				

<sup>(1)</sup> Calendar Year; rounded to nearest percentage.

<sup>(2)</sup> Rates are per month for Academic Year 2011-12, per student, assuming single occupancy in two bedroom unit. Cost is an average of all two-bedroom floor plans.

**EAST CAMPUS APARTMENTS**

**Table 1**

<b>Facility</b>	<b>No. of Beds</b>	<b>2011 Occupancy<sup>(1)</sup></b>	<b>Cost/Month<sup>(2)</sup></b>	<b>Students Housed</b>	<b>Year Opened</b>
Vista del Campo	1,488	100%	\$693 to \$1,179	Undergraduate/ Graduate	2004
Vista del Campo Norte	1,564	99%	\$569 to \$1,189	Undergraduate/ Graduate	2006
Camino del Sol	1,198	99%	\$788 to \$999	Undergraduate	2010
Puerta del Sol <sup>(3)</sup>	876	99%	\$499 to \$1,339	Undergraduate/ Graduate	2010

<sup>(1)</sup> Fall Quarter 2011; rounded to nearest percentage.

<sup>(2)</sup> Rates are per month, per student for June 2011-June 2012 or September 2011-September 2012. Rental rates range from \$499 (2 bedroom / 2 bath, double occupancy) to \$1,189 (1 bedroom / 1 bath) for undergraduate students and \$739 (3 bedroom / 2 bath, shared bath) to \$1,339 (1 bedroom / 1 bath) for graduate students.

<sup>(3)</sup> Units in Puerta del Sol were reconfigured following Academic Year 2010-2011, resulting in significantly improved occupancy for fall quarter 2011. In Academic Year 2010-2011, Puerta del Sol included 585 beds and the average cost per month per bed was \$1,063. After the reconfiguration, in Academic Year 2011-2012, Puerta del Sol included 876 beds and the average cost per month per bed was \$690.

**Table 2**

**Academic Years 2004-05 Through 2010-11 Occupancy<sup>(1)</sup>**

<b>Facility</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Vista del Campo	99%	99%	100%	100%	99%	99%	99%
Vista del Campo Norte <sup>(2)</sup>	N/A	N/A	99%	100%	99%	99%	90%
Camino del Sol <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	93%
Puerta del Sol <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	47%

<sup>(1)</sup> The chart depicts occupancy at each of the East Campus Apartment projects on a fall and spring basis since each project opened; rounded to nearest percentage.

<sup>(2)</sup> Projects listed as N/A were not open for occupancy during the specified time period.

**Table 3**

**Bed Cost per Month for Academic Years 2007-08 Through 2010-11**

<b>Facility</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Vista del Campo	\$617-\$1,049	\$638-\$1,085	\$661-\$1,125	\$678-\$1,154
Vista del Campo Norte	\$497-\$1,135	\$514-\$1,135	\$533-\$1,135	\$547-\$1,164
Camino del Sol <sup>(1)</sup>	N/A	N/A	N/A	\$750-\$999
Puerta del Sol <sup>(1)</sup>	N/A	N/A	N/A	\$1,013-\$1,313

<sup>(1)</sup> Projects listed as N/A were not open for occupancy during the specified time period.

**Occupancy Data for Existing University-Owned Student Housing**

The following table summarizes annual residence hall and on-campus apartment occupancy for student housing owned by The Regents for Fiscal Years 2007 through 2011:

<b>Fiscal Year</b>	<b>Fall Average<sup>(1)</sup></b>	<b>Spring Average<sup>(1)</sup></b>	<b>12 Month Year Average<sup>(1)</sup></b>
2007	99%	99%	99%
2008	99%	99%	99%
2009	99%	99%	99%
2010	99%	99%	99%
2011	99%	99%	99%

<sup>(1)</sup> Rounded to nearest percentage.

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**Unaudited Historical Cash Flow for East Campus Student Apartments (Combined Phase I, Series 2011 and Phase II Series 2004 & Phase II, Series 2008)<sup>(1)</sup>**

	<b>FISCAL YEAR ENDED</b>				
	<u>06/30/07<sup>(2)</sup></u>	<u>06/30/08</u>	<u>06/30/09<sup>(3)</sup></u>	<u>06/30/10<sup>(3)</sup></u>	<u>06/30/11<sup>(3)</sup></u>
Revenue	\$18,104,584	\$ 25,298,298	\$ 25,547,281	\$ 27,187,494	\$ 38,900,057
Less: Expenses	<u>(\$5,332,018)</u>	<u>(\$8,038,172)</u>	<u>(\$8,346,453)</u>	<u>(\$8,882,984)</u>	<u>(\$12,296,145)</u>
Revenues Less Expenses	\$ 12,772,566	\$ 17,260,125	\$ 17,200,828	\$ 18,304,510	\$ 26,603,912
Less: Deposits for Repairs and Replacements	<u>(\$531,400)</u>	<u>(\$540,111)</u>	<u>(\$549,084)</u>	<u>(\$558,325)</u>	<u>(\$896,099)</u>
Revenue Available for Fixed Charges	<u>\$12,241,166</u>	<u>\$16,720,014</u>	<u>\$16,651,744</u>	<u>\$17,746,185</u>	<u>\$25,707,813</u>
Fixed Charges	\$7,467,276	\$12,795,945	\$ 13,205,069	13,595,244	\$ 14,001,444
Fixed Charges Coverage Ratio	1.64	1.31	1.26	1.31	1.84

<sup>(1)</sup> Unaudited historical cash flow has been provided by the Manager.

<sup>(2)</sup> Amounts adjusted for capitalized interest. Fixed Charges for the fiscal year ending 6/30/07 reflect that debt service was paid with proceeds from the Capitalized Interest Account of the Bond Fund for Series 2004.

<sup>(3)</sup> Amounts adjusted for capitalized interest. Fixed Charges for the fiscal years ending 6/30/09 through 6/30/11 reflect that debt service was paid with proceeds from the Capitalized Interest Account of the Bond Fund for Series 2008.

**East Campus Student Apartments Combined Phase I, Series 2011 and Phase II Series 2004 & Phase II, Series 2008 Pro-Forma<sup>(1)</sup>**

	<b>FISCAL YEAR ENDING</b>				
	<u>06/30/12<sup>(3)</sup></u>	<u>06/30/13</u>	<u>06/30/14</u>	<u>06/30/15</u>	<u>06/30/16</u>
Revenue	\$47,305,670	\$ 48,724,840	\$50,186,586	\$51,692,183	\$53,242,949
Less: Expenses	<u>(\$14,744,646)</u>	<u>(\$15,165,846)</u>	<u>(\$15,538,499)</u>	<u>(\$15,988,223)</u>	<u>(\$16,423,171)</u>
Revenues Less Expenses	\$32,561,024	\$33,558,994	\$34,648,087	\$35,703,961	\$36,819,778
Less: Deposits for Repairs and Replacements	<u>(\$932,727)</u>	<u>(\$960,709)</u>	<u>(\$989,530)</u>	<u>(\$1,019,216)</u>	<u>(\$1,049,792)</u>
Revenue Available for Fixed Charges	<u>\$31,628,297</u>	<u>\$32,598,286</u>	<u>\$33,658,557</u>	<u>\$34,684,745</u>	<u>\$35,769,986</u>
Fixed Charges <sup>(2)</sup>	\$21,754,864	\$25,756,968	\$26,724,893	\$27,635,425	\$28,544,175
Fixed Charges Coverage Ratio	1.45	1.27	1.26	1.26	1.25

<sup>(1)</sup> Operating assumptions (Revenues and Expenses) based upon Manager pro-forma assumptions for the East Campus Apartment Project.

<sup>(2)</sup> Reflects scheduled debt service on the outstanding Series 2004 Bonds, Series 2006 Bonds and Series 2008 Bonds and debt service on the Series 2011 Bonds upon issuance thereof. See "DEBT SERVICE" in this Official Statement.

<sup>(3)</sup> Fixed Charges for the fiscal year ending 6/30/12 have been adjusted for funds remaining in the Capitalized Interest Account of the Bond Fund for the Series 2008 Bonds.

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**APPENDIX B**

**FINANCIAL STATEMENTS OF THE BORROWER  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

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**CHF - IRVINE, L.L.C.**  
**(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)**

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2011 AND 2010**

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WILKINS MILLER HIERONYMUS LLC  
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

wilkinsmiller.com

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of Collegiate Housing Foundation  
CHF - Irvine, L.L.C.  
(a subsidiary of Collegiate Housing Foundation)  
Fairhope, Alabama

We have audited the accompanying statements of financial position of CHF - Irvine, L.L.C. (the Company) as of June 30, 2011 and 2010, and the related statements of activities and changes in member's accumulated equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHF - Irvine, L.L.C. as of June 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Wilkins Miller Hieronymus, LLC*

October 27, 2011

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**STATEMENTS OF FINANCIAL POSITION**

	June 30	
	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,239,979	\$ 408,760
Cash restricted for security deposits	689,308	339,270
Investments - bond reserves	157,588,004	187,148,095
Accounts and other receivables, net	119,429	14,255
Interest receivable	81,148	276,257
Prepaid expenses and other assets	573,017	241,440
Debt issuance costs, net	3,921,183	4,065,390
Construction in progress	-	171,320,729
Property and equipment, net	<u>267,707,418</u>	<u>85,657,486</u>
	<u>\$ 431,919,486</u>	<u>\$ 449,471,682</u>
 <b>LIABILITIES AND MEMBER'S ACCUMULATED EQUITY (DEFICIT)</b>		
Liabilities		
Accounts payable and other accrued liabilities	\$ 753,095	\$ 515,225
Due to management company and related entity	676,268	346,310
Unearned rental income	2,487,153	1,288,204
Construction and development payable	-	7,559,118
Security deposits	663,451	446,088
Accrued interest payable	2,962,027	2,971,002
Ground lease payable	8,084,141	1,692,997
Tax-exempt bonds payable, net	<u>429,172,125</u>	<u>430,659,700</u>
Total liabilities	<u>444,798,260</u>	<u>445,478,644</u>
Member's accumulated equity (deficit)	<u>(12,878,774)</u>	<u>3,993,038</u>
	<u>\$ 431,919,486</u>	<u>\$ 449,471,682</u>

*See accompanying notes to financial statements*

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**STATEMENTS OF ACTIVITIES AND CHANGES IN MEMBER'S ACCUMULATED EQUITY (DEFICIT)**

	Year Ended June 30	
	2011	2010
Revenue		
Rental	\$ 25,773,331	\$ 13,288,951
Investment	2,131,254	1,192,929
Other	<u>261,241</u>	<u>144,270</u>
Total revenue	<u>28,165,826</u>	<u>14,626,150</u>
Operating expenses		
Administrative	862,772	412,031
Advertising and promotion	55,301	26,363
Depreciation and amortization	9,467,800	3,572,377
Ground lease	8,084,141	1,692,997
Insurance	392,750	176,769
Interest	16,263,156	5,671,781
Management fees	1,274,409	578,433
Membership fees	301,016	107,445
Preopening costs	175,633	223,507
Professional fees	233,965	127,021
Repairs and maintenance	1,099,755	802,247
Salaries and wages	2,061,846	1,309,162
Telephone	33,547	17,145
Utilities	<u>2,047,444</u>	<u>1,065,076</u>
Total operating expenses	<u>42,353,535</u>	<u>15,782,354</u>
Loss from operations	(14,187,709)	(1,156,204)
Other income (expenses)		
Unrealized gain on investments	2,681,722	7,643,752
Interest expense - refunded bonds	<u>(5,365,825)</u>	<u>(5,365,825)</u>
Total other income (expenses)	<u>(2,684,103)</u>	<u>2,277,927</u>
Net income (loss)	(16,871,812)	1,121,723
Member's accumulated equity (deficit)		
Beginning of year	<u>3,993,038</u>	<u>2,871,315</u>
End of year	<u>\$ (12,878,774)</u>	<u>\$ 3,993,038</u>

*See accompanying notes to financial statements*

**CHF - IRVINE, L.L.C.**  
**(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)**

**STATEMENTS OF CASH FLOWS**

	Year Ended June 30	
	2011	2010
Operating activities		
Net income (loss)	\$ (16,871,812)	\$ 1,121,723
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,593,004	3,685,728
Amortization of bond premium	(125,204)	(113,351)
Unrealized gain on investments	(2,681,722)	(7,643,752)
Bad debt expense	4,642	2,000
Interest expense - refunded bonds	5,365,825	5,365,825
Decrease (increase) in:		
Accounts and other receivables	(109,816)	23,060
Cash restricted for security deposits	(350,038)	(18,720)
Interest receivable	(43,221)	-
Prepaid expenses and other assets	(331,577)	36,055
Increase (decrease) in:		
Accounts payable and other accrued liabilities	237,870	(27,129)
Due to management company and related entity	329,958	(29,880)
Ground lease payable	6,391,144	5,986
Accrued interest payable	1,588,572	(7,137)
Security deposits	217,363	125,838
Unearned rental income	1,198,949	26,445
Total adjustments	<u>21,285,749</u>	<u>1,430,968</u>
Net cash provided by operating activities	<u>4,413,937</u>	<u>2,552,691</u>
Investing activities		
Net payments for construction in progress	-	(81,899,651)
Payments for property and equipment	(29,098,706)	(147,122)
Net sales of investments - bond reserves	<u>32,241,813</u>	<u>86,028,060</u>
Net cash provided by investing activities	<u>3,143,107</u>	<u>3,981,287</u>

(continued)



**CHF - IRVINE, L.L.C.**  
**(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

	Year Ended June 30	
	2011	2010
Financing activities		
Repayment of bonds payable	(1,360,000)	(1,090,000)
Interest expense - refunded bonds	<u>(5,365,825)</u>	<u>(5,365,825)</u>
Net cash used in financing activities	<u>(6,725,825)</u>	<u>(6,455,825)</u>
Net increase in cash and cash equivalents	831,219	78,153
Cash and cash equivalents		
Beginning of year	<u>408,760</u>	<u>330,607</u>
End of year	<u>\$ 1,239,979</u>	<u>\$ 408,760</u>
Supplemental disclosure of cash flow information:		
Interest paid, net of amount capitalized	<u>\$ 23,825,119</u>	<u>\$ 11,044,744</u>

*See accompanying notes to financial statements*

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and nature of operations

CHF - Irvine, L.L.C. (the Company) is a subsidiary of Collegiate Housing Foundation (the Foundation) which owns and operates a 1,564-bed student housing facility. During the year ended June 30, 2011, the Company placed into operation an additional phase which includes 1,763 beds and a 1,930 space parking facility. During the year ended June 30, 2011, the Company also began renovations to add 311 beds to the new phase. The additional beds are expected to be operational in August 2011. The housing facilities are located in the town of Irvine, California on the campus of the University of California - Irvine (the University). The housing facilities are operated under a management agreement between the Company and ACC SC Management (California), LP. The accompanying statements include only the accounts of the Company.

The Foundation is a non-profit corporation formed in 1996 under the laws of the State of Alabama. The Foundation is also an organization that is exempt from federal income tax pursuant to code section 501(c)(3) of the Internal Revenue Code. The Foundation was organized and is operated for the purpose of providing housing facilities primarily for students at colleges and universities in the United States.

The Company has entered into loan agreements with the California Statewide Communities Development Authority (the Issuer). The underlying property on which the housing facilities are located is leased to the Company under a ground lease with The Regents of the University of California. When the financing is paid in full the Company's interest in the housing facilities and the underlying property will be conveyed to The Regents of the University of California or its successor.

Basis of accounting

The accompanying financial statements are prepared using the accrual basis of accounting.

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses for the year. Actual results could differ from these estimates. Due to fluctuations in interest rates primarily, it is at least reasonably possible the fair value of certain investments and bonds payable will change within the near term.

**CHF - IRVINE, L.L.C.**  
**(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition

The Company generally leases bedrooms in accordance with twelve month contracts based upon lease terms beginning in June or September. Tenants are billed on the first of the month and the Company recognizes revenue at the end of the month over the twelve month period. Certain revenues are deferred until the subsequent fiscal year based upon this policy. Amounts received in advance are recorded as unearned rental income on the balance sheet.

Cash and cash equivalents

For the purpose of the Statements of Cash Flows, the Company considers cash and cash equivalents to include cash on hand and temporary investments purchased with an initial maturity of three months or less, except for Treasury bills, money market funds, commercial paper, and other short-term financial instruments included in the Company's investment account which are primarily held for investment in long-term assets.

Accounts receivable

Accounts receivable arise in the normal course of business. The Company generally allows for estimated losses on accounts receivable based on a review of existing receivables. As of June 30, 2011 and 2010, the Company had an allowance for bad debt of \$10,000 and \$6,000, respectively.

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs, capitalized interest, amortization of debt issuance costs and bond premium. The costs are accounted for as construction in progress until such time as the housing facility is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded by the Company based upon interest expense incurred on the Company's borrowings, offset by the investment income earned on the related bond proceeds. The net amount of capitalized interest was \$1,836,368 and \$9,351,131 for the years ended June 30, 2011 and 2010, respectively.

Cash paid for interest, for the purpose of the Statements of Cash Flows, is disclosed net of the amount capitalized for the years ended June 30, 2011 and 2010.

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and equipment

Property and equipment are recorded at cost. Depreciation is recognized using the straight-line method over the estimated useful life of the respective asset including seven to thirty-two years for buildings and improvements and three to seven years for furniture and appliances. Expenses for maintenance, repairs and renewals of relatively minor items are expensed as incurred.

Debt issuance costs

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the associated bonds. These costs are shown net of accumulated amortization of \$661,263 and \$517,057 at June 30, 2011 and 2010, respectively. The amortization expected in each of the following five years is \$144,210 per year.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$55,301 and \$26,363 for the years ended June 30, 2011 and 2010, respectively.

Income taxes

The Company is a single-member limited liability company that is disregarded as a separate entity for income tax purposes. As such, the activities are reported on the return of its sole member, the Foundation. The Foundation is a non-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation's tax years 2007 to 2010 are open to examination.

The Company's management is not aware of any uncertain tax positions that would qualify for disclosure or accrual in the financial statements at June 30, 2011 and 2010.

Reclassifications

Reclassifications were made to the 2010 financial statements to conform them to the presentation used in 2011. Member's equity (deficit) and net income (loss) are unchanged due to these reclassifications.

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent events

Subsequent events have been evaluated through October 27, 2011, which is the date the financial statements were issued.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Company has concentrated its credit risk for cash by maintaining deposits in financial institutions which may at times exceed amounts covered by the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses in such amounts.

The balances in investments - bond reserves are invested according to the Indenture pursuant to which the bonds are issued, the terms of which are generally intended to limit investments to creditworthy investments.

**NOTE 3 - INVESTMENTS - BOND RESERVES**

The funds held by the Bond Trustee consist of cash, money market investments, securities that are primarily issued by the U.S. Government, and various other financial instruments. These investments are stated at their fair values. Unrealized gains and losses are included in net income or loss.

Under the terms of the Indenture, various funds such as Revenue, Liquidity, Escrow, and Repair must be established and maintained for the Company. The Indenture governs the types of investments and requirements for collateralization.

In connection with the refunding of a portion of the Company's Series 2004 Bonds, certain proceeds of the Series 2006 Bonds were held in escrow to service future debt payments of the Series 2004 Bonds (See Note 5).

Investments - bond reserves consist of the following at June 30, 2011:

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Money market funds	\$ 24,240,787	\$ 24,240,787	\$ -
United States government securities	77,097,991	111,951,014	34,853,023
Guaranteed investment contracts	<u>21,396,203</u>	<u>21,396,203</u>	<u>-</u>
	<u>\$ 122,734,981</u>	<u>\$ 157,588,004</u>	<u>\$ 34,853,023</u>

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 3 - INVESTMENTS - BOND RESERVES (CONTINUED)**

Investments - bond reserves consist of the following at June 30, 2010:

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Money market funds	\$ 5,298,387	\$ 5,298,387	\$ -
United States government securities	81,388,242	113,559,543	32,171,301
Guaranteed investment contracts	<u>68,290,165</u>	<u>68,290,165</u>	<u>-</u>
	<u>\$ 154,976,794</u>	<u>\$ 187,148,095</u>	<u>\$ 32,171,301</u>

The Indenture contains significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

Information necessary to report the proceeds of the sale and purchases of investments for the Statement of Cash Flows is not meaningful due to the nature of the investments and large volume of transactions.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Building and improvements	\$ 281,882,330	\$ 95,220,265
Furniture and appliances	<u>8,957,849</u>	<u>4,168,697</u>
	290,840,179	99,388,962
Less accumulated depreciation	<u>23,132,761</u>	<u>13,731,476</u>
	<u>\$ 267,707,418</u>	<u>\$ 85,657,486</u>

Depreciation expense was \$9,459,752 and \$3,607,250 for the years ended June 30, 2011 and 2010, respectively.

