

**SUPPLEMENT DATED SEPTEMBER 12, 2018
TO PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 7, 2018**

\$123,665,000*

**California Community College Financing Authority
College Housing Revenue Bonds
(NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018**

The Preliminary Official Statement dated September 7, 2018 for the above-referenced College Housing Revenue Bonds (the “Preliminary Official Statement”) is supplemented and amended by this Supplement Dated September 12, 2018 (the “Supplement”) to provide additional information with respect to the California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018 (the “Series 2018 Bonds”) being issued by the California Community College Financing Authority (the “Authority”). Investors are encouraged to read the entire Preliminary Official Statement including this Supplement in order to obtain information essential to the making of an informed investment decision. Unless otherwise defined in this Supplement, all capitalized terms used in this Supplement shall have the meanings ascribed thereto in the Preliminary Official Statement.

Revised Information on Debt Service Coverage

The information appearing in the tables under the caption “DEBT SERVICE SCHEDULE AND COVERAGE” on page 34 of the Preliminary Official Statement and under the caption “CASH FLOW” on page 61 of the Preliminary Official Statement are updated and amended in order to reflect proper placement of the Repair and Replacement Fund in accordance with the flow of funds under the Indenture as follows:

DEBT SERVICE SCHEDULE AND COVERAGE

The following table sets forth, among other things, a summary of annual projected revenues and expenses of the Borrower and the annual debt service on the Series 2018 Bonds, and the projected debt service coverage ratios. The annual projected revenues and expenses were derived in part from the Cash Flow.

* Preliminary, subject to change.

Projected Revenues and Debt Service Coverage Ratios

Bond Year Ending	Total Revenues ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Cash Flow Available for Debt Service	Series 2018 Bonds			Debt Service Coverage Ratio [*]
				Principal [*]	Interest [*]	Debt Service ^{*(3)}	
5/1/2019	-	-	-	-	\$3,675,599	-	-
5/1/2020	-	-	-	-	6,183,250	-	-
5/1/2021	\$11,498,780	\$2,360,345	9,138,436	\$1,395,000	6,183,250	\$3,456,083	2.64x
5/1/2022	11,843,744	2,431,155	9,412,589	1,470,000	6,113,500	7,407,910	1.27
5/1/2023	12,199,056	2,504,089	9,694,966	1,550,000	6,040,000	7,414,410	1.31
5/1/2024	12,565,028	2,579,212	9,985,815	1,635,000	5,962,500	7,421,910	1.35
5/1/2025	12,941,978	2,656,589	10,285,390	1,725,000	5,880,750	7,430,160	1.38
5/1/2026	13,330,238	2,736,286	10,593,952	1,820,000	5,794,500	7,438,910	1.42
5/1/2027	13,730,145	2,818,375	10,911,770	1,920,000	5,703,500	7,447,910	1.47
5/1/2028	14,142,049	2,902,926	11,239,123	2,195,000	5,607,500	7,626,910	1.47
5/1/2029	14,566,311	2,990,014	11,576,297	2,305,000	5,497,750	7,627,160	1.52
5/1/2030	15,003,300	3,079,714	11,923,586	2,420,000	5,382,500	7,626,910	1.56
5/1/2031	15,453,399	3,172,106	12,281,293	2,540,000	5,261,500	7,625,910	1.61
5/1/2032	15,917,001	3,267,269	12,649,732	2,665,000	5,134,500	7,623,910	1.66
5/1/2033	16,394,511	3,365,287	13,029,224	2,800,000	5,001,250	7,625,660	1.71
5/1/2034	16,886,346	3,466,245	13,420,101	2,940,000	4,861,250	7,625,660	1.76
5/1/2035	17,392,937	3,570,233	13,822,704	3,085,000	4,714,250	7,623,660	1.81
5/1/2036	17,914,725	3,677,340	14,237,385	3,240,000	4,560,000	7,624,410	1.87
5/1/2037	18,452,167	3,787,660	14,664,507	3,405,000	4,398,000	7,627,410	1.92
5/1/2038	19,005,732	3,901,290	15,104,442	3,575,000	4,227,750	7,627,160	1.98
5/1/2039	19,575,904	4,018,329	15,557,575	3,755,000	4,049,000	7,628,410	2.04
5/1/2040	20,163,181	4,138,878	16,024,302	3,940,000	3,861,250	7,625,660	2.10
5/1/2041	20,768,076	4,263,045	16,505,031	4,135,000	3,664,250	7,623,660	2.16
5/1/2042	21,391,118	4,390,936	17,000,182	4,345,000	3,457,500	7,626,910	2.23
5/1/2043	22,032,852	4,522,664	17,510,188	4,560,000	3,240,250	7,624,660	2.30
5/1/2044	22,693,838	4,658,344	18,035,493	4,790,000	3,012,250	7,626,660	2.36
5/1/2045	23,374,653	4,798,094	18,576,558	5,030,000	2,772,750	7,627,160	2.44
5/1/2046	24,075,892	4,942,037	19,133,855	5,280,000	2,521,250	7,625,660	2.51
5/1/2047	24,798,169	5,090,298	19,707,871	5,545,000	2,257,250	7,626,660	2.58
5/1/2048	25,542,114	5,243,007	20,299,107	5,820,000	1,980,000	7,624,410	2.66
5/1/2049	26,308,378	5,400,298	20,908,080	6,115,000	1,689,000	7,628,410	2.74
5/1/2050	27,097,629	5,562,306	21,535,322	6,420,000	1,383,250	7,627,660	2.82
5/1/2051	27,910,558	5,729,176	22,181,382	6,740,000	1,062,250	7,626,660	2.91
5/1/2052	28,747,874	5,901,051	22,846,824	7,075,000	725,250	7,624,660	3.00
5/1/2053	29,610,311	6,078,082	23,532,228	7,430,000	371,500	(178,090)	-
Total				123,665,000	142,230,099	238,491,203	