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 5 - LONG-TERM DEBT**

Bonds payable

On December 1, 2004, non-taxable Bonds (Series 2004 Bonds) were issued in the amount of \$109,780,000 (plus a net premium of \$1,252,953) by the California Statewide Communities Development Authority (the Issuer) pursuant to the Indenture between the Issuer and Trustee.

On May 1, 2006, non-taxable bonds (Series 2006 Bonds) were issued in the amount of \$99,290,000 (plus a net premium of \$2,398,202) by the California Statewide Communities Development Authority (the Issuer) for the purpose of providing funds to (i) advance refund a portion of the Issuer's Series 2004 Bonds and (ii) pay the issuance costs of the Series 2006 Bonds. As an in-substance defeasance transaction, the refunded portion of the Series 2004 Bonds have not been derecognized as a liability of the Company. In connection with the refunding, certain monies were deposited into an escrow fund with the Trustee for the purpose of making principal and interest payments on the Series 2004 Bonds. At June 30, 2011 and 2010, the balance in the escrow fund was \$111,951,598 and \$113,559,952, respectively.

On July 30, 2008 non-taxable Bonds (Series 2008 Bonds) were issued in the amount of \$220,915,000 (plus a net premium of \$452,790) by the California Statewide Communities Development Authority (the Issuer) pursuant to the Indenture between the Issuer and Trustee.

Pursuant to the various loan agreements between the Issuer and the Company, the Issuer has loaned the proceeds of the respective Series 2004, Series 2006 and Series 2008 Bonds to the Company. The proceeds were used to finance construction of various housing facilities, fund interest on the bonds during the construction period, pay the cost of issuing the bonds, fund various reserves and/or refund certain Series 2004 bonds. The obligation is secured by an assignment of various documents executed in connection with the bond issue, a lien on the Company's interest in the housing facility site and all improvements, an assignment of rents, and various other items stipulated in the documents.

Pursuant to various agreements, the Company makes various covenants, including one to maintain a minimum fixed charges coverage ratio.

**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

Long-term debt consists of the following:

	June 30	
	2011	2010
Bond obligation payable (Series 2004 Bonds) in semi-annual installments of interest and annual installments of principal through May 15, 2038; interest rates range from 5.25% to 5.75% per annum	\$ 106,300,000	\$ 107,460,000
Bond obligation payable (Series 2006 Bonds) in semi-annual installments of interest and annual installments of principal through May 15, 2038; interest rates range from 4.13% to 5.00% per annum	98,535,000	98,735,000
Bond obligation payable (Series 2008 Bonds) in semi-annual installments of interest and annual installments of principal through May 15, 2040; interest rates range from 4.00% to 6.00% per annum	<u>220,915,000</u>	<u>220,915,000</u>
Total long-term debt	425,750,000	427,110,000
Plus unamortized premium	<u>3,422,125</u>	<u>3,549,700</u>
	<u>\$ 429,172,125</u>	<u>\$ 430,659,700</u>



**CHF - IRVINE, L.L.C.**  
(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

Net unamortized premium

The net bond premium recognized upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method. The amortization expected in each of the following five years is \$127,575 per year.

Maturities of long-term debt at June 30, 2011 are as follows:

	<u>Series 2004</u> <u>Bonds</u>	<u>Series 2006</u> <u>Bonds</u>	<u>Series 2008</u> <u>Bonds</u>	<u>Total</u>
Year ending June 30				
2012	\$ 1,450,000	\$ 210,000	\$ 2,350,000	\$ 4,010,000
2013	1,750,000	215,000	1,475,000	3,440,000
2014	1,975,000	225,000	2,100,000	4,300,000
2015	2,085,000	235,000	2,900,000	5,220,000
2016	2,200,000	2,445,000	3,700,000	8,345,000
2017 and thereafter	<u>96,840,000</u>	<u>95,205,000</u>	<u>208,390,000</u>	<u>400,435,000</u>
	<u>\$ 106,300,000</u>	<u>\$ 98,535,000</u>	<u>\$ 220,915,000</u>	<u>\$ 425,750,000</u>

**NOTE 6 - GROUND LEASE**

The Company and The Regents of the University of California have entered into two Ground Lease Agreements (2004 Ground Lease and 2008 Ground Lease) related to the Series 2004 and 2008 Bonds (collectively the Bonds). The 2004 Ground Lease, dated December 1, 2004 and amended April 1, 2006 and July 1, 2008, requires the Company to pay base rent in the amount of \$1,000,000 beginning for the year ended June 30, 2007. The 2004 Ground Lease will terminate upon the earlier of forty years or final redemption of the Company's Bonds. The 2008 Ground Lease, dated July 1, 2008, requires the Company to pay base rent in the amount of \$1,532,000 per year beginning upon substantial completion of the additional phase, but no later than for the year ending June 30, 2011. The 2008 Ground Lease will terminate upon the earlier of December 13, 2044 or final redemption of the Company's Bonds. The base rent amounts of the 2004 and 2008 Ground Leases are subject to an upward adjustment on every fifth anniversary of the rent commencement date based on the Consumer Price Index.

The 2004 and 2008 Ground Leases also require additional rent to be paid from the Surplus Fund held by the Trustee, based on the terms of the Indenture and Ground Lease Agreement.

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(A SUBSIDIARY OF COLLEGIATE HOUSING FOUNDATION)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 6 - GROUND LEASE (CONTINUED)**

Ground lease expense (base rent and additional rent) was \$8,084,141 and \$1,692,997 for the years ended June 30, 2011 and 2010, of which \$8,084,141 and \$1,692,997 was payable as of June 30, 2011 and 2010, respectively.

The following are future minimum ground lease base rents at June 30, 2011, subject to upward adjustment as explained in a preceding paragraph:

Year ending June 30	
2012	\$ 2,532,000
2013	2,532,000
2014	2,532,000
2015	2,532,000
2016	2,532,000
2017 and thereafter	<u>63,364,000</u>
Total minimum payments	<u>\$ 76,024,000</u>

**NOTE 7 - PROJECT MANAGEMENT**

The Company entered into a Management Agreement (the Original Agreement) with ACC SC Management (California), LP (the Manager) on December 1, 2004. In connection with the issuing of the Series 2008 Bonds, the Original Agreement was amended and restated on July 1, 2008 in order to engage the Manager to manage and operate the housing and parking facilities owned by the Company on the campus of the University. The primary term of the Restated and Amended Agreement (the Agreement) expires on June 30, 2013, with renewal on a month-to-month basis thereafter. The management of the facilities includes obtaining and maintaining occupants, collection of rents, payment of indebtedness and expenses, repairs, maintenance, and administrative services. The employees necessary or appropriate to manage the facilities will be under the control of the Manager. Per the Agreement, the Company will reimburse the Manager for expenses related to gross salaries, incentive bonuses, and other employee benefits and travel expenses to the housing facility. As of June 30, 2011 and 2010, the Manager was owed \$13,388 and \$24,558 respectively, for reimbursable expenses.

The management fee consists of a fixed monthly management fee, subject to an annual adjustment based on CPI, and an incentive management fee based on a formula prescribed in the Agreement. The fixed management fee for the years ended June 30, 2011 and 2010, was \$705,558 and \$289,217, respectively, of which \$65,745 and \$24,054 was payable as of June 30, 2011 and 2010, respectively. The incentive management fee for the years ended June 30, 2011 and 2010, was \$568,851 and \$289,217, respectively, of which all was payable as of June 30, 2011 and 2010, respectively.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 7 - PROJECT MANAGEMENT (CONTINUED)**

The following are future minimum management fees at June 30, 2011, subject to upward adjustment as explained in a preceding paragraph:

Year ended June 30	
2012	\$ 788,940
2013	<u>788,940</u>
Total minimum payments	<u>\$ 1,577,880</u>

**NOTE 8 - RELATED PARTY TRANSACTIONS**

The Foundation received a fee at closing based on a percentage of the financed amount. The fees of \$100,000 for the Series 2004 Bonds, \$25,000 for the Series 2006 Bonds and \$100,000 for the Series 2008 Bonds are included in the account, "Debt issuance costs," net of amortization of \$33,380 and \$26,378 at June 30, 2011 and 2010, respectively. The charge is amortized over the life of the bonds.

The Foundation has an agreement to receive a monthly membership fee once the housing facilities are operational. For the housing facility associated with the 2004 Series Bonds, the amount is equal to 0.8% of the occupancy receipts. For the housing facility associated with the 2008 Series bonds, the amount is equal to 1.5% of the occupancy receipts, not to exceed \$250,000 per annum during the first ten years of operation, \$330,000 per annum during the second ten years of operation and \$440,000 per annum during the third ten years of operation. The membership expense for the years ended June 30, 2011 and 2010 was \$301,016 and \$107,445, respectively, of which \$28,284 and \$8,481 was payable as of June 30, 2011 and 2010, respectively.

**NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximates fair value due to short maturities.

Long-term debt consists of fixed rate tax-exempt bonds payable. The fair value of the fixed rate debt is estimated using a discounted cash flow analysis. The carrying amount, including unamortized premiums of \$3,422,125 and \$3,549,700, was \$429,172,125 and \$430,659,700 at June 30, 2011 and 2010, respectively; and, the estimated fair value of bonds payable was approximately \$439,604,000 and \$447,047,000 as of June 30, 2011 and 2010, respectively.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 10 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices for similar assets or liabilities in active markets, and Level 3 inputs are unobservable and have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2011 and 2010 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2011</u>				
Money market funds	\$ 24,240,787	\$ 24,240,787	\$ -	\$ -
United States government securities	111,951,014	111,951,014	-	-
Guaranteed investment contracts	<u>21,396,203</u>	<u>-</u>	<u>-</u>	<u>21,396,203</u>
Total assets	<u>\$ 157,588,004</u>	<u>\$ 136,191,801</u>	<u>\$ -</u>	<u>\$ 21,396,203</u>
Tax-exempt bonds payable	<u>\$ 439,604,000</u>	<u>\$ -</u>	<u>\$ 439,604,000</u>	<u>\$ -</u>
Total liabilities	<u>\$ 439,604,000</u>	<u>\$ -</u>	<u>\$ 439,604,000</u>	<u>\$ -</u>
<u>June 30, 2010</u>				
Money market funds	\$ 5,298,387	\$ 5,298,387	\$ -	\$ -
United States government securities	113,559,543	113,559,543	-	-
Guaranteed investment contracts	<u>68,290,165</u>	<u>-</u>	<u>-</u>	<u>68,290,165</u>
Total assets	<u>\$ 187,148,095</u>	<u>\$ 118,857,930</u>	<u>\$ -</u>	<u>\$ 68,290,165</u>
Tax-exempt bonds payable	<u>\$ 447,047,000</u>	<u>\$ -</u>	<u>\$ 447,047,000</u>	<u>\$ -</u>
Total liabilities	<u>\$ 447,047,000</u>	<u>\$ -</u>	<u>\$ 447,047,000</u>	<u>\$ -</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

**NOTE 10 - FAIR VALUE MEASUREMENTS (CONTINUED)**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Level 3</u> Guaranteed Investment Contracts
July 1, 2008	\$ 149,894,662
Purchases, issuances, and settlements	<u>(81,604,497)</u>
June 30, 2010	68,290,165
Purchases, issuances, and settlements	<u>(46,893,962)</u>
June 30, 2011	\$ <u>21,396,203</u>

The money market funds, United States government securities and tax-exempt bonds have been valued using a market approach. The guaranteed investment contracts (GICs) have been valued using a cost approach. The GICs value represents contributions made under the contract and reinvested income, less any withdrawals. There have been no changes in valuation techniques and related inputs.

**NOTE 11 - OTHER MATTERS**

During the year ended June 30, 2010, the Internal Revenue Service concluded its audit of the Series 2006 Bonds without any adverse determination.

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## APPENDIX C

### 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 and the Ground Lease 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**

“**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 amended, and as the same may be from time to time additionally supplemented and amended.

“**Additional Bonds**” means any additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of the Indenture.

“**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 50% of the securities (as defined in § 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 50% of the securities (as defined in § 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.

“**Annual Budget**” means the line item operation and capital budget for the Project for each Fiscal Year developed by the Manager and approved by the Borrower in accordance with the Loan Agreement and each of the Ground Leases.

“**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 an amount for the Project each year equal to \$908,578 in Current Dollars, as set forth in a written certificate of the Authorized Borrower Representative approved by the Manager and filed with the Trustee.

**“Assignment of Construction Documents”** means the Assignment of Construction Documents dated as of December 1, 2004, and as subsequently amended and supplemented, and the Assignment of Construction Documents, dated as of July 1, 2008, by the Borrower in favor of the Trustee, as either may be amended and/or supplemented from time to time as permitted by the Indenture.

**“Average Annual Occupancy Percentage”** means for any Fiscal Year, (a) with respect to the Bonds, the percentage derived by dividing (x) the actual number of days during such Fiscal Year that the beds in the Project were occupied under Resident Leases (as that term is defined in the Ground Leases), by (y) the product of 365 days multiplied by 5,036 beds.

**“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 Documents”** means, collectively, the Financing Trust Agreement, the Indenture, the Loan Agreement, the Tax Certificate, the Leasehold Deed of Trust, the Assignment of Construction Documents, the Bond Purchase Agreement, the Indemnity Letters, the Ground Leases, the Development Agreement, the Management Agreement and the Borrower Financing Statements.

**“Bond Indenture”** will have the meaning set forth in the Financing Trust Agreement.

**“Borrower Documents”** means the Loan Agreement, the Financing Trust Agreement, the Tax Certificate, the Leasehold Deed of Trust, the Assignment of Construction Documents, the Bond Purchase Agreement, the Borrower Indemnity Letter, the Ground Leases, the Development Agreement, the Management Agreement and the Borrower Financing Statement(s).

**“Borrower Fee”** means (i) the fee to be paid to the Foundation pursuant to the Series 2004 and Series 2006 Ground Lease from the proceeds of the Series 2004 Bonds in the amount of \$100,000 to compensate the Borrower for the responsibilities assigned to the Borrower under the Bond Documents to which it is a party, and (ii) the fee to be paid to the Foundation pursuant to the Series 2008 Ground Lease from the proceeds of the Series 2008 Bonds in the amount of \$100,000 to compensate the Borrower for the responsibilities assigned to the Borrower under the Bond Documents to which it is a party.

**“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.

**“Construction Period,”** with respect to the Series 2004 Project, means the period between the beginning of construction thereof or the date on which Series 2004 Bonds were first delivered to the Underwriter (whichever is earlier) and the Series 2004 Completion Date, and with respect to the Series 2008 Project, means the period between the beginning of construction thereof or the date on which Series 2008 Bonds are first delivered to the Underwriter (whichever is earlier) and the Series 2008 Completion Date.

**“Consumer Price Index”** means the Consumer Price Index for All Urban Consumers, All Items, (CPI-U) Los Angeles-Riverside-Orange County Area, 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 will 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 will be made therein for the purposes of the Indenture, 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 the Ground Lessor;

(iii) ceases to be published, then for the purposes of the Indenture there will be substituted for it such other index as the Borrower, the Trustee and the Ground Lessor may agree upon, or in the absence of such an agreement, the Consumer Price Index first issued for the month and year in question.

**“Costs of the Project,”** with respect to the Project and the UCI Parking System Portion, means those costs and expenses in connection with the acquisition, construction, furnishing, and equipping thereof permitted by the Act to be paid or reimbursed from the 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 applicable Construction Period and for such additional period as the Issuer will reasonably determine to be necessary for placing the Project 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 Account of the Construction Fund will only be permitted for expenditures meeting the requirements of the Regulations, including but not limited to, § 1.150-2 of the Regulations.

**“Coverage Reserve Required Balance”** means, as of any date, an amount equal to 0.05 multiplied by Maximum Annual Debt Service.

**“Current Dollars”** means a dollar amount calculated by multiplying a dollar amount specified in the Indenture by a fraction, the numerator of which is the Consumer Price Index last published prior to the date upon which such amount is calculated and the denominator of which is the Consumer Price Index last published prior to the date of delivery and issuance of the Series 2004 Bonds.

**“Development Agreement,”** with respect to the Series 2004 Bonds, means the Development Agreement dated as of December 1, 2004, between the Borrower and the Developer, and with respect to the Series 2008 Bonds, means the Development Agreement dated as of July 1, 2008, between the Borrower and the Developer.

**“Distributed Management Fee”** means any management fee paid pursuant to a Management Agreement that is not paid as an Expense.

**“Expenses,”** with respect to the Project, means, for any period, the aggregate of all expenses relating thereto calculated under GAAP, including any Base Management Fee due and payable to the Manager pursuant to the Management Agreement, the Lessee’s Fee due and payable to the Foundation pursuant to the Ground Leases and necessary expenses incurred by the Borrower in connection with the inspection thereof, 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, and (iii) losses resulting from any reappraisal, revaluation, or write-down of assets.

**“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 University. 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, 2004, as supplemented by the First Supplemental Financing Trust Agreement dated as of December 1, 2004, the Second Supplemental Financing Trust Agreement, dated as of April 1, 2006, the Third Supplemental Financing Trust Agreement, dated as of July 1, 2008 and the Fourth Supplemental Financing Trust Agreement, dated as of December 1, 2011, each 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.

**“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. 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 payments made to the Ground Lessor under either the Ground Leases or principal and interest payable on any Indebtedness to the extent that such principal and interest are payable from the proceeds of such Indebtedness.

**“Fixed Charges Coverage Ratio”** means, for any period, the ratio of (a) Revenue Available for Fixed Charges plus the then current balance in the Coverage Reserve Fund to (b) Fixed Charges.

**“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.

**“Fourth Supplemental Financing Trust Agreement”** means the Fourth Supplemental Financing Trust Agreement dated as of December 1, 2011, 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.

“**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.

“**Ground Lease**” means, individually, or “**Ground Leases**” means, collectively, (i) the Series 2004 and Series 2006 Ground Lease, (ii) the Series 2008 Ground Lease and (iii) the Series 2011 Ground Lease.

“**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.

“**Initial Liquidity Account Requirement**” means an amount equal to \$30,982,262.50.

“**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 Construction Documents, the Borrower Financing Statements, 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 Construction 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 Construction Documents in connection with the issuance thereof;

(ii) the costs of legal fees and expenses, Underwriter’s 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 Series 2004 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.

“**Leasehold Deed of Trust**” means the Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of December 1, 2004, as amended by the First Supplemental Leasehold Deed of Trust with

Assignment of Rents and Fixture Filing, dated as of April 1, 2006, the Second Supplemental Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of July 1, 2008, and the Third Supplemental Leasehold Deed of Trust with Assignment of Rents and Fixture Filing, dated as of December 1, 2011 encumbering the Premises and all improvements thereon including the Series 2004 Building, the Series 2008 Building and the Series 2011 Building executed by the Borrower in favor of the deed of trust trustee named therein for the benefit of the Trustee, as the same may be amended and/or supplemented from time to time as permitted by the Indenture and the Loan Agreement.

**“Liquidity Account 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 Account Loan Payments” in the Loan Agreement.

**“Loan”** means, collectively, the Series 2004 Loan, the Series 2006 Loan, the Series 2008 Loan and the Series 2011 Loan, and any subsequent loan by the Issuer to the Borrower of the proceeds of Additional Bonds pursuant to a supplemental Loan Agreement.

**“Loan Agreement”** means the Original Loan Agreement, as amended by the First Amendment to Loan Agreement, and as supplemented by the First Supplemental Loan Agreement, the Second Supplemental Loan Agreement and the Third Supplemental Loan Agreement, 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 Indenture and which satisfies all of the requirements for a Loan Agreement set forth in the Financing Trust Agreement.

**“Management Agreement”** means (i) the Second Amended and Restated Management Agreement, dated as of December 1, 2011, between the Borrower and the Manager, as the same may be 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 2004 Project, the Series 2008 Project, the Series 2011 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 ACC SC Management (California) LP or any management company or entity employed by the Borrower to manage the Project.

**“Master Trustee”** means the master trustee at the time serving as such under the Financing Trust Agreement. The Bank of New York Mellon Trust Company, N.A., 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.

**“Minimum Repair and Replacement Fund Balance”** means the sum of (i) with respect to the Series 2004 Bonds, during the period from July 1, 2005 to June 30, 2015, \$750,000, and, during the period from July 1, 2015 and thereafter, \$1,000,000, and (ii) with respect to the Series 2008 Bonds, during the period from July 1, 2010 to June 30, 2015, \$850,000, and, during the period from July 1, 2015 to June 30, 2020, \$1,100,000, and thereafter, \$1,500,000, and (iii) with respect to the Series 2011 Bonds, no additional amount shall be required.

**“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. 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.

“**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 less (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.

“**Original Indenture**” means the Indenture, dated as of December 1, 2004, by and between the Authority and the Trustee.

“**Original Loan Agreement**” means the Loan Agreement, dated as of December 1, 2004, by and between the Borrower and the Authority.

“**Permitted Encumbrances**” means, as of any particular time:

(1) undetermined liens and charges incident to construction or maintenance, 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 Borrower and The Regents under the Ground Lease;

(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 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 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 approved in writing by the Trustee and supported by appropriate opinions of counsel; and

(x) other forms of investments (including repurchase agreements) approved by the Trustee.

**"Premises"** means the land described in Exhibit C, attached to the Third Supplemental Indenture, which constitutes the amendment and restatement in its entirety of Exhibit A to the Original Indenture.

**"Project"** means the Series 2004 Project, the Series 2008 Project and the Series 2011 Project and any additional project acquired, constructed, furnished, and equipped with the proceeds of Additional Bonds.

**"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.

**“Rating Agency”** means, each and collectively, Fitch, Moody’s and S&P.

**“Requisite Number of Bondholders”** means the Owners of not less than two-thirds (2/3) 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 to 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, including the proceeds of the Bonds deposited into the Subaccount of the Capitalized Interest Account and expended during such period to pay interest on the Bonds, 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.

**“S&P”** means Standard & Poor’s Ratings Services, 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. Whenever rating categories of S&P are specified in the Indenture, such categories will be irrespective of gradations within a category.

**“Second Supplemental Indenture”** means the Second Supplemental Indenture, dated as of July 1, 2008, by and between the Issuer and the Trustee.

**“Second Supplemental Loan Agreement”** means the Second Supplemental Loan Agreement, dated as of July 1, 2008, by and between the Issuer and the Borrower.

**“Series 2004 and Series 2006 Ground Lease”** means the Ground Lease Agreement, dated as of December 1, 2004, and amended by the First Amendment to Ground Lease, dated as of April 1, 2006, by and between the Ground Lessor and the Borrower, as the same may be amended from time to time in accordance with the provisions thereof and of the Indenture.

**“Series 2008 Bonds”** means California Statewide Communities Development Authority Student Housing Refunding Revenue Bonds (CHF--Irvine, L.L.C.--UCI East Campus Apartments, Phase II), Series 2008, issued pursuant to the Indenture.

**“Series 2008 Building”** means those certain buildings and all other facilities and improvements constituting part of the Series 2008 Project and not constituting part of the Series 2008 Equipment that are or will be located on the Premises; and expressly including the UCI Parking System Portion.



“**Series 2008 Equipment**” means the equipment, machinery, furnishings, and other personal property acquired with the proceeds of the Series 2008 Bonds and described in Exhibit A attached to the Original Loan Agreement, and all replacements, substitutions and additions thereto, and expressly excluding the UCI Parking System Portion.

“**Series 2008 Ground Lease**” means the Ground Lease Agreement, dated as of July 1, 2008 between the Ground Lessor and the Borrower, as amended by the First Amendment to Ground Lease, dated as of December 1, 2011, between the Ground Lessor and the Borrower, as the same may be amended from time to time in accordance with the provisions thereof and of the Indenture.

“**Series 2008 Loan**” means the loan by the Issuer to the Borrower of the proceeds of the Series 2008 Bonds pursuant to the Loan Agreement.

“**Series 2008 Project**” means the housing facility of approximately 1,760 beds in an approximately 720-unit student apartment complex and related parking facilities located at and serving the University of California, Irvine and that will be acquired, constructed, furnished, and equipped on a site located on campus at the University, consisting of the a portion of the Premises, the Series 2008 Building, and the Series 2008 Equipment; and expressly excluding the UCI Parking System Portion.

“**Series 2011 Bonds**” means California Statewide Communities Development Authority Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase I Refunding--CHF--Irvine, L.L.C.) Series 2011, issued pursuant to the Indenture.

“**Series 2011 Building**” means those certain buildings and all other facilities and improvements constituting part of the Series 2011 Project and not constituting part of the Series 2011 Equipment that are located on the Premises.

“**Series 2011 Equipment**” means the equipment, machinery, furnishings, and other personal property acquired with the proceeds of the Series 2011 Bonds and described in Exhibit A attached to the Third Supplemental Loan Agreement, and all replacements, substitutions, and additions thereto.

“**Series 2011 Ground Lease**” means the Ground Lease Agreement, dated as of December 1, 2011 between the Ground Lessor and the Borrower, as the same may be amended from time to time in accordance with the provisions thereof and of the Indenture.

“**Series 2011 Loan**” means the loan by the Issuer to the Borrower of the proceeds of the Series 2011 Bonds pursuant to the Loan Agreement.

“**Series 2011 Project**” means the housing facility of approximately 1,488 beds in an approximately 488-unit student apartment complex and related parking facilities located at and serving the University of California, Irvine and that will be acquired on a site located on campus at the University, consisting of the Series 2011 Building and the Series 2011 Equipment.

“**Series 2011 Tax Certificate**,” means the Series 2011 Tax Certificate and Agreement relating to the Series 2008 Bonds, dated the date of delivery of the Series 2011 Bonds, between the Issuer and the Borrower.

“**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.

“**Tax Certificate**,” means, with respect to the Series 2004 Bonds, the Tax Certificate and Agreement, dated December 14, 2004, with respect to the Series 2006 Bonds, the Tax Certificate and Agreement, dated April 27,

2006, between the Issuer and the Borrower, and with respect to the Series 2008 Bonds, the Series 2008 Tax Certificate and Agreement, dated July 30, 2008, between the Issuer and the Borrower, and with respect to the Series 2011 Bonds, the Series 2011 Tax Certificate.

“*Third Supplemental Indenture*” means the Third Supplemental Indenture, dated as of December 1, 2011, by and between the Issuer and the Trustee.

“*Third Supplemental Loan Agreement*” means the Third Supplemental Loan Agreement, dated as of December 1, 2011, by and between the Issuer and the Borrower.

“*Trust Estate*” means any and all property subject to the operation of the granting clauses of the Indenture.

“*2011 Escrow Agreement*” means the Escrow Agreement, dated as of December 1, 2011, between the Issuer and U.S. Bank, National Association, as escrow agent for the 2002 Bonds.

“*2002 Bonds*” means collectively the California Statewide Communities Development Authority Student Housing Revenue Bonds (EAH-East Campus Apartments—UC Irvine Project) Series 2002A and the California Statewide Communities Development Authority Taxable Student Housing Revenue Bonds (EAH-East Campus Apartments—UC Irvine Project) Series 2002B.

“*UCI Bonds Pooling Subaccount*” means the subaccount by that name created under the Financing Trust Agreement.

“*UCI Bonds Redemption Subaccount*” means the subaccount by that name created under the Financing Trust Agreement.

## THE INDENTURE

### Limited Obligation

The Bonds, together with interest thereon, will be special, limited and not general obligations of the Issuer giving rise to no pecuniary liability of the Issuer, will be payable solely from the Security, including the revenues and receipts derived from or in connection with the Series 2004 Project, the Series 2008 Project and the Series 2011 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 members of the Authority nor any person executing the Bonds will be liable personally on the Bonds by reason of the issuance thereof.

### Tax Covenants

(a) The Authority will not use or permit the use of any proceeds of Bonds or any funds of the Authority, 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 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 Authority will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority 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 Authority 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 Authority 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 Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate.

(c) The Authority will not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, nor take or omit to take any action, that would cause any of the 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 Authority 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 Authority 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.

### **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 2011 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, that if an Event of Default will have occurred and be continuing, the Borrower has further agreed to deliver all Project Gross Revenues daily. The amounts deposited into the Revenue Fund will be disbursed by the Trustee on or before the 20<sup>th</sup> day of each month (or the immediately succeeding Business Day if the 20<sup>th</sup> day of a month is not a Business Day) and, to the extent necessary to make the transfers required by subsections (a) through (f) of this section, on or before the last Business Day of each month in the following order (in making the following deposits, the Borrower and the Trustee may make such adjustments as they

deem necessary (i) to make a proportionate increase in a monthly deposit amount when such deposits are intended to aggregate an amount to be deposited annually but such monthly deposits will be made during a period of less than twelve months, and (ii) to evenly distribute prepaid payments received from occupants of the Project in a manner that is equivalent to the amount that such monthly deposits would be if such payments had not been prepaid):

(a) there will be transferred to the Bond Fund the amount the Borrower is obligated to pay as the Basic Loan Payments pursuant to the Loan Agreement;

(b) there will be transferred to the Rebate Fund the amount the Borrower is obligated to pay pursuant to 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 transferred to the appropriate fund or funds any further amounts owed as Additional Loan Payments pursuant to the Loan Agreement relating solely to the payment of principal and interest on Additional Bonds;

(e) there will be paid to the Borrower for deposit into the Operating Account an amount, as will be set forth in a written direction of an Authorized Borrower Representative filed with the Trustee at least annually, 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;

(f) there will be transferred to the UCI Bonds Pooling Subaccount the amount required pursuant to the Financing Trust Agreement;

(g) there will be transferred to the Repair and Replacement Fund an amount equal to one-twelfth (1/12) of the Annual Repair and Replacement Fund Requirement, as will be set forth in a written direction of an Authorized Borrower Representative filed with the Trustee at least annually;

(h) there will be transferred to the Distributed Management Fee Fund 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 the amounts in the Distributed Management Fee Fund will be applied to pay the Distributed Management Fee to the Manager on the date set forth in the Management Agreement, all as will be set forth in a written direction of an Authorized Borrower Representative filed with the Trustee;

(i) there will be transferred to the UCI Bonds Pooling Subaccount any amount required pursuant to the Loan Agreement;

(j) 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

(k) 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." There will be deposited into the Bond Fund from the Revenue Fund amounts

described above and all other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement 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.” The Trustee may establish separate subaccounts within the Capitalized Interest Account with respect to each series of Additional Bonds.

(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 Article III of the Indenture 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, fourth, the Coverage Reserve Fund, and fifth, 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.” 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 “2011 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 receipt of a certificate of the Borrower

stating that all Issuance Costs have been paid, the Trustee will transfer any funds remaining in the Issuance Cost Fund to the Construction Fund (as referred to in the Indenture).

**Construction Fund.** 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 Construction Fund will be expended for Costs of the Project 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 aforesaid provisions of 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 may transfer the amount of such deficiency from the 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 to serve as a debt service reserve account securing on a parity basis the Bonds. Within the Liquidity Account, the Financing Trust Agreement establishes a UCI Bonds Pooling Subaccount and a UCI 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 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 UCI Bonds Pooling Subaccount any funds paid to the Trustee under the Loan Agreement or the Indenture for credit or transfer to the UCI 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 UCI Bonds Pooling Subaccount and the UCI 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 otherwise returned to the Borrower. If the Trustee will receive written notice from the Master Trustee of any diminution in Value on the last day of each month or net losses from the investment of funds in the Liquidity Account that reduce the amount deposited therein or credited thereto to less than the Liquidity Account 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 Liquidity Account to an amount equal to the Liquidity Account Requirement in accordance with the Loan Agreement.

The Issuer authorizes and directs the Trustee to request the Master Trustee to withdraw funds from the Liquidity Account to pay the principal of, and interest and premium, if any, on the Series 2011 Bonds on a parity basis with the Series 2004 Bonds, the Series 2006 Bonds and the Series 2008 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.

When amounts are released from the UCI Bonds Pooling Subaccount or the UCI Bonds Redemption Subaccount as provided in the Financing Trust Agreement such funds may be deposited into the Bond Fund and credited against payments of Loan Payments required under the Loan Agreement (or otherwise applied as set forth in a certificate of The Regents filed with the Master Trustee). If, as a result of the valuation of the investments held in the UCI 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 2004 Account, a Series 2008 Account and a Series 2011 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 shall 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 in respect of which such

Account was established, to acquire land and/or improvements in substitution for that portion of the Project in respect of which such Account was established, or to make payments on the series of 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 (j) 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 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.

Pursuant to the Indenture, 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 various purposes, including the following: (i) to restore the Coverage Reserve Fund to the Coverage Reserve Required Balance; (ii) to pay Ground Rent to the Ground Lessor pursuant to the Ground Lease; (iii) to establish and maintain a balance in the Repair and Replacement Reserve Fund in an amount not greater than the Minimum Repair and Replacement Fund Balance; (iv) to increase the amount on deposit in the Operations Contingency Fund; and (v) to the Ground Lessor for any lawful purpose, in all cases subject to the terms and conditions of, and only to the extent required by, the Ground Lease and the Indenture.

During any period in which the requirements for the application of the Surplus Fund set forth above are not satisfied, then the Issuer authorizes and directs the Trustee (i) to transfer funds from the Surplus Fund to the Bond Fund in accordance with paragraph (g) under the subheading “Bond Fund” above, and funds so transferred will be credited against payment of Basic Loan Payments required under the Loan Agreement. The Trustee will give written notice to the Borrower, the Issuer, the Ground Lessor and the Underwriter 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 in an amount equal to the Minimum Repair and Replacement Fund Requirement.

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, 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.

### **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 Coverage Reserve Fund, the Distribution Reserve Fund, the Operations Contingency Fund, the Distributed Management Fee Fund, the Working Capital and Marketing Fund, the Deferred Construction Expense Fund, the Surplus Fund, or any other trust fund or reserve under any provision of the Indenture 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 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 Coverage Reserve Fund, the Deferred Construction Expense Fund, the Operations Contingency Fund, the Distributed Management Fee Fund, the Deferred Construction Expense Fund (with respect to the Series 2004 Bonds), the Series 2008 Deferred Construction Expense 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 Coverage Reserve Fund, the Distributed Management Fee Fund, the Deferred Construction Expense 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 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 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 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;

(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 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 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 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**

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 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 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 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 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 person would exercise or use under the circumstances in the conduct of such person's own affairs.

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 person would exercise under the circumstances in the conduct of his or her own affairs in preserving such property. 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 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 the Borrower or the Issuer fails to comply with the Loan Agreement or the Indenture, respectively, the occurrence 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 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 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) 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 the Chairman and attested by the Secretary of the Issuer under seal and executed by an officer of the Borrower; provided, that if a successor trustee is not so appointed within 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 10 days of the Issuer's knowledge of any of the events specified in (ii) hereinabove, 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 \$75,000,000, 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**

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**

Exclusive of amendments and indentures supplemental to the Indenture not requiring Bondholder consent and subject to the terms and provisions contained in the Indenture and not otherwise, the Requisite Number of Bondholders will have the right, from time to time, 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 the Indenture 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.

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.

## **THE LOAN AGREEMENT**

### **Borrower Constraints**

(a) The Borrower covenants to comply with the various constraints throughout the term of the Loan Agreement.

(b) 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; 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 next 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 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 any other Person or entity;

(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 Articles of Organization 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 2011 Bonds for the purpose of refinancing the Costs of the 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 2011 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 2011 Loan as provided in the Loan Agreement.

(b) The Borrower's obligation to repay the Loan, together with premium, if any, and interest thereon, is more fully described herein under the caption "Basic Loan Payments." The Borrower will make payments on the 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 Bonds from time to time Outstanding under the Indenture.

### **Security for Payments Under the Bonds**

As security for the payment of the Bonds, 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 Construction 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. 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 2011 Bonds, deliver to the Trustee one or more CLTA or ALTA mortgage policies of title insurance and endorsements to such policies that were issued in connection with the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 Bonds issued by a title insurance company acceptable to the Underwriter and the Trustee in an aggregate coverage amount at least equal to the outstanding principal amount of the Outstanding Series 2004 Bonds, Series 2006 Bonds and Series 2008 Bonds plus the initial principal amount of the Series 2011 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, and will, at the Borrower's written direction, be either (a) used to acquire or construct replacement or substitute property in Irvine, California for that to which title has been lost, or (b) used to redeem on a parity basis the Bonds pursuant to the Indenture. Any such replacement or substitute property must be approved in writing by the Authorized Issuer Representative and the Trustee.

### **Environmental Condition of the Project and Indemnification**

(a) The Borrower warrants, covenants and represents to the Issuer and the Trustee that, to the best of its knowledge commencing on the Closing Date with respect to the Series 2011 Bonds:



(i) the Borrower will maintain all licenses, permits and approvals required with respect to the Series 2011 Project;

(i) the Borrower will promptly notify the Issuer, the University and the Trustee in writing of any change in the nature or extent of any Hazardous Materials, substances or wastes maintained on, in, or under the Series 2011 Project or used in connection therewith, and will transmit to the Issuer, the University, and the Trustee copies of any citations, orders, notices or other material governmental or other communications received with respect to any other Hazardous Materials, substances, wastes or other environmentally regulated substances affecting the Series 2011 Project;

(iii) the Borrower will cause all work on the Series 2011 Project and activities of contractors, sub-contractors, consultants, or any other agent of the Borrower to be in full compliance with all federal, state and local environmental laws, regulations, and ordinances as cited above, and further warrants and represents that neither the Borrower nor its agents will engage in any management of solid or hazardous wastes at the Series 2011 Project, except in connection with the Borrower's ordinary course of business and in compliance with all Hazardous Materials laws.

(b) Subject to the limitations in the Loan Agreement, the Borrower will indemnify and hold the Issuer and the Trustee harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including clean-up costs), judgments and expenses (including reasonable attorneys', consultants', or experts' fees and expenses of every kind and nature) suffered by or asserted against either party thereof as a direct or indirect result of any warranty or representation made by the Borrower in the preceding paragraph being false or untrue in any respect or any requirement under any law, regulation, or ordinance, local, state or federal, that requires the elimination or removal of any Hazardous Materials, substances, wastes or other environmentally regulated substances.

(c) Subject to the limitations in the Loan Agreement, the Borrower's obligations under the Loan Agreement to the Issuer and the Trustee will not be limited to any extent by the term of the Bonds, and, as to any act or occurrence prior to payment in full and satisfaction of the Bonds that gives rise to liability under the Loan Agreement, will continue, survive and remain in full force and effect notwithstanding payment in full and satisfaction of the Bonds and the Loan Agreement or foreclosure under the Leasehold Deed of Trust, or delivery of a deed-in-lieu of foreclosure.

(d) For purposes of this section, the term "Hazardous Materials" means asbestos, asbestos-containing materials, materials presumed by law to contain asbestos, polychlorinated biphenyls ("PCBs"), petroleum, petroleum byproducts (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas products, radioactive materials, and/or any hazardous or toxic substance, chemical or material, or any other environmentally regulated waste, material, pollutant or contaminant, defined as such or regulated by any Environmental Laws. "Environmental Laws" means any federal, state or local statute, law, ordinance, code, common law, rule, regulation, order or decree, regulating, relating to or imposing liability or standards of conduct concerning the protection of the environment, natural resources, health and safety, and/or activities involving any asbestos, asbestos-containing materials, materials presumed by law to contain asbestos, polychlorinated biphenyls ("PCBs"), petroleum, petroleum byproducts (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas products, radioactive materials, pollutant or contaminant that is regulated to protect the environment, as may now or at any time hereafter be in effect, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the Resource Conservation and Recovery Act ("RCRA"), the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-To-Know Act, and the Occupational Safety and Health Act.