⁽¹⁾ Revenues are as provided by the Borrower and the Manager based in part on the assumptions set forth under the caption "CASH FLOW."

⁽²⁾ Includes operating expenses and certain ongoing fees related to the Borrower, the Manager, the Authority and the Trustee.

⁽³⁾ Net of capitalized interest, debt service reserve fund earnings, and the release of the DSRF in the last year.

* Preliminary, subject to change.

Numbers may not sum due to rounding.

Sources: Revenues and operating expenses are as provided by the Borrower and the Manager. Debt service information and coverage calculation provided by the Underwriter.

CASH FLOW

The table below is a cash flow projection (the “*Cash Flow*”) relating to the Series 2018 Housing Facility’s ability to generate revenues from operations sufficient to pay principal of and interest on the Series 2018 Bonds for each of the years ending June 30, 2021 through 2025. The Cash Flow has been prepared by the Developer and the Manager based on operating budgets formulated by the Manager. None of the Authority, the District, the Borrower, the Company or the Underwriter makes any representations with respect to the Cash Flow.

Fiscal Year Ending in June 30	2021	2022	2023	2024	2025
Revenue					
Gross Potential Rent	\$14,319,502	\$14,749,087	\$15,191,560	\$15,647,306	\$16,116,726
Other Income	43,179	44,474	45,808	47,182	48,598
Vacancy	(2,863,900)	(2,949,817)	(3,038,312)	(3,129,461)	(3,223,345)
Net Rental Revenue	<u>11,498,780</u>	<u>11,843,744</u>	<u>12,199,056</u>	<u>12,565,028</u>	<u>12,941,978</u>
Operating Expenses					
General & Administrative	75,850	78,126	80,470	82,884	85,370
Resident Services	296,292	305,180	314,336	323,766	333,479
Property Management Fee	344,963	355,312	365,972	376,951	388,259
Payroll	809,407	833,689	858,700	884,461	910,995
Turnover	194,304	200,133	206,137	212,321	218,691
Marketing	127,025	130,835	134,761	138,803	142,967
Repairs & Maintenance	86,975	89,584	92,272	95,040	97,891
Insurance	236,507	243,603	250,911	258,438	266,191
Total Operating Expense	<u>2,171,323</u>	<u>2,236,463</u>	<u>2,303,557</u>	<u>2,372,664</u>	<u>2,443,843</u>
Net Operating Income	<u>9,327,457</u>	<u>9,607,281</u>	<u>9,895,499</u>	<u>10,192,364</u>	<u>10,498,135</u>
Additional Project Expenses					
Issuer/Trustee Fees	27,318	28,138	28,982	29,851	30,747
Borrower Expenses	76,703	79,004	81,374	83,816	86,330
Borrower Fee	85,000	87,550	90,177	92,882	95,668
Subtotal Additional Project Expenses	<u>189,021</u>	<u>194,692</u>	<u>200,533</u>	<u>206,549</u>	<u>212,745</u>
Total Cash Available for Debt Service	<u>9,138,436</u>	<u>9,412,589</u>	<u>9,694,966</u>	<u>9,985,815</u>	<u>10,285,390</u>
Debt Service*					
Series 2018 Bonds Debt Service	7,578,250	7,583,500	7,590,000	7,597,500	7,605,750