### **Acquisition and Equipping of the Series 2011 Project**

Promptly following the issuance and sale of the Series 2011 Bonds, the Borrower will acquire the leasehold interest in the Premises created by the Series 2011 Ground Lease. The Issuer authorizes the proceeds of the Series 2011 Bonds to be deposited into the Escrow Fund established pursuant to the 2011 Escrow Agreement in order to

cause the Borrower to acquire the Series 2011 Project, including the leasehold interest therein, from the Ground Lessor. The Borrower agrees that it will so utilize the foregoing authorization by the Issuer.

### **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**

In consideration of the issuance of the Series 2011 Bonds by the Authority and the loan of the proceeds thereof to the Borrower, the Borrower agrees that the principal of and interest on the loan of the proceeds of the Series 2011 Bonds and the principal of and interest on the loan of the proceeds of any other Series of Bonds pursuant to the Loan Agreement will be repaid by means of the Loan Repayments, which the Borrower will pay to the Trustee for deposit in the Revenue Fund and which, in the aggregate, will be in an amount sufficient for the payment in full of all Bonds from time to time Outstanding under the Indenture, including (i) the total interest becoming due and payable on the Bonds, (ii) the total principal amount of the Bonds, and (iii) the redemption premiums, if any, that will be payable on the redemption of Bonds prior to their respective stated maturity dates; less the amount of other funds available for such payment as provided in the Indenture. The Loan Repayments with respect to the Series 2011 Loan shall be due and payable in accordance with, including on the dates set forth in, the Loan Agreement as described below.

(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 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 to the Trustee for the account of the Issuer:

(A) on or before the 20th day of each month, a sum equal to 1/6th of the amount payable on the immediately succeeding Interest Payment Date as interest on the Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund, will be sufficient to pay interest on the Bonds to become due on the immediately succeeding Interest Payment Date, as provided in the Indenture;

(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) on or before May 20, 2004, and on or before the 20th day of each month thereafter, to and including April 20, 2040, a sum equal to (1) one-twelfth (1/12th) of the principal due on the immediately succeeding May 15 that is a maturity date of the Bonds, or (2) one-twelfth (1/12th) of the amount required to retire Bonds under the mandatory sinking fund redemption requirements of the Indenture on the immediately succeeding May 15, as provided in the Indenture and Bond Purchase Agreement, 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 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 Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such 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 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), (D) (E) and (F) above will in all events be sufficient, after giving credit for funds held in the Bond Fund available for such purpose, 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, 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 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 in 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 Account Loan Payments: In accordance with the Financing Trust Agreement, the Loan Agreement is stated to be a Loan Agreement under the Financing Trust Agreement. As and to the extent required by the Financing Trust Agreement, the UCI 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 UCI 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 20th day of the month following notice from the Master Trustee of such withdrawal, and on the 20th day of each month thereafter, in addition to any other Loan Payments that may be due, make 12 consecutive monthly payments as Liquidity Account Loan Payments to the Master Trustee for deposit into the UCI Bonds Pooling Subaccount, each equal to the lesser of (i) 1/12th of the amount of such withdrawal or (ii) the excess of the amount required to be satisfy the Liquidity Account Requirement in accordance with the Financing Trust Agreement over the amount on deposit in the UCI Bonds Pooling Subaccount.

In the event there is a diminution in Value of the amounts held in the UCI 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 20th day of the month following notice from the Master Trustee of such diminution in Value or losses, and on the 20th day of each month thereafter, in addition to any other Loan Payments that may be due, make four (4) consecutive monthly payments as Liquidity Account Loan Payments to the Trustee for deposit into the UCI Bonds Pooling Subaccount, each equal to the lesser of (i) (1/4th) 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 UCI 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 Authority or to the Trustee affecting the amount available to the Authority 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 Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the Leasehold Deed of Trust or the Indenture; and (iv) the annual fee of the Authority and the reasonable fees and expenses of the Authority in connection with the Loan Agreement, the Leasehold Deed of Trust, 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 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 Loan Agreement or the Leasehold Deed of Trust.

Such Additional Payments will be billed to the Borrower by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed will be paid by the Borrower within 30 days after receipt of the bill by the Borrower.

### **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 in as reasonably safe condition as its operations will permit, (ii) keep the Building and all other improvements forming a part of the 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 in the regular course of its business only, within the normal capacity of the Equipment, without abuse, and in a manner contemplated by the manufacturer thereof, and cause the 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, from time to time make any Additions or Alterations to the 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, 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 so made by the Borrower will be on the Premises, will become a part of the 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 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 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 \$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 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 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 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 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 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 Project as conducted prior to such taking (which improvements will be deemed a part of the 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 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 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 Project will be applied to the redemption of all or a portion of the Bonds issued to finance the acquisition of such portion of the Project or, if such Bonds are no longer Outstanding, the redemption of such other 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 §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 §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 2004 Bonds and the Series 2006 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 of 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, 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 as a revenue producing student housing facility on a non-discriminatory basis, 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, together with other available funds, sufficient to pay promptly all expenses of operation, maintenance, and repair of the Project, to provide all payments required to be made by the Borrower under the Loan Agreement and 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 on June 30, 2013, 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 (which, for purposes of this sentence, will be calculated without including any amount on deposit in the Coverage Reserve Fund), 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 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 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 30 days prior to the first day of each Fiscal year ending June 30, 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 for such Fiscal 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 Underwriter. 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 facility or cause the same to be operated as a student housing facility and will continue 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 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 is not at least 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 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. 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 with residents of the Project 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 “housing 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 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.

### **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 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 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 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 or any covenant described under the subheading "Operation of the Project and Safety Code", and to correct such failure within 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 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 90 day period, any time period beyond 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, (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, (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 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 ending on June 30, 2013, 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 acquisition, management, maintenance and operation of the Series 2011 Project, (ii) such failure arises as a result of 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 such agreement and (iv) the Bond Trustee does not permit the termination of such agreement, then, such failure to perform by the Borrower shall 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 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 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 Loan in full or in part prior to the full payment of all of the 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 Project in accordance with the Loan Agreement. The Borrower will have the option to prepay the Loan by prepaying Basic Loan Payments due under the Loan Agreement in such manner and amounts as will enable the Issuer to redeem the Bonds prior to maturity in whole or in part on any date, as provided in of the Indenture. 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 Loan by prepaying Basic Loan Payments due under the Loan Agreement in such manner and amounts as will enable the Issuer to redeem the 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 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 Bonds, and will make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

## THE FINANCING TRUST AGREEMENT

### Definitions Used in the Financing Trust Agreement

**“Aggregate Maximum Annual Debt Service”** means, as of any date of calculation, the sum of each Maximum Annual Debt Service for each Series of Bonds then Outstanding.

**“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) with such adjustment as may be set forth in the Financing Trust Agreement.

**“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.

**“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, 2005 in the case of the Series 2004 Bonds, on November 15, 2006 in the case of the Series 2006 Bonds, and on November 15, 2008 in the case of the Series 2008 Bonds, and on May 15, 2012 in the case of the 2011 Bonds.

**“Bond Trustee”** means the trustee named under the related Bond Indenture in its capacity as such trustee.

**“Borrower”** means the borrower under any Loan Agreement relating to a Series of Bonds.

**“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.

**“Campus”** means a campus of the University of California.

**“Campus Aggregate Maximum Annual Debt Service”** means, as of any date of calculation, the sum of each Maximum Annual Debt Service for each Series of Bonds then Outstanding for Financed Projects located at or serving a single Campus.

**“Collateral”** means assets and property securing a Series of Bonds pursuant to the related Bond Indenture.

**“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 Housing 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.

**“Fourth Supplemental Financing Trust Agreement”** means the Fourth Supplemental Financing Trust Agreement, dated as of December 1, 2011, by and between the UCI Bonds Borrower and the Master Trustee.

**“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.

**“Housing Project”** will have the meaning set forth in the first recital to the Financing Trust Agreement.

**“Investment Grade Rating”** means a credit rating of Baa3 or higher from Moody’s Investors Service or its successors or, if such rating agency no longer maintains a rating on any of the Bonds, then a credit rating characterized as “investment grade” or equivalent from any nationally recognized rating agency.

**“Issuer”** means a state or a political subdivision or other entity of a 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 Requirement”** means, as of any date of calculation, an amount equal to the greater of:

- (a) Campus Aggregate Maximum Annual Debt Service; or
- (b) Fifty percent (50%) of Aggregate Maximum Annual Debt Service.

**“Master Trustee”** means The Bank of New York Mellon Trust Company, N.A., a national banking association, and any successor Master Trustee established in accordance with the Financing Trust Agreement.

**“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 Moody’s Investors Service or its successors or, if such rating agency 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.

**“The Regents Representative”** means the Chairman, Treasurer, Associate Treasurer, Assistant Treasurer—External Finance, President or Senior Vice President—Administration of the University or such other person as may be designated and authorized by any of them to sign for and on behalf of The Regents.

**“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 2008 Ground Lease”** means the Ground Lease Agreement, dated as of July 1, 2008, as amended by the First Amendment to Ground Lease, dated as of December 1, 2011, each between The Regents, as lessor, and the UCI Bonds Borrower, as lessee.

**“Series 2011 Ground Lease”** means the Ground Lease Agreement, dated as of December 1, 2011, between The Regents, as lessor, and the UCI Bonds Borrower, as lessee.

**“Series 2011 Project”** means the housing facility of approximately 1,488 beds in an approximately 488-unit student apartment complex and related parking facilities located at and serving the University of California, Irvine and that will be acquired on a site located on campus at the University, as described in the Series 2011 Ground Lease.

**“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 a 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.

**“Third Supplemental Financing Trust Agreement”** means the Third Supplemental Financing Trust Agreement dated as of July 1, 2008, between the UCI Bonds Borrower and the Master Trustee.

**“UCI Bonds”** means, collectively, the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2011 Bonds.

**“UCI Bonds Borrower”** means CHF—Irvine, L.L.C., an Alabama limited liability company, or its successors and assigns in accordance with the terms of the UCI Bonds Loan Agreement.

**“UCI Bonds Ground Lease”** means, collectively, (i) the Ground Lease Agreement, dated as of December 1, 2004 and amended by the First Amendment to Ground Lease Agreement, dated as of April 1, 2006, each between The Regents, as lessor, and the UCI Bonds Borrower, as lessee, (ii) the Series 2008 Ground Lease, and (iii) the Series 2011 Ground Lease, in each case as originally executed and delivered and as the same may be amended and supplemented from time to time in accordance with their respective terms, and which pursuant to their terms are stated to be a Ground Lease hereunder and which satisfy all of the requirements for a Ground Lease set forth in the Financing Trust Agreement.

**“UCI Bonds Ground Rent”** means Ground Rent required to be paid by the UCI Bonds Borrower pursuant to each UCI Bonds Ground Lease.

**“UCI Bonds Indenture”** means the Indenture, dated as of December 1, 2004, as amended by a First Amendment to Indenture, dated as of May 1, 2005 and as supplemented by a First Supplemental Indenture, dated as of April 1, 2006, a Second Supplemental Indenture, dated as of July 1, 2008, and a Third Supplemental Indenture, dated as of December 1, 2011, each by and between the UCI Bonds Issuer and the UCI Bonds 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 their terms are stated to be a Bond Indenture under Financing Trust Agreement and which satisfy all of the requirements for a Bond Indenture set forth in the Financing Trust Agreement.

“**UCI Bonds Issuer**” means the California Statewide Communities Development Authority, which is the issuer of the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and Series 2011 Bonds pursuant to the UCI Bonds Indenture.

“**UCI Bonds Liquidity Account Loan Payments**” mean the loan payments required to be paid by the UCI Bonds Borrower pursuant to the UCI Bonds Loan Agreement.

“**UCI Bonds Loan Agreement**” means the Loan Agreement, dated as of December 1, 2004, as amended by a First Amendment to Loan Agreement, dated as of April 1, 2005 and as supplemented by a First Supplemental Loan Agreement, dated as of April 1, 2006, a Second Supplemental Loan Agreement, dated July 1, 2008, and a Third Supplemental Loan Agreement, dated December 1, 2011, each by and between the UCI Bonds Issuer and the UCI Bonds Borrower, as originally executed and delivered and as the same may be amended and supplemented from time to time in accordance with their terms, which pursuant to their terms are stated to be a Loan Agreement under the Financing Trust Agreement and which satisfy all of the requirements for a Loan Agreement set forth in the Financing Trust Agreement.

“**UCI Bonds Pooling Subaccount**” means the account previously named the “Series 2004 and Series 2006 Pooling Subaccount” created pursuant to the First Supplemental Financing Trust Agreement in accordance with the Original Financing Trust Agreement and subsequently renamed pursuant to the Second Supplemental Financing Trust Agreement, the Third Supplemental Financing Trust Agreement and the Fourth Supplemental Financing Trust Agreement.

“**UCI Bonds Redemption Subaccount**” means the account previously named the “Series 2004 and Series 2006 Redemption Account” created pursuant to the Second Supplemental Financing Trust Agreement in accordance with the Original Financing Trust Agreement.

“**UCI Bonds Trustee**” means The Bank of New York Mellon Trust Company, N.A., as trustee under the UCI Bonds Indenture, or its successors established in accordance with the terms of the UCI Bonds Indenture.

### **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 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 all 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 related Borrower to replenish the Liquidity Account and all subaccounts therein 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) immediately 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 Liquidity Account to the Liquidity Account Requirement or to replenish any amount withdrawn from the Liquidity Account;

(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 Liquidity Account to the Liquidity Account Requirement or to replenish any amount withdrawn from the Liquidity Account; 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 reserve funds 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 Account 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 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, as provided in a Supplemental Financing Trust Agreement for such Series of Bonds, and (2) a Series Redemption Subaccount within the Liquidity Account, 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 the Liquidity Account, its related Series Pooling Subaccount and Series Redemption Subaccount and all other funds and accounts created under the 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 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 Liquidity Account the amounts deposited by a Borrower or the Bond Trustee with it for deposit into the Liquidity Account and the subaccounts therein, at the times and in the amounts provided for in the related Supplemental Financing Trust Agreement. At the time of issuance of the Series 2011 Bonds, the Liquidity Account Requirement shall be \$30,982,262.50.

(b) The Master Trustee will also deposit into the Liquidity Account and the subaccounts therein such amounts as will be transferred from a Bond Trustee pursuant to the related Bond Indenture.

(c) All amounts deposited to such 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 Liquidity Account in an amount not less than the Liquidity Account 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) 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 before any Bond Payment Date 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 to be withdrawn from the Series Pooling Subaccount for each Series of Outstanding Bonds. On the Business Day prior to any Bond Payment Date, the Master Trustee will transfer the Debt Service Account Deficiency to the 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 aggregate amounts on deposit in all of the Series Pooling Subaccounts are in excess of the Liquidity Account Requirement, then pursuant to an Officer's Certificate of The Regents Representative the Master Trustee will transfer a Proportionate Share of such excess to the respective Series Redemption Subaccount.

(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 its related Supplemental Financing Trust Agreement to pay capitalized interest on a Series of Bonds for a Financed Project, including interest accruing on the related Series of Bonds until a certificate of occupancy has been issued for such Financed Project or the start-up phase of such Financed Project has been concluded, in accordance with the terms of the related Bond Indenture.

(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 aggregate amount on deposit in the Liquidity Account (and all of the subaccounts therein) will not be less than the Liquidity Account 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 are no longer Outstanding, then in accordance with an Officer's Certificate of The Regents Representative, 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; provided that after such amounts are transferred and such subaccounts are closed the aggregate amount remaining on deposit in the Liquidity Account (and all of the remaining subaccounts therein) will not be less than the Liquidity Account Requirement.

(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, 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 Regents Representative, maturing at such times and in such amounts as in the judgment of The Regents Representative will make cash available for the purposes of such accounts as needed, subject to the restrictions, if any, set forth in the applicable Tax Agreement. If at any time The Regents Representative 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 The Bank of New York Mellon Trust Company, N.A. 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 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 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 any 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 2011 Bonds**

The UCI Bonds Borrower has represented, warranted and covenanted that: (1) the Master Trustee has executed and delivered its receipt confirming that it has received all of the documentation required by the Financing Trust Agreement; and (2) the Ground Leases provide that payments of UCI Bonds Ground Rent by the UCI Bonds Borrower pursuant to the Ground Leases is expressly subordinate to (i) the full and timely payment of Annual Debt Service on all 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 UCI Bonds Borrower to replenish the Liquidity Account and all subaccounts therein in accordance with the terms of the Financing Trust Agreement, UCI Bonds Indenture and the UCI Bonds Loan Agreement.

## **Series 2011 Bonds Constitute Bonds under the Financing Trust Agreement**

The Series 2011 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. The UCI Bonds Borrower agrees to be bound by and to perform all of the covenants, terms and conditions of a borrower under the Financing Trust Agreement.

## **UCI Bonds Borrower Bound by the Financing Trust Agreement**

The UCI Bonds Borrower agrees to all the terms and conditions of the Financing Trust Agreement, and agrees to be bound thereby.

## **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 UCI Bonds Pooling Subaccount; and (2) the UCI 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 UCI Bonds Pooling Subaccount and the UCI Bonds Redemption Subaccount and all amounts from time to time on deposit therein, and the UCI Bonds Liquidity Account 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 UCI Bonds Pooling Subaccount**

On the date of issuance of the Series 2011 Bonds, the UCI Bonds Trustee on behalf of the UCI Bonds Borrower will transfer to the Master Trustee from the proceeds of the bonds refunded by the Series 2011 Bonds in accordance with the UCI Bonds Indenture a specified sum for deposit into the UCI Bonds Pooling Subaccount, and which amount, together with funds on deposit therein, shall constitute the Liquidity Account Requirement as of such date.

Subject to the Financing Trust Agreement, pursuant to the UCI Bonds Indenture, the UCI Bonds Loan Agreement and the Financing Trust Agreement, the UCI Bonds Borrower will maintain funds on deposit in the UCI Bonds Pooling Subaccount in an amount not less than the Liquidity Account Requirement, as such amount shall 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 UCI Bonds Pooling Subaccount due to a Debt Service Account Deficiency, UCI Bonds Liquidity Account Loan Payments will be made by the UCI Bonds Borrower into the UCI Bonds Pooling Subaccount as required pursuant to the UCI Bonds Loan Agreement.

### **Application of UCI Bonds Redemption Subaccount**

Moneys on deposit in the UCI Bonds Redemption Subaccount will, upon the written direction of The Regents filed with the Master Trustee, be transferred to the UCI Bonds Trustee for deposit into (i) the Bond Fund and applied to pay interest and interest on the UCI Bonds as it becomes due and payable in accordance with the UCI Bonds Indenture or (ii) the Redemption Fund and applied to redeem or purchase the UCI Bonds in accordance with the UCI Bonds Indenture.

## **THE GROUND LEASE**

### **Definitions Used in the Ground Lease**

**“Additional Bonds”** means Bonds which are sold under the Indenture for acquisition of the Series 2011 Project.

**“Additional Rent”** means the amounts payable to Lessor from the Surplus Fund pursuant to the “Order of Distributions” provision of the Ground Lease, described below, and any other amounts payable by Lessee to Lessor other than Rent.

**“Annual Budget”** means the Series 2011 Operating Budget and a Capital Budget for the Series 2011 Project and Personalty for each Lease Year developed by the Manager and approved by Lessor and Lessee in accordance with the “Budget Reporting” provision of the Ground Lease, described below.

**“Applicable Law”** means all present and future statutes, regulations, ordinances, resolutions and orders of any Governmental Authority.

**“Bond Documents”** means, collectively, the Indenture, the Loan Agreement, the Issuer Deed of Trust, 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 (each, a “Bond Document”).

**“Bond Trustee”** means The Bank of New York Mellon Trust Company N.A., a national banking association, as Trustee under the Indenture, and its successors and assigns in such capacity.

**“Bonds”** means, collectively, the revenue bonds designated “California Statewide Communities Development Authority Student Housing Revenue Bonds (CHF-Irvine, L.L.C.--UCI East Campus Apartments, Phase II) Series 2004” and “California Statewide Communities Development Authority Student Housing Refunding Revenue Bonds (CHF--Irvine, L.L.C.--UCI East Campus Apartments, Phase II) Series 2006”, and “California Statewide Communities Development Authority Student Housing Revenue Bonds (CHF-Irvine, L.L.C.--UCI East Campus Apartments, Phase III) Series 2008” previously issued pursuant to the Indenture and “California Statewide Communities Development Authority Student Housing Revenue Bonds (University of California, Irvine, East Campus Apartments, Phase I Refunding—CHF--Irvine, L.L.C.) Series 2011” to be issued pursuant to the Indenture.

**“Break-Even Occupancy”** means with respect to the Series 2008 Ground Lease , for any Lease Year, an amount of Occupancy Receipts equal to the sum of: (i) Operating Expenses projected by Lessee for such Lease Year

excluding the Distributed Property Management Fee plus (ii) Series 2008 Fixed Charges for such Lease Year plus (iii) a Break-Even Distributed Property Management Fee. Break-Even Occupancy shall be computed for the Lease Year on the basis of Lessee's projection of physical occupancy of the Series 2008 Project. For the purposes of computing Break-Even Occupancy for the Lease Year commencing July 1, 2010, for the Series 2008 Project only, Series 2008 Fixed Charges shall be deemed to be zero.

**"Campus"** means any real property owned by Lessor in proximity to its educational facilities in Irvine, California.

**"Campus Rates"** means, for any date during the Term, the rental rates then charged at apartment units on the Campus, owned by Lessor, that are of similar age, condition, size, and number of occupants as those units in the Series 2011 Project.

**"Capital Budget"** means a budget for such period, of expenditures for major repairs, renovations and/or capital improvements and/or replacement of the F. F. & E. in, on or about the Series 2011 Project, detailing the anticipated timing and estimated costs of such matters as described in the "Capital and Annual Budgets; Financial Statements" provision of the Ground Lease, described below.

**"Consumer Price Index"** means the Consumer Price Index for All Urban Consumers, All Items, (CPI-U) Los Angeles-Riverside-Orange County Area, 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 will 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 will 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;

(iii) ceases to be published,

then, for the purposes of the Ground Lease, there will 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 Increase"** means the percentage increase of the Consumer Price Index for March of the year in question over March of the immediately preceding year.

**"Coverage Reserve Fund"** means a Fund established pursuant to the Indenture established to provide debt service coverage under the terms of the Indenture.

**"Coverage Reserve Required Balance"** means 0.05 multiplied by Maximum Annual Debt Service as that term is defined in the Indenture.

**"Current Dollars"** means a dollar amount calculated by multiplying a dollar amount specified in the Ground Lease by a fraction, the numerator of which is the Consumer Price Index last published prior to the date upon which such amount is calculated and the denominator of which is the Consumer Price Index last published prior to the Effective Date.

**"Deed of Trust Trustee Lease"** means a lease of the Premises 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 Premises.

**“Effective Date”** means the date of delivery of the Series 2011 Bonds.

**“Eligible Tenants”** means Permitted Occupants, plus, to the extent Lessor has consented pursuant to the “Permitted Occupants” provision of the Ground Lease, described below, (i) other students enrolled at UCI and (ii) Lessor’s UCI faculty and staff members.

**“Event of Default”** means each of the events specified in the Ground Lease as such.

**“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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- (5) 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.

**“F.F. & E.”** means the furnishings, fixtures, and equipment used in, on, or about the Series 2011 Project.

**“Financial Statement”** means a report, in form and content reasonably satisfactory to Lessor, that, in addition to any other matters which Lessor may reasonably request from time to time, (i) presents on a monthly basis no later than the 15th day succeeding the end of each month, financial statements consisting of an unaudited statement of net assets as of the end of the preceding month and a statement of revenues, expenses and changes in net assets for both the preceding month and fiscal year-to-date prepared on an accrual basis in accordance using GAAP, in addition to schedules that outline activity in capital asset accounts and debt accounts (“Monthly Financial Statements”), and (ii) compares, in the Monthly Financial Statements, actual Occupancy Receipts, Operating Expenses, and capital expenditures for such month and for the year-to-date against the corresponding line items in the Annual Budget for such periods.

**“Financing Trust Agreement”** means the Financing Trust Agreement dated December 1, 2004 as supplemented by the First Supplemental Financing Trust Agreement between the Master Trustee and Lessee, dated as of the December 1, 2004, the Second Supplemental Financing Trust Agreement, dated as of April 1, 2006, the Third Supplemental Financing Trust Agreement, dated as of July 1, 2008, and the Fourth Supplemental Financing Trust Agreement, dated as of December 1, 2011, each 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.

**“Fiscal Year”** means the period July 1 through June 30.

**“Fixed Charges”** means the sum of all cash outflows for the Project, for any period, as defined in the Indenture.



**“Fixed Charges Coverage Ratio”** means, for any period, the ratio of (a) Revenue Available for Fixed Charges plus the then-current balance in the Coverage Reserve Fund to (b) Fixed Charges.

**“Force Majeure”** means causes beyond the control of, and without the fault or negligence of Lessee, including, without limitation, acts of God, acts of the public enemy, acts of war or terrorism, acts of the government, fires, floods, epidemics, quarantine restrictions, strikes, civil commotion, casualties, embargoes, severe or inclement weather beyond that usually encountered in Orange County, California, shortages in labor or materials or similar cause.

**“Foundation”** means Collegiate Housing Foundation, an Alabama not for profit corporation.

**“GAAP (or Generally Accepted Accounting Principles)”** 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.

**“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, other than Lessor.

**“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.

**“Indenture”** means the Indenture dated as of December 1, 2004, as amended by the First Amendment to the Indenture, dated as of May 1, 2005 and as supplemented by the First Supplemental Indenture, dated as of April 1, 2006, the Second Supplemental Indenture, dated as of July 1, 2008 and the Third Supplemental Indenture, dated as of December 1, 2011, each between the Issuer and the Bond Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof.

**“Issuer”** means California Statewide Communities Development 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.

**“Lease Year”** means the period commencing on the Effective Date and ending June 30, 2012 and, thereafter, 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.

**“Leased Land”** means certain real property located in the County of Orange, State of California described in the Ground Lease.

**“Leasehold Deed of Trust”** means, collectively, the Issuer Deed of Trust, the Refinanced Issuer Deed of Trust, and any other encumbrance of Lessee’s interest in the Ground Lease as security for any indebtedness Lessee or Lessee’s successors and assigns may incur, whether by Leasehold Deed of Trust (initially, the Bond Trustee) or any agent or fiduciary therefore and any designee thereof for the purpose of taking title to Lessee’s interests in the Ground Lease or deed to secure debt, mortgage, deed of trust, or other security instrument.

**“Leasehold Deed of Trust Trustee”** means the holder of the indebtedness secured by any entering into a Deed of Trust Trustee Lease.

**“Lessee”** means CHF – IRVINE, 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, pursuant to the “Membership in Foundation” provision of the Ground Lease, described below.

**“Lessee’s Interest”** means Lessee’s entire interest in (i) the Leased Land, (ii) the Series 2011 Project, (iii) the Personalty, and (iv) the Ground Lease.

**“Lessor”** means The Regents of the University of California and its successors and assigns.

**“Loan Agreement”** means the Loan Agreement dated as of December 1, 2004 and amended by a First Amendment to Loan Agreement, dated as of April 1, 2006 and as supplemented by a First Supplemental Loan Agreement, dated as of April 1, 2006, a Second Supplemental Loan Agreement, dated as of July 1, 2008 and a Third Supplemental Loan Agreement, dated as of December 1, 2011, each between the Issuer and Lessee, as the same may be amended and/or supplemented from time to time in accordance with the provisions of the Indenture.

**“Manager”** means (a) initially, American Campus Management (California) LLC or (b) thereafter, any successor management company employed by Lessee, following Lessor’s consent, to manage the Project.

**“Management Agreement”** means (i) the Second Amended and Restated Management Agreement dated December 1, 2011, between Lessee and the Manager, a copy of which is attached to the Ground Lease, 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 Project, as the same may be amended and/or supplemented from time to time.

**“Market Rates”** means, for any date during the Term, the rental rates then charged at privately-owned apartment units in the community surrounding the Campus that are of similar age, condition, size and number of occupants as those units in the Series 2011 Project.

**“Marketing Plan”** means a plan for such period for the advertising and other marketing efforts of the Series 2011 Project detailing, among other things, the timing, cost and media type to be utilized.

**“Master Trustee”** means The Bank of New York Mellon Trust Company, N.A., a national banking association, as Master Trustee under the Financing Trust Agreement, its successors and assigns in such capacity.

**“Minimum Reserve Balance”** means the minimum balance required to be maintained in the Repair and Replacement Fund as provided for in the “Capital and Annual Budgets; Financial Statements” provision of the Ground Lease, described below.

**“Net Proceeds”** means, 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.

**“Occupancy Receipts”** means all rentals and fees earned from Occupants pursuant to the payment provisions of any Resident Leases, plus all income earned by Lessee from all other sources as a result of use of the Premises, including, without limitation telecommunication income, parking fees, vending machine income or commercial use of the Premises during the Term.

**“Occupant Rental Rates”** means the rental rates permitted to be charged to the Occupants pursuant to the “Occupant Rental Rates” provision of the Ground Lease, described below.

**“Occupants”** means Permitted Occupants, or other natural persons approved pursuant to the Ground Lease, who occupy the Series 2011 Project.

**“Operating Budget”** means the combined annual operating budget for the Project, derived from the Series 2004 Operating Budget, the Series 2008 Operating Budget and the Series 2011 Operating Budget.

**“Operating Deficiency”** means deficiencies in operating the Premises as described in the Ground Lease.

**“Operating Expenses”** means all expenses incurred by Lessee in connection with the management, operation, and maintenance of the Series 2011 Project and Personalty as recognized in accordance with GAAP, including, without limitation, all expenses incurred by Lessee for inspection of the Series 2011 Project, calculation and payment of rebates to the Internal Revenue Service, enforcement of the obligations of other parties to the Bond Documents or other documents executed in connection with the Series 2011 Project, or the performance of any obligation of Lessee under such documents directly related to the Series 2011 Project.

**“Operating Plan”** means a plan approved by Lessor for any period during the Term for the management, maintenance, leasing and marketing of the Series 2011 Project, including a Marketing Plan and Rent Schedule for such period.

**“Partial Completion Break-Even Occupancy”** means with respect to the Series 2008 Ground Lease Break-Even Occupancy divided by 1,760, multiplied by the number of beds for which a Certificate of Final Completion has been issued.

**“Permitted Encumbrances”** will have the meaning set forth in the Loan Agreement.

**“Permitted Occupants”** means students who occupy the Series 2011 Project as permitted under the “Permitted Occupants” provision of the Ground Lease, described below.

**“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 machinery, equipment, fixtures, appliances, furniture, and any other personal property of any kind or description owned by Lessee and used in connection with the Series 2011 Project.

**“Premises”** means the Series 2011 Project and the Leased Land.

**“Project”** means collectively, the Series 2004 Project, the Series 2008 Project and the Series 2011 Project and any additional project acquired, constructed, furnished, and equipped with the proceeds of Additional Bonds.

**“Refinanced Issuer Deed of Trust”** means any encumbrance of Lessee’s interest in the Ground Lease resulting from the refinancing of the Bonds.

**“Rent”** means the annual rent payable by Lessee to Lessor in accordance with the Ground Lease.

**“Rent Schedule”** means a schedule of rents to be charged during such period for occupancy and/or use of the Series 2011 Project.

**“Repair and Replacement Fund”** means a fund established with the Bond Trustee pursuant to Section 512 of the Indenture for the purpose of funding expenditures approved (i) in the Capital Budget, (ii) in the Capital Budget prepared pursuant to Article 20 of the Series 2004 Ground Lease; (iii) in the Capital Budget prepared pursuant to Article 20 of the Series 2008 Ground Lease; and (iv) in the Capital Budget prepared pursuant to Article 20 of the Series 2011 Ground Lease.

**“Repair and Replacement Deposit”** means that amount to be deposited into the Repair and Replacement Fund pursuant to the Ground Lease.

**“Resident Leases”** means, collectively, the rental agreements of no more than twelve (12) months in duration with Occupants of the Series 2011 Project in a form approved by Lessor (each, a “Resident Lease”).

**“Revenue Available for Fixed Charges”** means the amount, defined in the Indenture, equal to the excess of Revenues over Expenses, plus amounts deducted in arriving at such excess of Revenues for (i) interest on Indebtedness other than Short-Term Indebtedness, (ii) depreciation, and (iii) amortization.

**“Series 2002 Bonds”** means the California Statewide Communities Development Authority Student Housing Revenue Bonds (EAH-East Campus Apartments, LLC—UC Irvine Project) Series 2002A and the California Statewide Communities Development Authority Taxable Student Housing Revenue Bonds (EAH-East Campus Apartments, LLC—UC Irvine Project) Series 2002B issued pursuant to the Indenture, dated as of December 1, 2002, between the Issuer and the Bond Trustee.

**“Series 2004 Ground Lease”** means a certain ground lease by and between Lessor and Lessee, dated December 1, 2004, a memorandum of which was recorded on December 14, 2004 as Instrument No. 20040011072349 of Official Records of Orange County, California, as amended as of April 1, 2006, and as further amended as of July 1, 2008, and as further amended as of December 1, 2011.

**“Series 2004 Leased Land”** means that certain real property leased to Lessee by Lessor pursuant to the Series 2004 Ground Lease.

**“Series 2004 Operating Budget”** means the Operating Budget as defined in the Series 2004 Ground Lease.

**“Series 2004 Project”** means a certain student housing facility containing approximately 1,564 beds along with associated site development and various other related amenities and improvements incidental to such facility constructed on the Series 2004 Leased Land.

**“Series 2008 Ground Lease”** means a certain ground lease by and between Lessor and Lessee, dated July 1, 2008, a memorandum of which was recorded on July 30, 2008 as Instrument No. 2008000361864 of Official Records of Orange County, California, as amended as of December 1, 2011.

**“Series 2008 Operating Budget”** means the Operating Budget as defined in the Series 2008 Ground Lease.

**“Series 2008 Project”** means a certain student housing facility containing approximately 1,760 beds in 720 student apartments and related amenities and improvements, including a community center, associated roads, parking structure, support buildings and infrastructure, and the Offsite Elements which are more particularly described in Exhibit B-3 to the Series 2008 Ground Lease.

**“Series 2011 Bonds”** means the California Statewide Communities Development Authority Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase I Refunding--CHF--Irvine, L.L.C.) Series 2011 issued pursuant to the Indenture.

**“Series 2011 Operating Budget”** means an annual operating budget for the Series 2011 Project which sets forth the detail and summary of anticipated receipts and disbursements for each Lease Year and for each month within such period, and establishes allowances reflecting estimated base utility usage, to be included in Occupant Rental Rates.

“**Series 2011 Project**” means a certain 488 unit student housing facility containing approximately 1,488 beds on the Leased Land and related amenities and improvements, which are more particularly described in Exhibit B to the Series 2011 Ground Lease

“**Supplemental Reserve Deposit**” means that amount to be deposited into the Repair and Replacement Fund as determined to be necessary to maintain the Minimum Reserve Balance pursuant to the Ground Lease.

“**Surplus Fund**” means the fund of that name created in accordance with the provisions of the Indenture.

“**Term**” means the period set forth in the “Term” provision of the Ground Lease, described below.

“**Termination Date**” means the date on which the Term of the Ground Lease ends by termination or expiration of the Ground Lease.

“**UCF**” means the University of California, Irvine.

“**2002 Bonds**” means the California Statewide Communities Development Authority Student Housing Revenue Bonds (EAH-East Campus Apartments, LLC—UC Irvine Project) Series 2002A.

“**2002 Ground Lease**” means the Ground Lease, dated as of December 1, 2002 between The Regents of the University of California, as lessor, and EAH-East Campus Apartments, LLC, as lessee.

“**2002 Lease Year**” means the “Lease Year” as that term is defined in the 2002 Ground Lease.

“**2002 Lessee**” means the lessee under the 2002 Ground Lease.

## **Lease**

In consideration of the covenants and agreements to be performed and observed by Lessee, Lessor leases to Lessee, and Lessee hires from Lessor, the Leased Land.

## **Term**

Except as specifically otherwise provided therein the term of the Ground Lease (“Term”) will commence on the Effective Date and terminate at the earlier of (i) January 11, 2053 at 12:00 midnight or (ii) 12:00 midnight of the day preceding 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 the Ground Lease is sooner terminated pursuant to the “Events of Default and Remedies” provision of the Ground Lease, described below. The Lease will expire without further notice at expiration of the Term, and no holding over will be permitted. Any holding over by Lessee after expiration will not constitute a renewal or extension nor will it give Lessee any rights in or to the Premises or any part thereof. If, on the date the Ground Lease would otherwise terminate under the “Term” provision of the Ground Lease, described herein, but not under the “Remedies” provision of the Ground Lease, described below, Rent remains due under the Ground Lease, the Lease will not then terminate, but will remain in full force and effect until the day following the date upon which Lessor will by notice to Lessee elect to terminate the Ground Lease or all such Rent owed to Lessor has been fully paid. Notwithstanding the preceding sentence, in no event will the Term extend more than forty-one (41) years after the Effective Date.

## **Acknowledgement and Agreement**

The parties acknowledge and agree that the Ground Lease is entered into in order to facilitate a refinancing of the Series 2011 Project by refunding the Series 2002 Bonds and that the Series 2011 Project has previously been operated as a student apartment facility under the terms of a ground lease agreement between the Lessor and a prior lessee. The Lessor authorizes the Lessee to acquire the Series 2011 Project out of proceeds of the Series 2011 Bonds by causing such proceeds to be applied in the manner set forth in the Indenture and to assume and perform existing tenant leases and other contracts and obligations entered into with respect to the Series 2011 Project. The

Lessor acknowledges that the Lessee's representations and warranties contained in the Ground Lease with respect to the Series 2011 Project are based upon information provided to the Lessee and that the Lessee has not undertaken any independent review of the Series 2011 Project or its books and records in anticipation of the execution of the Ground Lease.

### **Payment of Rent and Additional Rent**

Lessee will pay Rent and Additional Rent to Lessor at the times and in the order of priority set forth in the "Distributions of Surplus Fund Balances" provision of the Ground Lease, described below, including, without limitation, all payments required to be made to Lessor from the Surplus Fund.

### **Payment of Amounts to 2002 Lessee**

Upon Lessor's direction, Lessee shall request the Manager to calculate the amounts of the payments shown below and to submit such calculations to Lessor for Lessor's approval. At the direction, and subject to the approval, of Lessor, Lessee shall transfer, or cause to be transferred, to Lessor for payment to the 2002 Lessee the approved amounts at the following times:

(i) from the 2011 Account of the Issuance Cost Fund pursuant to the Indenture, a termination fee of \$50,000, payable promptly upon the Effective Date in consideration for the 2002 Lessee's agreement to terminate the 2002 Ground Lease;

(ii) from amounts available in the Surplus Fund, the amount due the 2002 Lessee under the 2002 Ground Lease (0.75% of Occupancy Receipts) for the period beginning on September 1, 2011 and ending on the Effective Date, payable on or before 120 days after the Effective Date; and

(iii) from amounts available in the Surplus Fund, the amount due the 2002 Lessee under the 2002 Ground Lease (8% of Net Available Cash Flow for the Lease Year), prorated for that portion of the 2002 Lease Year from September 1, 2011 to the Effective Date, payable on or before 120 days after the 2002 Lease Year ending on August 31, 2012 (i.e., on or before December 31, 2012); provided, however, that for purposes of calculating the Net Available Cash Flow, as that term is defined in, and pursuant to, the 2002 Ground Lease, the scheduled payments of principal and interest on the 2002 Bonds and the fees that would have been payable to the 2002 Lessee pursuant to the 2002 Ground Lease shall be used and the payments on the Series 2011 Bonds and the fees paid to the Lessee hereunder shall not be used.