Debt Service Reserve Fund Earnings	--	(175,590)	(175,590)	(175,590)	(175,590)
Capitalized Interest	(4,122,167)	--	--	--	--
Total Net Debt Service	<u>3,456,083</u>	<u>7,407,910</u>	<u>7,414,410</u>	<u>7,421,910</u>	<u>7,430,160</u>
Cashflow after Debt Service	<u>5,682,352</u>	<u>2,004,679</u>	<u>2,280,556</u>	<u>2,563,905</u>	<u>2,855,230</u>
Fixed Charge Coverage Ratio*	2.64	1.27	1.31	1.35	1.38
Subordinated Expenses					
Property Management Fee	114,988	118,437	121,991	125,650	129,420
Replacement Reserve Account Deposit	194,304	200,133	206,137	212,321	218,691
Operations Reserve Fund Deposit	607,789	18,234	18,781	19,344	19,924
Total Subordinated Expenses	<u>917,080</u>	<u>336,804</u>	<u>346,908</u>	<u>357,315</u>	<u>368,035</u>
Operations Reserve Fund Balance	607,789	626,022	644,803	664,147	684,072
Fixed Charge Coverage Ratio with Operations Reserve Fund	<u>2.64</u>	<u>1.35</u>	<u>1.39</u>	<u>1.43</u>	<u>1.47</u>
Net Available Cash Flow**	<u>\$ 4,765,272</u>	<u>\$ 1,667,875</u>	<u>\$ 1,933,648</u>	<u>\$ 2,206,590</u>	<u>\$ 2,487,195</u>

* Preliminary, subject to change.

** Represents the District’s Ground Lease payment to be applied to fund annual costs of Utility Services for the Series 2018 Housing Facility. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – The Ground Lease.”

Additional Information on the District and the College

The information appearing in Appendix A under the caption “ORANGE COAST COLLEGE – College Governance” and “– Undergraduate Student Profile” is updated, supplemented and amended to include the information set forth in Appendix A to this Supplement.

Additional Information on the General Contractor

The information appearing under the caption “THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT” on page 37 of the Preliminary Official Statement is updated, supplemented and amended as follows:

THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT

The General Contractor, Moss & Associates, LLC, is a Florida limited liability company which was formed in 2004. As of the present date, the General Contractor has constructed (or has been selected to construct) over 4,100 beds, on eight (8) separate collegiate campuses (including the Series 2018 Project). The General Contractor’s headquarters are in Ft. Lauderdale, Florida, and it has offices in Oceanside and Sacramento, California.

Moss & Associates, LLC and its team members have completed well over \$1 billion in construction projects in California, with the majority of projects located in Southern California. Moss & Associates, LLC and its integrated partner and employees have completed significant construction projects in California, including the list in the table below, each of which was completed on-time and within budget.