### **Amount and Adjustment of Rent**

The initial Rent will be \$810,000 for each Lease Year; provided that for the period between the Effective Date and July 1, 2012, the Rent shall be \$675,000. Accrual of Rent will commence upon the Effective Date and will be initially payable following the 2011-2012 Lease Year, pursuant to the "Distributions of Surplus Fund Balances" provision of the Ground Lease, described below. Rent will be subject to adjustment pursuant to the "Amount and Adjustment of Rent" provision of the Ground Lease, described below, however, Rent will be subject to upward adjustment only. In those years in which the adjustments set forth in the "Amount and Adjustment of Rent" provision of the Ground Lease, described below, occur, only that adjustment which produces the higher rental amount will be used. Rent that has been adjusted as provided in the Ground Lease will, from the time of adjustment, be referred to in the Ground Lease as Rent for purposes of subsequent adjustments.

(a) Rent shall be adjusted as of July 1, 2014 by the percentage increase in the Consumer Price Index from July 1, 2009 to July 1, 2014, and thereafter shall be so adjusted each subsequent fifth anniversary of July 1, 2014 by the percentage increase in the Consumer Price Index during the five-year period preceding such anniversary ("Lease CPI Adjustment"). Each such Lease CPI Adjustment shall not exceed twenty-five percent (25%) for each such five year interval.

(b) On July 1, 2014 and each tenth anniversary thereafter, Rent will be determined by multiplying the Fair Market Value of the Leased Land, as determined in the "Amount and Adjustment of Rent" provision of the

Ground Lease, described below, by nine one-hundredths (0.09) so as to provide Lessor with a nine percent (9.00%) annual return on the Fair Market Value of the Leased Land. Not less than one hundred twenty (120) days prior to the tenth, twentieth, and thirtieth anniversaries of July 1, 2014, Lessor and Lessee will attempt to agree upon the then Fair Market Value of the Leased Land. For that purpose, the Fair Market Value will be determined on the basis of the use of the Leased Land for its then current use, and subject to the limitations on Occupant Rental Rates set forth in the "Occupant Rental Rates" provision of the Ground Lease, described below. 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 "Arbitration" provision of the Ground Lease, described below, and both parties will be bound by the decision of the arbitrators.

### **Term**

The Premises will, except as otherwise permitted in the Ground Lease, be used by Lessee only to lease apartments and provide parking in the Series 2011 Project to Permitted Occupants and to operate the common areas and facilities incidental to the Series 2011 Project for the use and enjoyment of the Occupants.

### **Permitted Occupants**

Except as provided below, Lessee will lease apartments in the buildings shown as an exhibit attached to the Ground Lease as the "Undergraduate Complex", to enrolled UCI undergraduate students, and will lease apartments in the buildings shown in an exhibit attached to the Ground Lease as the "Graduate Complex," only to enrolled UCI graduate students (collectively, "Permitted Occupants"). Lessee may adjust the mix of students following the prior written consent of Lessor (which consent will not be unreasonably withheld), but in no event may freshmen students be permitted to reside in the Series 2011 Project unless approved in writing by the Lessor for a particular Lease Year. Lessee will, upon the written instruction of Lessor, adjust the mix of students.

(a) If at any time during the Term Lessee is unable to lease all of the apartments in the Series 2011 Project to Permitted Occupants, Lessee may seek Lessor's consent, on a case by case basis, to lease to Eligible Tenants other than Permitted Occupants. Lessor will not unreasonably withhold its consent provided, however, that it will be reasonable for Lessor to (i) require Lessee to lease apartments to such other Eligible Tenants in an order of priority established by Lessor from among other Eligible Tenants, prior to leasing units to other persons, and (ii) withhold consent to any Resident Lease with a person other than a Permitted Occupant expiring later than the August 31st following the commencement date of such lease.

(b) Lessee may permit the use of the community center in the Series 2011 Project for meetings, classroom instruction, and other events, provided each such event is Campus-related and primarily for the benefit of the UCI campus community.

### **Environmental Requirements**

Lessee will not use, nor permit the use of any Hazardous Substance in the acquisition or renovation of the Series 2011 Project in violation of any applicable law, regulation, code or ordinance, including, without limitation, any storage, handling, release, emission, discharge, generation, abatement, disposition or transportation of any Hazardous Substance from, on or otherwise relating to the Premises. Lessee will, at its own cost and expense, comply, and cause tenants of the Series 2011 Project, licensees and/or concessionaires to comply, with all applicable laws, rules, regulations, codes and ordinances relating to any Hazardous Substance, including, without limitation, obtaining and filing all applicable notices, permits, licenses and similar authorizations. Lessee will establish and maintain a policy to assure and monitor continued compliance by Lessee and all others occupying space in the Series 2011 Project with all such laws, rules, regulations, codes and ordinances. Lessee will not use or store or permit to be used or stored in the Series 2011 Project any Hazardous Substances other than materials or substances (including, without limitation, office and cleaning supplies) normally associated with operation of a multi-unit residential facility and in not greater than necessary quantities to allow for such use.

## **Hazardous Substances**

If during the Term Lessee discovers Hazardous Substances on the Premises in violation of any applicable law, regulation, code or ordinance, it will immediately report the discovery in writing to Lessor, and the parties will meet and confer in an attempt to resolve the problem. 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 use of the Premises for the uses permitted under the Ground Lease to proceed. If Hazardous Substances are released onto the Premises in violation of any applicable law, regulation, code or ordinance 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 the Lessor fails to take reasonable measures to remediate such Hazardous Substances, such failure will constitute a default.

## **Occupants Initial Rent**

Lessee will initially charge Occupants the monthly Occupant Rental Rates set forth in an exhibit attached to the Rent Schedule. Lessee will not charge Occupants any amounts in addition to the Occupant Rental Rates without the prior consent of Lessor, except for security deposits, late charges, interest, reimbursement for damages, and utility usage (i) beyond those quantities set forth in the Series 2011 Operating Budget and (ii) Additional Occupant Rent, if any, determined pursuant to the "Additional Occupant Rent" provision of the Ground Lease, described below. Occupant Rental Rates will be subject to adjustment pursuant to the "CPI Adjustment" provision and the "Reevaluation Adjustment" provision of the of the Ground Lease, described below. In those years in which both the adjustment set forth in the "CPI Adjustment" provision and the "Reevaluation Adjustment" provision of the of the Ground Lease, described below, would occur, the rates determined pursuant to the "Reevaluation Adjustment" provision of the of the Ground Lease will be considered the Occupant Rental Rates. Occupant Rental Rates that have been adjusted as provided in the Ground Lease will, from the time of adjustment, be deemed to be Occupant Rental Rates for purposes of subsequent adjustments.

## **CPI Adjustment**

During each Lease Year commencing on and after July 1, 2012, Lessee may increase Occupant Rental Rates by a percentage that does not exceed the Consumer Price Index Increase for the twelve months ended on the preceding March 31<sup>st</sup>, provided however, that such increase in the Occupant Rental Rates will not exceed 3% plus one-half of any Consumer Price Index Increase in excess of 3%.

## **Reevaluation Adjustment**

Not less than one hundred twenty (120) days prior to, then becoming effective upon, September 1, 2014, 2019, 2024, 2029, 2034, and 2039, respectively, Lessee will set Occupant Rental Rates ("Reevaluated Rental Rates") that, to the extent then reasonably achievable, are: (i) no greater than 90% of Market Rates ("90% Rates"), (ii) substantially equivalent to the rents charged to student occupants of comparable privately-owned on-campus apartments, and (iii) not less than 110% of Campus Rates ("110% Rates"). Lessee and Lessor will meet and confer not less than one hundred eighty (180) days prior to each such September 1st date in an attempt to agree on such Reevaluated Rental Rates. If no agreement is reached by one hundred fifty (150) days prior to each such September 1st date, then the Reevaluated Rental Rates will be established by Lessor. Lessor and Lessee may jointly agree to adjust Occupant Rental Rates if Campus Rates or outside market rents change. Lessor will review each proposed change in Occupant Rental Rates and will approve such change if it reasonably finds that the change is required in order to conform the Occupant Rental Rates to the requirements of the "Occupant Rental Rates" provision of the Ground Lease, described above.

## **Arbitration of Rates**

If Lessee believes the Campus Rates and Market Rates determined by Lessor are unreasonable, Lessee may submit the determination of the Campus Rates and Market Rates to arbitration under the "Arbitration" provision of the Ground Lease, described below, 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 will set Occupant Rental Rates for the Lease Year commencing the following July 1st based upon the Campus Rates and Market Rates determined by Lessor, and the Rates determined by arbitration will govern Occupant Rental Rates for the Lease Years thereafter.

### **Additional Occupant Rent**

The following provisions will apply if the annual Series 2011 Operating Budget prepared in accordance with the “Annual Financial Reports to Lessor” provision of the Ground Lease and the Series 2004 Operating Budget and the Series 2008 Operating Budget do not result in a Fixed Charges Coverage Ratio equal to or greater than 1.20.

(a) Notwithstanding any other provisions of the “Occupant Rental Rates” provision of the Ground Lease, described herein, to the contrary, Lessee will re-budget and use all reasonable efforts to reduce the Operating Expenses for the Project 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.

(b) If, after the re-budgeting, the Operating Budget does not result in a Fixed Charges Coverage Ratio equal to or greater than 1.20 then, notwithstanding the provisions of the “Occupant Rental Rates” provision of the Ground Lease, described herein, Lessee may charge Occupants additional rent in the amount required for the annual Operating Budget to result in a Fixed Charges Coverage Ratio equal to 1.20 (“Additional Occupant Rent”).

(c) The necessity for and amount of Additional Occupant Rent charged Occupants under the “Additional Occupant Rent” provision of the Ground Lease, described herein, will be determined each Lease Year. In no event will Additional Occupant Rent be merged into Occupant Rental Rates, and Occupant Rental Rates will be computed under the “Occupant Rental Rates” provision of the Ground Lease, described herein, without respect to the necessity for, or amount of, Additional Occupant Rent.

### **Alternate Rental Rates**

Lessee may charge Occupants approved by Lessor under the provisions of paragraph (a) above rental rates which are different from the Occupant Rental Rates then in effect.

### **Financing of Project**

Lessee will, at its own cost and expense, obtain all financing required for the acquisition and operation of the Series 2011 Project and the refunding of the Series 2002 Bonds, including the issuance of the Series 2011 Bonds. Lessor has reviewed the Bond Documents and, as of the Effective Date, will 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 2011 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 will be subject to the prior approval of Lessor, which approval Lessor may grant or withhold at its sole discretion.

### **Distributions of Surplus Fund Balance**

Subject to the provisions described in “Distributions from Cash Flow In Initial Lease Years” and “Distributions from Cash Flow in Final Lease Year” and the Indenture, and commencing with the Lease Year commencing July 1, 2012, Lessee will annually pay, or cause the Bond Trustee to pay, the amounts set forth below. Lessee shall also pay, or cause the Bond Trustee to pay, the amounts described in “Payment of Amounts to 2002 Lessee” above.

### **Order of Distributions**

Subject to the Ground Lease and the Indenture, the following amounts will be withdrawn from the Surplus Fund and applied in accordance with the Indenture, in the following order of priority (“Distribution Amounts”), each Distribution Amount to be paid in full prior to any payment of lower priority amounts:

(a) If the balance of the Coverage Reserve Fund is then less than the Coverage Reserve Required Balance, an amount will be deposited into the Coverage Reserve Fund sufficient to cause the balance of that Fund to equal the Coverage Reserve Required Balance.

(b) Rent will be paid to Lessor.

(c) The unpaid portion of the Minimum Reserve Balance will be deposited into the Repair and Replacement Fund.

(d) The Supplemental Reserve Deposit, if any, will be deposited into the Repair and Replacement Fund.

(e) The balance of the Surplus Fund, if any, will be paid to Lessor.

#### **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 the Ground Lease covering less than a full twelve (12) month period, the provisions of the preceding Sections will be modified for such final Lease Year as provided in the Ground Lease.

The Repair and Replacement Deposit will neither be accrued nor paid, and Rent will 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 will be paid in accordance with the Indenture, in the following order of priority, each Distribution Amount to be paid in full prior to any payment of lower priority amounts:

(i) Rent as prorated above in the “Distributions from Cash Flow in Final Lease Year” provision of the Ground Lease, described above, will be paid to Lessor.

(ii) The balance, if any, of the Surplus Fund for such final Lease Year will be paid to Lessor.

Lessee will pay, or cause to be paid, the amounts set forth in the “Distributions from Cash Flow in Final Lease Year” provision of the Ground Lease, described above, within one hundred eighty (180) days following the Termination Date.

#### **Taxes and Assessments**

Lessor and Lessee have determined that the use of the Premises pursuant to the “Uses and Restrictions” provision of the Ground Lease, described above, is exclusively in furtherance of the educational and public purposes of Lessor and that Lessee is a tax-exempt organization; therefore, the parties intend and expect that the leasehold estate of Lessee created by the Ground Lease and the Series 2011 Project 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 will bear no responsibility for the assessment thereof.

#### **Maintenance of Exemption**

Lessee will 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 will cooperate with Lessee in pursuing and maintaining such exemption. Nothing contained in 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 will have the responsibilities and rights set forth in the balance of the “Maintenance of Exemption” provision of the Ground Lease, described therein.

## **Tax Obligations**

In the absence of an applicable exemption, Lessee will pay prior to the delinquency date thereof all Property Taxes and governmental fees and charges, whether general or special, or ordinary or extraordinary (collectively, "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.

## **Assessment Obligations**

Specifically, and without in any way limiting the generality of the foregoing, Lessee will pay, before they become delinquent, any and all special assessments or levies or charges made by any municipal 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.

## **Utility Services**

Lessee will apply for, obtain and pay for, and be solely responsible for, all utilities required, used, or consumed on the Premises, including, but not limited to gas, water (including water for domestic uses and for irrigation and fire protection), telephone, electricity, cable TV, satellite digital information, sewer service, garbage collection services, or any similar service (herein sometimes collectively referred to as "Utility Services

## **Option to Purchase**

As further consideration for the Lessor's execution of the Ground Lease, Lessee grants to Lessor an exclusive option ("Option") which will be binding on successors and assigns of Lessee, to purchase Lessee's Interest on the following terms and conditions:

(a) *Exercise of Option.* On and after 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, at the price as set forth in (c), below. The closing of such purchase will 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 will not be permitted to convey, lien, or otherwise encumber Lessee's Interest or any portion thereof, and will not permit the conveyance, lien or encumbrance of Lessee's Interest, until the date of closing provided in the "Exercise of Option" provision of the Ground Lease, described above. Any attempted lien, conveyance, or encumbrance of Lessee's Interest prohibited by this provision will be null and void. Lessor may exercise the option granted under this provision only if it also simultaneously exercises the similar option granted pursuant to the Series 2004 Ground Lease and the Series 2008 Ground Lease.

(b) *Subsequent Notices.* Notice given at any of the times specified in Paragraph (a) above will not preclude Lessor's right to again give notice in any later period during which notice is otherwise permitted to be given under such provisions.

(c) *Purchase Price.* If the option to purchase is exercised, the combined purchase prices of Lessee's Interest under the Ground Lease and Lessee's Interest under the Series 2004 Ground Lease and Lessee's Interest under the Series 2008 Ground Lease shall be paid and will include 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. This provision for Lessor's option will not be in derogation of Lessor's power of eminent domain.

(d) *Closing.* Lessor will designate, in its notice of exercise, the date of closing for the purchase of Lessee's Interest (the "Closing"), which will occur within the period described in the "Exercise of Option" provision of the Ground Lease, described above. At Closing, upon payment of the purchase price to the Bond Trustee and the amounts payable by Lessor pursuant to the "Closing Costs" provision of the Ground Lease, title to the Series 2011 Project will be conveyed to Lessor by an Assignment of Lessee's Interest and a quitclaim deed, each in recordable

form executed by Lessee, and a bill of sale as to all personal property included in Lessee's Interest. Lessee will convey its interest in the Resident Leases by an assignment of lease reasonably satisfactory to Lessor and Lessee, and its interest in all other assets associated with the Series 2011 Project as required by the Ground Lease.

(e) *Title.* The Series 2011 Project will be conveyed free and clear of all loans, and will be subject only to the Resident Leases, to Permitted Encumbrances, and to all matters occurring subsequent to the date of the Ground Lease that would be disclosed by an accurate survey and inspection of the Premises.

### **Compliance by Lessee with Applicable Laws and Ordinances**

At all times during the term of the Ground Lease, the Lessee will conform to, obey, and comply in all material respects with all present and future laws, ordinances, and regulations of all legally constituted authorities existing at the commencement of the term of the Ground Lease or at any time during the continuance of the term of the Ground Lease which in any way are applicable to the Ground Lease or the use of the Premises or any repair, replacement, demolition, renovation, construction, restoration, or excavation being done on or to the Premises.

### **Quiet Enjoyment**

Lessor represents and warrants that it owns fee simple, indefeasible title to the Property subject to no restrictions, liens, or other encumbrances other than Permitted Encumbrances. Lessor further covenants and agrees that, throughout the Term of the Ground Lease, Lessee may peaceably and quietly enjoy the Premises, subject, however, to any applicable zoning and land use restrictions, Permitted Encumbrances, and Lessee's fulfillment of the covenants and agreements contained in the Ground Lease.

### **Lessee's Obligation to Operate Series 2011 Project**

Upon acquisition of the Series 2011 Project, Lessee will operate the Series 2011 Project in accordance with the "University of California Policies Applying to Campus Activities, Organizations, and Students, UCI Campus Implementation, August 1996", ("Campus Regulations"), as such Campus Regulations may be amended from time to time, which Campus Regulations are incorporated in the Ground Lease by reference.

### **Management of Improvements**

Lessee will cause the preparation of a plan for the management of the Project ("Management Plan"), which Management Plan will include an on-site staffing plan appropriate to the size and nature of the Project; provide for the enforcement of the Campus Regulations. Lessee will submit the Management Plan to Lessor not later than 120 days prior to the commencement of each Lease Year for Lessor's approval, which will not be unreasonably withheld. Lessee will enter into the Management Agreement attached to the Ground Lease as an exhibit in connection with the operation of the Project. Lessee will not materially amend the Management Agreement without the prior consent of Lessor, nor will Lessee enter into any other management agreement of the Project, except as provided in the "Expiration or Termination of Management Agreement" provision of the Ground Lease, described below.

### **Standards of Operation**

Lessee will perform its obligations 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-lessee facilities, public or private, in the Irvine area which are maintained in first class condition. Lessor, in agreeing to the terms of the Ground Lease, is relying on the expertise, experience and reputation of Lessee and Manager to cause the Project to be operated, maintained and managed in such condition. In recognition of the fact that the Occupants of the Series 2011 Project are anticipated to be UCI students, Lessee will, in good faith use its best economically reasonable efforts to provide, and will 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 lessees, including but not limited to the following:

- (a) Respect students and treat students in a dignified and polite manner;
- (b) Create, foster and maintain a safe, comfortable living environment within the Premises that compliments the Campus' academic mission;
- (c) Be sensitive to, and assist students in transitioning into campus life;
- (d) 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;
- (e) Maximize coordination of management of the Series 2011 Project with the adjacent Campus student residential facilities.

### **Failure to Meet Standards of Operation**

If Lessor reasonably believes that the operation of the Project is materially deficient in (i) observing the Campus Regulations, (ii) meeting the standards of operation set forth in the "Standards of Operations" provision of the Ground Lease, (iii) maintaining the Premises as provided for in the "Maintenance Standards" provision of the Ground Lease, or (iv) otherwise causing an Event of Default under the Ground Lease relating to the operation of the Project (each of which will be an "Operating Deficiency"), such Operating Deficiency will be resolved by the following process:

(a) Lessor will notify Lessee in writing of the nature and specific circumstances or events causing such Operating Deficiency. Lessor and Lessee will 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.

(b) If Lessee agrees that such Operating Deficiency exists, Lessee will cure, or cause to be cured, the 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 reasonable be cured within a twenty (20) business day period, Lessee will not be in breach of this obligation if it starts and maintains reasonable curative efforts in good faith.

(c) If Lessee does not agree that such Operating Deficiency exists, then either party may submit the dispute to arbitration as provided for in the "Arbitration" provision of the Ground Lease. If the arbitrator finds that an Operating Deficiency exists, the arbitrator will also be required to determine the period within which Lessee will be required to cure.