Project	Location	Project Value
Camp Pendleton & Quantico Housing (CPQH) Phase VIII	Oceanside, CA	\$76,780,805
CPQH CapEx Projects 2015-2017	Oceanside, CA	132,939,473
CPQH PPV Housing Phase VI*	San Diego, CA	83,600,000
CPQH PPV Housing Phase V*	San Diego, CA	48,500,000
CPQH PPV Housing Phase IV*	San Diego, CA	271,300,000
CPQH PPV Housing Phase I*	San Diego, CA	224,300,000
CPQH Deluz Housing Phases I, II, & III*	San Diego, CA	59,000,000
Bayview Family Housing, US Navy*	San Diego, CA	96,000,000
801 Housing*	Twentynine Palms, CA	52,000,000
Murphy Canyon Housing Phases I & II*	San Diego, CA	47,000,000

* Projects completed by Hunt Building Company, Ltd, a brand of Hunt Companies, Inc., which was integrated with Moss & Associates, LLC in 2014, transitioning more than 50 Hunt employees to Moss & Associates, LLC.
Source: Moss & Associates, LLC

THE INFORMATION IN THE TABLE ABOVE IS PROVIDED FOR INFORMATION ONLY. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS WHICH MAY BE SUGGESTED BY SUCH INFORMATION INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT. NONE OF THE GENERAL CONTRACTOR, THE BORROWER OR THE AUTHORITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THIS INFORMATION.

Additional Information on the Manager

The information appearing under the caption “THE MANAGER AND THE MANAGEMENT AGREEMENT – General” on page 40 of the Preliminary Official Statement is updated, supplemented and amended as follows:

THE MANAGER AND THE MANAGEMENT AGREEMENT

General

The Scion Group LLC (the “*Manager*”) was founded in 1999, and focuses exclusively on ownership, operation and advisory services for student housing, both on and off campus. The Scion Group has participated in the acquisition or development of over 70,000 beds and advised colleges and universities, foundations and private-sector providers in more than 200 campus markets, representing over \$5.0 billion of project value. Today, The Scion Group owns and operates nearly 60,000 beds at 90 communities, serving 55 major university campus markets across 26 states. Among the most active participants in the sector, the company has acquired or recapitalized more than \$4 billion of purpose-built student housing during the past three years, and has managed on-campus residences for several colleges and universities nationwide.

The Scion Group currently manages three student housing properties located adjacent to four-year institutions in California. Approximately 10% of California community colleges offer student housing.* The Series 2018 Housing Facility will be the first of such properties to be managed by The Scion Group.

The following tables summarize The Scion Group’s current leased occupancy data for the 2018-19 academic year for its portfolio of off-campus residences for several colleges and universities, both within and outside of California, with separate detail for Scion’s management (through a joint venture partnership) of residence halls at the University of Nevada Las Vegas which, because of a more transitory on-campus student population, the Manager regards as most analogous to the Series 2018 Housing Facility and its proposed leasing programs.

Scion Portfolio			
Pre-Leased as of 9/11/2018	Property Count	Total Beds	Beds Leased
95%+	51	32,922	32,557
90-95%	9	6,426	5,955
80-90%	18	11,462	9,835
Below 80%	10	6,835	4,938
Totals	88	57,645	53,285

Source: The Scion Group LLC

University of Nevada Las Vegas			
Total Beds	Beds Leased	Percentage Leased	Waiting List
1,835	1,800	98.1%	62

Source: The Scion Group LLC

The Scion Group currently manages the following California student housing properties:

Scion California Properties				
Property	Bed Count	2018-19	Acquisition Date	Length of
		Pre-Lease		Ownership/Management
The Foundation	725	100%	3/15/2017	18 months
The Palms on University	528	95	12/20/2017	9 months
University House Fullerton	1,189	100	6/21/2016	27 months
	2,422	99%		

Source: The Scion Group LLC

* The Manager has informed the Borrower and the District that California community colleges currently offering student housing include: West Hills College Coalinga, College of the Redwoods, Cerro Coso College, Feather River College, Shasta College, Reedley College, Sierra College, Columbia College, Lassen College, Taft College, and College of the Siskiyous. None of the Manager, the District, the Borrower or the Authority has any material involvement with these community colleges and cannot offer further information about their respective finances or operations.