(d) If Lessee fails to cure, or cause to be cured, the Operating Deficiency within the period determined in paragraphs (b) or (c) above, Lessor may take any one or more of the following actions: (i) cure such Operating Deficiency under the Ground Lease, (ii) require Lessee to obtain new management of the Project, if such Operating Deficiency resulted from the fault, error or omission of Manager, or (iii) pursue the other remedies set forth in the Ground Lease.

### **Expiration or Termination of Management Agreement**

Not less than 180 days prior to the expiration of the Management Agreement, and the expiration of each subsequent Management Agreement: (a) Lessee and Lessor will meet and confer to determine whether the best interests of the Project 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 will 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 Property Manager (if any), and by Lessee itself. Lessee will engage the Property Manager designated by Lessor from among those entities submitting proposals. If

Lessee will terminate the Management Agreement for any reason prior to its expiration, Lessee will solicit proposals as required by clause (b), above.

### **Campus Monitoring and Coordination**

Lessor, through its Campus Student Housing Office or Campus Asset Management, will monitor the operation of the Series 2011 Project throughout the Term of the Lease. Commencing March 1, 2012, and on the first day of each March, June, September and December thereafter, Lessee will pay Lessor, as an Operating Expense of the Series 2011 Project, a fee for such monitoring, and for meeting Lessor's commitments set forth in the "Campus Monitoring and Coordination" provision of the Ground Lease, described herein ("Monitoring and Coordination Fee"). The Monitoring and Coordination Fee will be \$4,637 per quarter, payable quarterly. This Fee will be adjusted by the Consumer Price Index Increase effective July 1, 2012, and annually thereafter.

### **Resident Leases**

All Resident Leases in effect on the Effective Date shall continue in full force and effect until terminated in accordance with their respective terms. Subject to the foregoing, but any other provision of the Ground Lease to the contrary notwithstanding, Lessee will, without the consent or approval of Lessor, have the right, in the ordinary course of business, to enter into, modify and terminate Resident Leases in accordance with the criteria set forth in the Management Plan and Management Agreement.

### **Parking**

If Lessor so requests, (i) Lessee will cooperate with Lessor in identifying vehicles owned by Occupants through a system of having tags or other user identification to assure use of the parking areas on the Premises by Occupants only, and/or (ii) Lessee will provide Lessor with the vehicle license numbers and names of Occupants as necessary to assist in Campus parking management.

### **Lessor's Financing Trust Covenants**

Pursuant to the Financing Trust Agreement, Lessor covenants that:

(a) It has approved the use of the Financing Trust Agreement to provide additional security for the Bonds;

(b) Payments of Rent are expressly subordinate to (i) the full and timely payment of Annual Debt Service on all Series of Bonds as the same becomes due and payable pursuant to the related Indentures; and (ii) the use of revenues and other funds of the Lessee to replenish the Liquidity Account and all Subaccounts therein in accordance with the terms of the Financing Trust Agreement, the Bond Indenture and the Loan Agreement; and

(c) The Ground 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 and is specifically identified in the Fourth Supplemental Financing Trust Agreement.

### **Lessor's Commitment**

Lessor will:

(a) Include the Project 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;

(b) In the Lessor's mail outs, catalogues, informational brochures, housing website and other literature, identify the Project as residential housing available to students to the same extent it identifies other housing not owned by Lessor;

(c) At no cost to the Lessor (i.e., pursuant to reimbursement by Lessee), provide to Permitted Occupants substantially similar student services and access that it provides to students in Lessor-owned Campus housing facilities, including, without limitation, functionally equivalent access to the Lessor's Campus telecommunications network and use of the Campus transportation system.

### **Pledge, Assignment, and Grant of Security Interest**

As security for Lessee's performance of its obligations under the Ground Lease and subject to the rights of the Issuer, the Bond Trustee (as assignee of the Issuer), or the Master Trustee, Lessee collaterally assigns and pledges to Lessor, and grants to Lessor a security interest in, all of Lessee's right, title, and interest in and to the Management Agreement, including, without limitation: (i) all rights of Lessee to receive moneys due and to become due under or pursuant to the Management Agreement; (ii) all rights of Lessee to receive proceeds of any insurance, indemnity, warranty, or guaranty with respect to the Management Agreement; (iii) claims of Lessee for damages arising out of or for breach of or default under the Management Agreement; and (iv) the right of Lessee to terminate the Management Agreement, 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 will be entitled to all of the benefit and right under the Management Agreement. Lessor acknowledges that, pursuant to the Security Agreement, the Financing Trust Agreement and Issuer Deed of Trust, Lessee will grant to Issuer, first priority security interests in various items of collateral including, but not limited to, the Management Agreement and certain rights and remedies with respect thereto (collectively, the "Issuer Security Interests") 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, but not limited to, the security interest granted in the "Security Interest" provision of the Ground lease, described herein) will be subject to the provisions of the "Encumbering the Leasehold" provision of the Ground Lease, described below, 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, without limitation, the Bond Trustee.

### **Financing Statements**

Lessee authorizes Lessor to file one or more financing and/or continuation statements, and amendments thereto, relating to all or any part of the Management Agreement without the signature of Lessee where permitted by law. A photocopy or other reproduction of the Ground Lease or any financing statement covering the Management Agreement or any part thereof will be sufficient as a financing statement where permitted by law.

### **Assignment of Lease**

Except as otherwise provided in the Ground Lease (including, without limitation, the "Encumbering the Leasehold" provision of the Ground Lease, described below), Lessee will not have the right to assign or transfer Lessee's Interest or any portion thereof or any right or privilege appurtenant thereto, or to sublease the Premises or any portion thereof, without the prior written consent of Lessor, which consent will not be unreasonably withheld. A sale of all or any portion of Lessee's Interest, and the transfer, assignment or hypothecation of any interest in Lessee will each be deemed an assignment within the meaning of the "Assignment of Lease" provision of the Ground lease, described herein. Any attempt to assign without Lessor's consent will be voidable by Lessor and, at Lessor's election, will constitute a default under the Lease. The consent by Lessor to any transfer, hypothecation, assignment or subleasing will not constitute a waiver of the necessity for such consent to any subsequent assignment, transfer, hypothecation or subleasing.

### **Maintenance of Property**

Lessee will, at all times during the Term of the Ground Lease, at the cost and expense of the Project, keep and maintain the Premises 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 Premises, in a sanitary, clean and structurally sound condition, and substantially equivalent to the condition of other privately owned student residential facilities located on the Campus. All normal maintenance and repair during the term of the Ground Lease will be complete when the Premises are surrendered to Lessor.

## **Alterations**

Lessee shall make no substantial alterations or additions to the Series 2011 Project (“Alterations”) other than as specifically provided in this section. Lessee may make any Alteration with an aggregate cost of not more than \$50,000 without the Lessor’s prior consent, provided that (a) no essential operating systems of the Series 2011 Project shall be materially adversely affected thereby, (b) such Alteration does not violate any requirements of Applicable Laws, and (c) if such Alteration was to be subject to local municipal permitting requirements, no permit from such jurisdiction would be necessary. An “essential operating system” is defined as any of the following: (a) electrical distribution systems; (b) heating, ventilating, and air-conditioning systems; (c) plumbing and sanitation systems; or (d) the central telecommunication system. Before Lessee shall commence any Alteration, other than those permitted in this section, Lessee shall submit to Lessor a set of schematic plans and preliminary specifications showing in such detail as reasonably required by Lessor the nature of the proposed Alteration. If Lessor approves such Alteration, such approval not to be unreasonably withheld or delayed, Lessee shall complete the Alteration with due diligence, in a good and workmanlike manner, and in substantial conformance with the submittals delivered to Lessor and all governmental permits and authorizations. Lessor’s approval of the submittals delivered under this section shall not constitute an opinion or warranty by Lessor of their adequacy, nor shall it make Lessor responsible for the Alteration, nor shall it constitute a waiver of any claim by Lessor for any defect with respect to the Alteration.

## **Capital Budget**

No later than 120 days prior to July 1, 2012, and no later than 120 days prior to the commencement of each Lease Year thereafter, Lessee will prepare or cause the Manager to prepare a Capital Budget setting forth the following:

(a) the nature, cost, and timing of the capital improvements and F.F. & E. replacements projected to be required for the Series 2011 Project during the lesser of (a) the following 15 Lease Years or (b) the projected remaining term of the Bonds;

(b) a projection of the amounts of funds required to be deposited in the Repair and Replacement Fund for each year of the Capital Budget in order to (a) fully fund the capital improvements and F.F. & E. replacements projected in the Capital Budget and (b) maintain a Minimum Reserve Balance with respect to the Series 2011 Project of \$1,000,000 in Current Dollars;

(c) the amount of the Repair and Replacement Deposit proposed to be deposited in the Repair and Replacement Fund for the following Lease Year with respect to the Series 2011 Project, provided that such deposit will be no less than \$908,578 in Current Dollars (the “Base Reserve Deposit”);

(d) the amount of funds to be deposited into the Repair and Replacement Fund, if and as available from the Surplus Fund, and if necessary, to fully fund capital improvements and F.F. & E. replacements projected in the Capital Budget and maintain the required Minimum Reserve Balance for the following Lease Year (“Supplemental Deposit”).

Lessee will, to the greatest extent possible, prepare the Capital Budget so that year-to-year changes exceeding ten percent (10%) in the sum of the Base Reserve Deposit and the Supplemental Deposit are avoided. Lessee will provide Lessor with a copy of the Capital Budget within ten (10) days following its preparation.

## **Budget Reporting**

No later than ninety (90) days prior to July 1, 2012, and ninety (90) days prior to the commencement of each Lease Year thereafter, Lessee will cause Manager to prepare and submit to Lessee for Lessee’s approval a proposed Annual Budget and an Operating Plan for the following Lease Year, which Annual Budget and Operating Plan will incorporate the Series 2011 Operating Budget and the Capital Budget for the Lease Year.



## **Insurance—Property Loss Coverage**

From the Effective Date until the expiration or earlier termination of the Ground Lease, Lessee will keep, or cause to be kept, the Premises, including without limitation the Leased Land and the Series 2011 Project, F.F. & E. and all of Lessee's and Lessee's sublessee's personal and real property which may be situated on Leased Land, insured by an all-risk policy of insurance (which may be in the form of a blanket policy covering multiple locations) for the greater of:

- (a) the then current cost of demolition and removal of the Series 2011 Project.
- (b) 100 percent of the full, undepreciated replacement cost from time to time of the Series 2011 Project.

## **Excluded Deductible**

Such insurance coverage may provide for the exclusion from the afforded coverage of up to the first twenty-five thousand dollars (\$25,000) in Current Dollars of the amount of any loss or damage.

## **Liability Coverage**

Lessee will, at all times during the Term, maintain, or cause to be maintained, insurance to cover all activities in connection with the Ground Lease, for bodily injury, personal injury and property damage both commercial general liability coverage and umbrella or excess liability coverage of not less than \$25 Million.

## **Rental Interruption Coverage**

Lessee will, at all times during the Term maintain a policy of rental interruption insurance for the Project in an amount not less than twenty four (24) months of Annual Debt Service (as defined in the Indenture) of the Bonds.

## **Current Dollars**

All sums set forth in the "Insurance" provision of the Ground Lease, described herein, will be maintained in Current Dollars during the Term.

## **Settlement of Claims**

Provided Lessee is not in default under the Ground Lease, nor has there occurred any event which, with the giving of notice or the passage of time or both, could result in Lessee being in default under the Ground Lease, if any portion of the Student Housing Facilities will be damaged or destroyed by an insured peril or otherwise, Lessee will have the right to settle, adjust or compromise any claim involving less than One Hundred Thousand Current Dollars (\$100,000). Otherwise, the consent and approval of Lessor will be required to any proposed settlement, adjustment or compromise of any insurance claim.

## **Damage and Destruction**

Subject to the provisions of the preceding section - Insurance - the following provisions apply:

## **Insured Risk**

If during the Term the Series 2011 Project is wholly or partially damaged or destroyed by a risk covered by insurance, or required to be covered by insurance under any term of the Ground Lease, Lessee will promptly give written notice of such damage or destruction to Lessor, the Bond Trustee, and the Issuer. Such damage or destruction will not terminate the Ground Lease, and Lessee will, 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 Series 2011 Project 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. Such restoration will be commenced promptly and prosecuted with due diligence. Lessor will cooperate with Lessee in the procurement and issuance of all necessary permits, licenses, and approvals to commence and complete such restoration, provided that it will incur no expense in or cost in doing so.

### **Restoration Feasibility**

Notwithstanding any other provisions of the “Insured Risk” provision of the Ground Lease, described above, if the Series 2011 Project is wholly or partially damaged or destroyed, and the insurance proceeds available for such damage or destruction (“Net Proceeds”) exceeds \$1,000,000, the provisions of this Section will apply.

(a) Within thirty (30) days of the loss, Lessee will employ an independent financial consultant acceptable to Lessor and Bond Trustee, which financial consultant will determine the following matters (“Feasibility Tests”):

(i) 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 be obtained through the financing contemplated in the “Subordinate Financing” provision of the Ground Lease, described below; (iv) any funds which are otherwise available, are sufficient to repair, reconstruct, restore, or replace the damage or destruction.

(ii) 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 Series 2004 Project, the Series 2008 Project and the Series 2011 Project combined during the period of repair, reconstruction, restoration or replacement.

(iii) Whether or not, after the repair, reconstruction, restoration, and replacement of the damage or destruction has been completed, the Operating Budget (prepared in accordance with the Ground Lease, the 2004 Ground Lease and the 2008 Ground Lease) will result in a Fixed Charges Coverage Ratio equal to or greater than 1.20, taking into particular account (1) the feasibility of the Occupant Rental Rates necessary to achieve such Operating Budget, and (2) the Fixed Charges resulting from the use of any of the sources of funds listed in (a)(i), above.

The financial consultant will be required to submit its determinations in a written report to Lessee, Lessor, and the Bond Trustee within ninety (90) days of the loss.

(b) If the financial consultant makes an affirmative determination as to each of the three Feasibility Tests, then Lessee will promptly proceed to repair and restore the Series 2011 Project as provided for in the “Insured Risk” provision of the Ground Lease, described above,.

(c) If the financial consultant makes a negative determination as to any one of the three Feasibility Tests, then Bond Trustee, after notice to and consultation with Lessee and Lessor, may direct whether the Net Proceeds (if any) will be used to prepay all or a portion of the outstanding Bonds. If such direction is not given within thirty (30) days after the financial consultant renders its report, Lessor will then make such election, which election will be made within sixty (60) days of the financial consultant rendering its report. If Bond Trustee directs, or 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 will terminate, and the termination provisions of the Ground Lease will apply. If the Bond Trustee directs or 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 will remain in effect, and Lessee will continue to operate the undamaged portions of the Project.

## **Procedure Upon Termination**

If the Lease is terminated by an election made by the Bond Trustee to prepay all or a portion of the outstanding Bonds, or by an election made by the Lessee or Lessor to not restore the Series 2011 Project, the following provisions will apply:

(a) Lessee will be obligated, to the extent of the sum of (i) the funds, if any, in the Repair and Replacement Fund and (ii) the Net Proceeds, to immediately demolish the Series 2011 Project, at its cost and expense. However, Lessee will not demolish the Series 2011 Project if Lessor notifies Lessee, that it is not to be demolished.

(b) Net Proceeds will 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 will next be applied as follows:

(c) If Lessee elects or the Bond Trustee directs to not restore the Series 2011 Project, and Lessor elects not to have the Series 2011 Project demolished, Net Proceeds remaining after the aforementioned payment to the Leasehold Deed of Trust Trustee (or Bond Trustee) will be paid to Lessor.

(d) If Lessee elects or the Bond Trustee directs not to restore the Series 2011 Project, and Lessor elects to have the Series 2011 Project demolished, the Net Proceeds remaining after payment of all amounts owing to any Leasehold Deed of Trust Trustee will be held in a mutually acceptable escrow.

## **Uninsured Risk**

If during the Term, the Series 2011 Project is wholly damaged or destroyed by a risk not required to be insured under the Lease, Lessee will promptly give written notice of such damage or destruction to Lessor detailing facts that qualify the casualty under this provision, and Lessee will restore the Series 2011 Project, unless both (i) the reasonable estimate of the cost for restoration is more than the amount then in the Reserve and Replacement Fund, and (ii) Lessee elects not to restore. If both of these conditions have been met, Lessee will demolish the Series 2011 Project unless Lessor has given notice to Lessee that the Series 2011 Project is to remain, and the Lease will terminate. If during the Term, the Series 2011 Project is partially damaged or destroyed by a risk not required to be insured under the Ground Lease, Lessee will 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 Reserve and Replacement Fund, and (ii) additional amounts, if any, which Lessee elects to borrow, restore the Series 2011 Project to the maximum usable square feet.

## **Subordinate Financing**

Notwithstanding anything to the contrary contained in the Ground Lease, 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 Series 2011 Project, to substantially the same condition that existed prior to the taking or the event that caused such damage, and if Lessee will elect (subject to its obligations under the Loan Agreement) to repair, replace, rebuild, restore and/or re-equip the Series 2011 Project, then Lessee will have the right to obtain financing which will be subordinate to the Ground Lease in order to repair, replace, rebuild, restore and/or re-equip the Series 2011 Project, which financing may be secured by lien and/or leasehold deed of trust on Lessee's Interest and/or the Series 2011 Project, provided that (a) no such financing will extend beyond the Term and (b) no such financing will result in a Fixed Charges Coverage Ratio of less than 1.20. Lessor will execute such consents or other documents as will be reasonably required for such subordinate financing.

## **Condemnation—General Rights and Obligations**

If, during the Term, the Premises, or any portion thereof or interest therein, will be appropriated, taken or damaged by reason of the exercise of the power of eminent domain, whether by condemnation proceedings or otherwise, or any transfer thereof will be made in avoidance of an exercise of the power of eminent domain (all of the foregoing being hereinafter referred to as a "Taking"), the rights and obligations of Lessor and Lessee with

respect to said Taking will be as hereinafter provided in the “Condemnation” provision of the Ground Lease, described herein.

### **Full Taking**

In the event of the Taking of all of Leased Land or all of the Series 2011 Project (“Full Taking”), the Ground Lease will terminate as of the date on which title vests in the condemning authority, and Lessee will thereupon be released from any liability thereafter accruing under the Ground Lease with respect thereto.

### **Partial Taking**

In the event any portion of Leased Land or any portion of the Series 2011 Project will be taken or all of the Leased Land or Series 2011 Project will be temporarily taken (collectively, “Partial Taking”), the Ground Lease will continue in full force and effect except as hereinafter provided in the “Economic Viability” provision of the Ground lease, described below.

### **Economic Viability**

If (i) Lessee and Lessor will jointly determine that the remainder of the Leased Land, or the remainder of the Series 2011 Project, or the remainder of the Term, or any interest in them, after application of Lessee’s award to the restoration of the Series 2011 Project as required in the “Taking Without Termination” provision of the Ground Lease, described below, would not, because of the Partial Taking, constitute an economically viable project of the type contemplated by the Lease, or, (ii) in the event Lessee and Lessor will disagree and an arbitration under the “Arbitration” provision of the Ground Lease, described below, will determine that, because of such Partial Taking, such economic viability could not be achieved, then the Ground Lease will 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 will demolish and remove the remaining portion of the Series 2011 Project, at its expense, to the extent possible using the sum of (i) the funds, if any, in the Reserve and Replacement Fund and (ii) 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 the Ground Lease in accordance with the foregoing, then: (i) each party to the Ground Lease will be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests, and (ii) Lessee will, 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 Series 2011 Project for the continuation of the use being made thereof prior to such Taking, and thereafter prosecute the same to completion with all due diligence, subject to the provisions in the Construction Rider attached to the Series 2008 Ground Lease, construed for such purpose, to apply to work occurring after the initial construction of the Series 2011 Project.

### **Taking With Termination**

In the event of any Taking which results in the termination of the Lease in accordance with the foregoing, each party to the Ground Lease will be entitled to prosecute claims in such condemnation proceedings for the value of its respective interest.

### **Bond Documents**

Notwithstanding anything else contained in the Ground Lease, the provisions of the Bond Documents will control in all respects the receipt, handling, and application of any and all condemnation proceeds with respect to Lessee’s Interest, 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, will have a first and prior security interest therein.