THE INFORMATION IN THE TABLES ABOVE IS PROVIDED FOR INFORMATION ONLY. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS WHICH MAY BE SUGGESTED BY SUCH INFORMATION INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT. NONE OF THE MANAGER, THE BORROWER OR THE AUTHORITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THIS INFORMATION.

Consistent with its regular business practices and in accordance with the Management Agreement, The Scion Group expects to implement its pre-opening operational services at the Series 2018 Housing Facility as follows:

- Participating in student organization or student affairs events as requested or pertinent to leasing and marketing of the property;
- Additional events as permitted such as athletic events, street team and tabling;
- Preparing and designing all pre-opening marketing materials;
- Collaborating with developer in producing a model unit and furnish and decorate unit;
- Conducting all marketing and leasing activities;
- Assigning apartments and rooms;
- Generating resident billing information and providing it to the College in a form suitable for upload by the College into student accounts (subject to final determination of relationship with bursar and the Borrower);
- Billing and collection of payments due to the property to the extent not billable through the College student accounts, if any;
- Recruiting and employing property staff, including a property manager, resident services manager or equivalent, marketing manager, facility supervisor, maintenance technicians, community/residence life staff, reception/office staff and other staff as mutually agreed and budgeted;
- Arranging contracts (in the Borrower's name) with all property vendors, including service contracts with the College as the provider, as applicable;
- Preparing the property for opening and conducting move-in;
- Operating the property pursuant to an agreed pre-opening budget;
- Providing account for property operations, including monthly reports to the Borrower; and
- Maintaining regular communications and collaboration with the College student affairs, bursar, and other departments.

A summary of the terms of the Management Agreement are set forth below.

The Authority, the Borrower, the General Contractor the Manager and the District have each approved the delivery and distribution of this Supplement in connection with the offering of the Series 2018 Bonds.

Supplement Dated: September 12, 2018

APPENDIX A

The information appearing in Appendix A on page A-4 under the caption “ORANGE COAST COLLEGE – College Governance” is updated and amended to include the following information:

Dr. Dennis Harkins has announced his retirement as President of the College effective with the end of the Fall 2018 semester.

The information appearing in Appendix A on page A-9 under the caption “ORANGE COAST COLLEGE – Undergraduate Student Profile” is updated and amended to include the following information:

Geographic Origin of Students. The College enrolls students from inside and outside Orange County, as well as from outside the state and country. The following is the breakdown of student residency as of Fall 2017:

Orange County—In District	50.3%
Orange County—Outside District	39.1%
California—Excluding Orange County	9.3%
Outside California	1.3%

Orange Coast College Fall 2018 Enrollment

Enrolled Units	California Resident		Non-Resident		Total	
	Count	Percent	Count	Percent	Count	Percent
14 or More	973	16.4%	226	26.5%	1199	17.7%
12 to 13.99	1608	27.1	355	41.6	1963	28.9
9 to 11.99	996	16.8	95	11.1	1091	16.1
Less than 9	2354	39.7	178	20.8	2532	37.3
Total	5931	100.0%	854	100.0%	6785	100.0%

Source: Banner

Student Transfers. The College ranks first out of Orange County’s community colleges in the number of students it transfers to the University of California (“UC”) and California State University (“CSU”) systems. The College was 6th across California for combined UC and CSU transfers in the 2016-17 academic year, after having been 3rd across California for combined UC and CSU transfers in the 2015-16 academic year. Comparing the results below with the 2015-16 academic year totals, the College declined 3.3% in combined UC and CSU transfers. The College's ranking fell to 4th in number of CSU transfers for 2016-17, a decrease of 4.9%. For the UC transfers, the College rose to 8th. This was an increase of 2.5% of College students transferred to a UC in the 2016-17 academic year.

ORANGE COAST COLLEGE TRANSFERS TO CSU AND UC

**Community College Transfer to CSU and UC
Combined Totals
2016-17 Academic Year**

Rank	Community College	CSU Transfers	UC Transfers	Total Transfers
1	De Anza Community College	1,448	940	2,388
2	Santa Monica College	1,081	1,194	2,275
3	Pasadena City College	1,340	659	1,999
4	Diablo Valley College	1,052	890	1,942
5	Mount San Antonio College	1,447	398	1,845
6	Orange Coast College	1,402	415	1,817
7	El Camino College	1,366	388	1,754
8	Fullerton College	1,500	211	1,711
9	East Los Angeles College	1,168	315	1,483
10	Los Angeles Pierce College	1,098	275	1,373
11	Saddleback College	952	358	1,310
12	Palomar College	1,064	211	1,275
13	American River College	987	264	1,251
14	Moorpark College	905	343	1,248
15	Fresno City College	1,236	4	1,240
16	Long Beach City College	1,109	104	1,213
17	Irvine Valley College	687	511	1,198
18	Glendale Community College	888	302	1,190
19	City College of San Francisco	906	282	1,188
20	Santa Barbara City College	508	669	1,177

Prepared by: Orange Coast College Office of Institutional Effectiveness
Source: CSU Analytic Studies division UC Office of the President Stat Finder

**Community College Transfer to CSU
Combined Totals
2016-17 Academic Year**

Rank	Community College	CSU Transfers
1	Fullerton College	1500
2	De Anza Community College	1448
3	Mount San Antonio College	1447
4	Orange Coast College	1402
5	El Camino College	1366
6	Pasadena City College	1340
7	Fresno City College	1236
8	East Los Angeles College	1168
9	Long Beach City College	1109
10	Los Angeles Pierce College	1098
11	Santa Monica College	1081
12	Palomar College	1064
13	Diablo Valley College	1052
14	Cerritos Community College	1035
15	Sierra College	1024
16	American River College	987
17	Chaffey Community College	969
18	Saddleback College	952
19	City College of San Francisco	906
20	Moorpark College	905

Prepared by: Orange Coast College Office of Institutional Effectiveness
Source: CSU Analytic Studies division UC Office of the President Stat Finder

**Community College Transfer to UC
Combined Totals
2016-17 Academic Year**

Rank	Community College	CSU Transfers
1	Santa Monica College	1194
2	De Anza Community College	940
3	Diablo Valley College	890
4	Santa Barbara City College	669
5	Pasadena City College	659
6	Irvine Valley College	511
7	Foothill College	496
8	Orange Coast College	415
9	Mount San Antonio College	398
10	El Camino College	388
11	Saddleback College	358
12	Moorpark College	343
13	East Los Angeles College	315
14	Glendale Community College	302
15	MiraCosta College	293
16	San Diego Mesa College	290
17	Santa Rosa Junior College	284
18	City College of San Francisco	282
19	Los Angeles Pierce College	275
20	Riverside City College	271

Prepared by: Orange Coast College Office of Institutional Effectiveness
Source: CSU Analytic Studies division UC Office of the President Stat Finder

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 7, 2018

NEW ISSUE - BOOK-ENTRY-ONLY

RATED: "BBB-" See "RATING" herein.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner of a Series 2018 Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner of a Series 2018 Bond) is exempt from State of California personal income tax. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.