## **Arbitration**

Either party will have the right to submit any dispute under the Ground Lease to arbitration. Unless otherwise agreed upon by the parties, such arbitration will be conducted as follows: The party demanding arbitration will 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 15 days after the receipt of such notice, the receiving party will 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. If within 30 days following the appointment of the latter of the arbitrators, they are unable to agree in respect of the matter in dispute, they will appoint by instrument in writing as a third arbitrator a similarly qualified person, who will proceed with the two arbitrators first appointed to determine the matter in dispute.

## **Events of Default Defined**

The following will be “Events of Default” under the Ground Lease, and the terms “Event of Default” or “Default” will mean any one or more of the following events:

(a) Lessee will fail to pay the Rent at the times specified in the Ground Lease and such failure will continue for fifteen (15) days after written notice thereof from Lessor.

(b) Lessee will fail to correct any Operating Deficiency within the periods provided for in the “Failure to Meet Standards of Operation” provision of the Ground Lease, described above.

(c) Except to the extent of delay caused by Force Majeure, Lessee will fail to perform or cause to be performed any other term, covenant, condition, or provision of the Ground Lease, other than as referred to in the “Events of Default and Remedies” provision of the Ground Lease, described herein, 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 will 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.

(d) Lessee will be adjudicated a bankrupt.

(e) A permanent receiver will be appointed for Lessee’s interest in the Premises and such receiver will not be removed within ninety (90) days after notice from Lessor to Lessee to obtain such removal.

(f) Lessee will voluntarily take advantage of any debtor relief proceedings under any present or future law whereby the Rent or any part thereof will be reduced or payment thereof deferred or will become subject to any such involuntary proceedings and said involuntary proceedings will not be dismissed within ninety (90) days after notice from Lessor to Lessee to obtain such dismissal.

(f) Lessee will make a general assignment for benefit of creditors.

(g) The Premises or Lessee’s effects or interests therein will be levied upon or attached under process against Lessee, and the same will not be satisfied or dissolved within ninety (90) days after notice from Lessor to Lessee to obtain satisfaction or dissolution thereof.

(h) An Event of Default, as defined in the Series 2004 Ground Lease, will have occurred under the Series 2004 Ground Lease and will have continued beyond all applicable cure periods.

(i) An Event of Default, as defined in the Series 2008 Ground Lease, will have occurred under the Series 2008 Ground Lease and will have continued beyond all applicable cure periods.

## **Remedies**

Subject to the “Encumbering the Leasehold” provision of the Ground Lease, described below, upon the occurrence of an Event of Default, Lessor may pursue one of the following remedies:

(a) Subject to the written notice to and the rights of the Bond Trustee under the “Encumbering the Leasehold” provision of the Ground Lease, described below, terminate the Ground Lease immediately upon written notice thereof to Lessee, and thereafter, 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 rents due from Lessees 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 will not be a waiver of the rights of Lessor upon the occurrence of any subsequent Event of Default; or

(b) 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:

(i) Subject to the limitations in the “Limitation of Liability” provision of the Ground Lease, Lessee will be immediately liable to pay to Lessor, in addition to any sums due under the Ground Lease, the reasonable cost and expenses of such reletting and of such alterations and repairs incurred by Lessor; and,

(ii) Subject to applicable law, rents received by Lessor from such reletting will 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, will be held by Lessor, in escrow, and (1) applied to the payment of the Rent as the same will become due under the Ground Lease and (2) if any balance will then remain, paid to Lessee at the termination of the Ground Lease. Lessor will in no event be liable to Lessee for any interest on the said residue.

## **Extinguishment of Lessee’s Rights**

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 (with the exception of the rights of Leasehold Deed of Trust Trustees arising under the “Limitation on Termination Rights of Lessor” provision of the Ground Lease, described below,), will immediately cease and terminate, and the Premises, including all buildings, improvements, FF&E, including without limitation, 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 Premises, and all personal property of Lessee located thereon, will 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 will be relieved of Lessee’s obligation to repair, reconstruct, restore or replace damaged or destroyed buildings, other structures or improvements pursuant to the “Damage and Destruction” provision of the Ground Lease, described above.

## **Lessor’s Consent to Encumber Leasehold**

Lessor consents to Lessee’s encumbrance of its interest in the Ground Lease pursuant to the Issuer Deed of Trust, which will secure outstanding principal indebtedness of no more than \$425,220,000. Lessor acknowledges that the Issuer has pledged, assigned and transferred its right, title and interest in and to the Ground Lease 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 in the Ground Lease or otherwise.

### **General Limitation on Encumbrance**

Except as provided in the “Subordinate Financing” provision of the Ground Lease, described above, and the “Lessor’s Consent” provision of the Ground Lease, described above, Lessee, every successor and assign of Lessee, will have no right to encumber its interest in the Ground Lease without Lessor’s consent.

### **No Modifications**

There will be no cancellation, surrender or modification of the Ground Lease 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 “Encumbering the Leasehold” provision of the Ground Lease, described herein), nothing in the Ground Lease will be deemed to prohibit Lessor from terminating the Ground Lease in accordance with its terms. There will 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, will simultaneously serve a copy of such notice on the Leasehold Deed of Trust Trustee. If Lessor will serve Lessee with a notice of a failure to comply with any term, covenant, condition, or provision of the Ground Lease, the Leasehold Deed of Trust Trustee will then have the same period after service of the notice on it as is given to Lessee under the Ground Lease to remedy or cause to be remedied such failure, and Lessor will 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 will 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 will be deemed to have been served as of the date the said notice is received or refused by the Leasehold Deed of Trust Trustee.

### **Limitation on Termination Rights of Lessor**

If Lessor will elect to terminate the Ground Lease upon the occurrence of an Event of Default, the Leasehold Deed of Trust Trustee will 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 in the “Additional Cure” provision of the Ground Lease, provided that the Leasehold Deed of Trust Trustee will 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 will forthwith take steps necessary to acquire Lessee’s interest and estate in the Ground Lease whether by foreclosure of its Leasehold Deed of Trust, or otherwise, and will 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 will be actively engaged in steps to acquire or sell Lessee’s interest in the Ground Lease, the time for Leasehold Deed of Trust Trustee to comply with the “Limitation on Termination Rights of Lessor” provision of the Ground Lease, described herein, will be extended for such period as will be reasonably necessary to complete these steps with reasonable diligence and continuity.

### **Deed of Trust Trustee Leases**

Lessor agrees that in the event of a termination of the Ground Lease by reason of any Event of Default, and subject to the rights granted in the Ground Lease to the Leasehold Deed of Trust Trustee, the Leasehold Deed of Trust Trustee will 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:

(a) the Leasehold Deed of Trust Trustee will enter into a Deed of Trust Trustee Lease on the same terms within the six (6) month period specified in the “Limitation on Termination Rights of Lessor” provision of the Ground Lease, described above;

(b) the Leasehold Deed of Trust Trustee will 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 Premises under the said Deed of Trust Trustee Lease; and

(c) the Leasehold Deed of Trust Trustee, as lessee under the Deed of Trust Trustee Lease, will have the same right, title and interest in and to the Premises and the right to use the buildings and improvements thereon as Lessee had under the Ground Lease.

### **Holding Over by Lessee**

Lessee will 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, will not constitute a Lessee-at-will interest in behalf of Lessee, but Lessee will become a Lessee-at-sufferance and liable for Rent and all other expenses, obligations and payments in effect for the immediately preceding year of the term of the Ground Lease. There will be no renewal whatsoever of the Ground Lease by operation of law.

### **Subordination**

Notwithstanding anything else contained in the Ground Lease, Lessor agrees that the financing of the acquisition of the Series 2011 Project 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 Series 2011 Project, including, without limitation, all insurance proceeds, reserve funds and Project Gross Revenue, as well as any and all rights to any and all contracts, agreements and other instruments in connection with the acquisition and operation of the Series 2011 Project, including, without limitation, the Management Agreement will be junior and subordinate to the interest of the Issuer, the Bond Trustee, and/or any other Leasehold Deed of Trust Trustee in the Management Agreement as granted or provided in any of the Bond Documents (collectively, the “Bond Collateral”). So long as any of the indebtedness created, evidenced, or secured by any of the Bond Documents remains outstanding and unpaid, Lessor will not exercise any rights or remedies with respect to the Bond Collateral without either (i) complying with the “Encumbering the Leasehold” provision of the Ground Lease, described above, or (ii) obtaining in each instance the prior written consent of the Issuer, the Bond Trustee, and any other Leasehold Deed of Trust Trustee.

### **Interest on Unpaid Amounts**

Any sums that are payable by Lessee to Lessor under the Ground Lease (including any Rent) and that are not paid to Lessor within ten (10) days after the due date thereof will bear interest at the rate of six percent (6%) per annum from the due date thereof through the date payment of the same is made. If it becomes necessary for Lessor to bring suit for collection of any sum(s) stipulated in the Ground Lease to be paid by Lessee, Lessee will pay any and all such reasonable expenses and costs as Lessor may incur, including, but not limited to, reasonable attorneys’ fees actually incurred or reasonably determined to be the cost of legal services supplied by salaried employees of Lessor.

### **Membership in Foundation**

In recognition of the assistance to be provided by the Lessee and Collegiate Housing Foundation (“CHF”) 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 of the Ground Lease, the Lessor will be deemed to be a member of the Foundation and that it will remain such a member until the termination of the Ground Lease provided, however, notwithstanding anything in the Ground Lease or in the Foundation’s bylaws to the



contrary, the Lessor will 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.

(a) The Lessor warrants, represents and agrees that at all times during the term of the Ground Lease it will 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.

(b) In consideration for entering into the Ground Lease, the Lessor will pay or cause the Foundation to be paid the following amounts: an annual membership fee equal to one and one half percent (1.5%) of the Occupancy Receipts for the Lease Year payable monthly to the Foundation as an Operating Expense of the Series 2011 Project and not to exceed (i) \$250,000 per annum during the first 10 years of operation, (ii) \$330,000 per annum for the second 10 years of operation, and (iii) \$440,000 per annum for the third 10 years of operations (“Lessee’s Fee”). The Lessee’s Fee will be paid as an Operating Expense of the Series 2011 Project.

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**APPENDIX D**

**FORM OF BOND COUNSEL OPINION**

[Closing Date]

California Statewide Communities  
Development Authority  
Sacramento, California

California Statewide Communities Development Authority  
Student Housing Revenue Bonds  
(University of California, Irvine East Campus Apartments, Phase I Refunding–CHF–Irvine, L.L.C.) Series 2011

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Statewide Communities Development Authority (the “Issuer”) in connection with the issuance by the Issuer of \$94,510,000 aggregate principal amount of California Statewide Communities Development Authority Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase I Refunding–CHF–Irvine, L.L.C.) Series 2011 (the “Bonds”). The Bonds are issued pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended, and an Indenture, dated as of December 1, 2004, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as amended by the First Amendment to Indenture, dated as of May 1, 2005, and as supplemented by the First Supplemental Indenture, dated as of April 1, 2006, the Second Supplemental Indenture, dated as of July 1, 2008 and the Third Supplemental Indenture, dated as of December 1, 2011, each between the Issuer and the Trustee (as so amended and supplemented, the “Indenture”). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to CHF--Irvine, L.L.C., a limited liability corporation whose sole member is the Collegiate Housing Foundation, an Alabama nonprofit public benefit corporation (the “Borrower”), pursuant to a Loan Agreement, dated as of December 1, 2004, as amended by the First Amendment to Loan Agreement, dated as of April 1, 2005, and as supplemented by the First Supplemental Loan Agreement, dated as of April 1, 2006, the Second Supplemental Loan Agreement, dated as of July 1, 2008 and the Third Supplemental Loan Agreement, dated as of December 1, 2011, each between the Issuer and the Borrower (as so amended and supplemented, the “Loan Agreement”). 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 Series 2011 Tax Certificate dated the date hereof, between the Issuer and the Borrower, opinions of counsel to the Issuer, the Trustee and the Borrower, certificates of the Issuer, the Trustee, 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 LLC, counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower 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 with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Borrower 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 the Borrower 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 facilities in activities that are considered unrelated trade or business activities of the Borrower 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.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Financing Trust Agreement, the Series 2011 Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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 opinion speaks only as of its date and is not intended to, and may not, be relied upon 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 Series 2011 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 Series 2011 Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, 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, penalty, choice of law, choice of forum, choice of venue, 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. 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 (including proceeds of the sale of Bonds) 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 individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This CONTINUING DISCLOSURE AGREEMENT (the “Continuing Disclosure Agreement”) is entered into as of December 1, 2011, by and between CHF-Irvine, L.L.C. (the “Borrower”) and The Bank of New York Mellon Trust Company, N.A. (the “Dissemination Agent”).

**RECITALS:**

1. This Continuing Disclosure Agreement is executed and delivered in connection with the issuance by the California Statewide Communities Development Authority (the “Issuer”) of \$94,510,000 of its Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase 1 Refunding-CHF-Irvine, L.L.C.) Series 2011 (the “Series 2011 Bonds”), pursuant to an Indenture, dated as of December 1, 2004, between the Issuer and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee (the “Trustee”), as previously amended and supplemented, and as further supplemented by a Third Supplemental Indenture, dated as of December 1, 2011 (the “Indenture”). The proceeds of the Series 2011 Bonds are being loaned by the Issuer to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2004, between the Issuer and the Borrower, as previously amended and supplemented, and as further supplemented by a Third Supplemental Loan Agreement, dated as of December 1, 2011 (the “Loan Agreement”).

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 2011 Bonds and in order to, among other things, assist the Participating Underwriter 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 Underwriter (as defined below) has deemed the Borrower to be the only “obligated person” under the Rule with respect to the Series 2011 Bonds with responsibility for continuing disclosure, and the Issuer 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 2011 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 2011 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 of this Continuing Disclosure Agreement.

“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 2011

Bonds (including persons holding Series 2011 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2011 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 The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the Borrower.

“Financial Statements” shall have the meaning set forth in Section 3(b) 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.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(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 2011 Bonds dated December 15, 2011.

“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 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 The Bank of New York Mellon Trust Company, N.A., or any successor trustee under the Indenture.

“Underwriter” shall mean Barclays Capital Inc.

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 Underwriter 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 each of the following:

(a) not later than thirty (30) days following the end of each six (6) month period during each Fiscal Year, commencing with the six (6) month period ending June 30, 2012, a semi-annual occupancy update relating to the Project (each, a “Periodic Report”); and

(b) not later than one hundred twenty (120) days following the end of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2012, 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) update to the table in Appendix A of the Official Statement under the heading “THE SERIES 2011 PROJECT – Existing On-Campus Student Housing – EAST CAMPUS APARTMENTS – Table 1; and

(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 be available by the time the Annual Report is required to be filed pursuant to this Section 3(b), 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.

(c) Each Annual Report or Periodic 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 (b) above. Copies of each Annual Report or Periodic Report shall be furnished to the Issuer 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 or a Periodic Report to the Repository, it shall notify the Dissemination Agent that it has done so.

(d) Not later than fifteen (15) Business Days prior to each date specified in subsection (a) or (b) above for providing a Periodic Report or an Annual Report, as applicable, to the Repository, the Borrower shall (i) provide such Periodic Report or Annual Report to the Dissemination Agent, if any, with written instructions to file such Periodic Report or Annual Report as specified in this Section 3, or (ii) provide written notice to the Dissemination Agent that the Borrower has provided such Periodic Report or Annual Report to the Repository and the Issuer.

(e) If by any date specified in subsection (d) above, the Dissemination Agent has not received the applicable Periodic Report or Annual Report or such written notice, the Dissemination Agent shall contact the Borrower to determine if the Borrower is in compliance with this Section 3.

(f) If the Dissemination Agent is unable to verify that a Periodic Report or an Annual Report has been provided to the Repository by the date required in subsection (a) or (b) above, 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 the Issuer.

(g) The Dissemination Agent shall:

(i) determine, prior to each date for providing a Periodic Report or an Annual Report, the name and address of the Repository, if any;

(ii) file a report with the Borrower, the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee, certifying that such Periodic Report or 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 Periodic Report and each Annual Report electronically to the Repository.

(h) 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 2011 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 2011 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 2011 Bonds, or other events affecting the tax status of any Series 2011 Bonds;
- (ii) modifications to rights of security holders;
- (iii) bond calls;

(iv) release, substitution or sale of property securing repayment of the securities;

(v) non-payment related defaults;

(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 (f) 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 each party to the Borrower, the Trustee and the Issuer. 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 Holders 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 2011 Bonds. If such termination occurs prior to the final maturity of the Series 2011 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 The Bank of New York Mellon Trust Company, N.A.

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(a), 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 2011 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 2011 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 2011 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Series 2011 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 2011 Bonds. The Borrower also may amend or terminate this Continuing Disclosure Agreement without approval by the Owners of the Series 2011 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 Period 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, 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, 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, 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 Underwriter or the Owners of at least 25% of aggregate principal amount of the Series 2011 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-Irvine, L.L.C.  
P. O. Box 1385  
Fairhope, Alabama 36533-1384  
Fax: (251) 928-9342

To the Dissemination Agent:  
The Bank of New York Mellon Trust Company, N.A.  
550 Kearney Street, Suite 600  
San Francisco, California 94108  
Fax: (415) 399-1647

with copies to (if Dissemination Agent is no longer the Trustee):  
The Bank of New York Mellon Trust Company, N.A.  
550 Kearney Street, Suite 600  
San Francisco, California 94108  
Fax: (415) 399-1647

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, the Underwriter, the Owners and Beneficial Owners from time to time of the Series 2011 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.

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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-IRVINE, L.L.C.**

By: Collegiate Housing Foundation,  
its sole member

By: \_\_\_\_\_  
Name: Leeman H. Covey  
Title: President

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Dissemination  
Agent**

By: \_\_\_\_\_  
Name:  
Title:



**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE PERIODIC OR ANNUAL REPORT**

Name of Obligated Person: CHF-Irvine, L.L.C.

Name of Issuer: California Statewide Communities Development Authority

Name of Bond Issue: Student Housing Revenue Bonds (University of California, Irvine East Campus Apartments, Phase 1 Refunding-CHF-Irvine, L.L.C.) Series 2011 (the "Series 2011 Bonds")

Date of Issuance: January 11, 2012

NOTICE IS HEREBY GIVEN that CHF-IRVINE, L.L.C. (the "Borrower") has not provided [a Periodic][an Annual] Report with respect to the above-named Series 2001 Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of December 1, 2011, entered into by the Borrower for the benefit of the Owners of the Series 2011 Bonds. The Borrower anticipates that the [Periodic][Annual] Report will be filed by \_\_\_\_\_, \_\_\_\_\_.

Dated: \_\_\_\_\_

**The Bank of New York Mellon Trust Company,  
N.A., as Dissemination Agent**

By \_\_\_\_\_  
Title: \_\_\_\_\_  
Phone: \_\_\_\_\_

cc: CHF-Irvine, L.L.C.  
The Bank of New York Mellon Trust Company, N.A.  
Barclays Capital Inc.

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## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. NEITHER THE ISSUER NOR THE BORROWER TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

So long as Cede & Co is the registered holder of the Series 2011 Bonds, as nominee of DTC, references in this Official Statement, including the Appendices hereto, to the Owners of the Series 2011 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 2011 Bonds.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully registered bonds 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 bond will be issued for the Series 2011 Bonds, in the aggregated principal amount of the Series 2011 Bonds, 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 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 3.5 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 (the "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 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](http://www.dtcc.com).

Purchases of Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011 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 2011 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 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

**SO LONG AS CEDE & CO., AS THE NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2011 BONDS, THE ISSUER AND THE BOND TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY REGISTERED OWNER OF THE SERIES 2011 BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, AND REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2011 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 2011 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 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011 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 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, defaults, and proposed amendments to the Series 2011 Bond documents. For example, Beneficial Owners of the Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 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 2011 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 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an 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 2011 Bonds are credited on the record date (identified in the listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2011 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, as paying agent, on the payable date 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, as paying agent, or the Issuer, subject to any statutory and 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 Bond Trustee, as paying agent, 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 the Direct and the Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the Issuer or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011 Bond certificates will be printed and delivered to DTC.

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 2011 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 2011 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 2011 BONDS; OR (F) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS OWNER.**

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