\$123,665,000*

CALIFORNIA COMMUNITY COLLEGE FINANCING AUTHORITY

College Housing Revenue Bonds

(NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018

Dated: Date of Delivery

Due: May 1, as described on inside cover page

The California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018 (the "Series 2018 Bonds") are being issued by the California Community College Financing Authority (the "Authority") pursuant to a Trust Indenture (the "Indenture") dated as of September 1, 2018, between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). The Authority will lend the proceeds of the Series 2018 Bonds to NCCD - Orange Coast Properties LLC (the "Borrower"), a California single member limited liability company whose sole member is National Campus and Community Development Corporation (the "Corporation"), a Texas non-profit corporation, pursuant to a Loan Agreement (the "Loan Agreement") dated as of September 1, 2018, between the Authority and the Borrower. The Series 2018 Bonds are being issued for the purpose of providing funds (i) to finance the costs to design, acquire, construct, furnish, and equip a housing facility containing approximately 814 beds within 323 studio, one, two and four bedroom apartment-style units (including the buildings, furniture, fixtures, and equipment therefor and associated site development and various related amenities and improvements (as more particularly described herein, the "Series 2018 Housing Facility")) to be located on the campus of Orange Coast College (the "College"), a California Community College operated by the Coast Community College District (the "District"), located in the City of Costa Mesa, California (the "City"), such facility intended primarily for use by students of the College, (ii) to finance the costs of constructing a surface parking lot, tennis courts and a monitoring well to be located on the campus of the College (collectively with the Series 2018 Housing Facility, the "Series 2018 Project"), (iii) to fund interest on the Series 2018 Bonds during the construction of the Series 2018 Project, (iv) to fund the Debt Service Reserve Fund for the Series 2018 Bonds, and (v) to fund the costs of issuing the Series 2018 Bonds.

The Series 2018 Housing Facility will be owned and operated by the Borrower and will be located on a site leased to the Borrower by the District pursuant to a Ground Lease Agreement (the "Ground Lease") dated as of September 1, 2018, between the District, as ground lessor, and the Borrower, as ground lessee. The Series 2018 Bonds will be limited obligations of the Authority payable from and secured by Pledged Revenues and the Security (both as defined herein), including the Borrower's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and derived from the Series 2018 Housing Facility and any improvements thereto or expansions thereof pursuant to a Pledge and Security Agreement (the "Security Agreement") and a Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing (as now or hereafter amended, supplemented, modified, and/or restated, the "Leasehold Deed of Trust"). Additional bonds, payable on a parity basis with the Series 2018 Bonds and secured by the lien and security interests granted by the Leasehold Deed of Trust and the Security Agreement ("Additional Bonds") may be issued in accordance with the Indenture including for the purpose of paying costs to complete, improve or expand the Series 2018 Housing Facility, to acquire, construct, furnish and equip one or more additional student, faculty and staff housing facility on the campus of the College or to refund the Series 2018 Bonds or any other bonds issued under the Indenture. Such Additional Bonds, together with the Series 2018 Bonds, are collectively referred to herein as the "Bonds."

The Bonds will be limited obligations of the Authority as provided therein payable solely from the revenues and collateral pledged to the payment thereof. The Bonds will not constitute a debt, liability or obligation of the State of California (the "State") or of any political subdivision thereof, but will constitute a limited liability of the Authority, payable solely from the funds provided therefor as provided and described in the Indenture. The Authority will not be obligated to pay the principal of the Bonds or the redemption premium (if any) or interest thereon except from the funds provided therefor under the Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof, including the Authority and any member thereof (including the District), is pledged to the payment of the principal of or the redemption premium (if any) or interest on the Bonds. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any public agency or political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power. Moreover, neither the Authority nor the District will be liable for any other costs, expenses, losses, damages, claims, or actions in connection with the Loan Agreement, the Bonds, or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

The Series 2018 Bonds will be issuable as fully registered bonds without coupons in the denominations of \$5,000 or any multiple thereof. The Series 2018 Bonds will bear interest from the date of issuance and delivery thereof, payable semiannually on each May 1 and November 1 of each year, commencing May 1, 2019 (each, an "Interest Payment Date"). Principal and interest payments on the Series 2018 Bonds will be made by the Trustee to the registered owners of the Series 2018 Bonds as of the close of business on the fifteenth (15th) day (whether or not a business day) of the month immediately preceding each Interest Payment Date.

The Series 2018 Bonds will be subject to prior redemption as described herein. See "THE SERIES 2018 BONDS - Redemption" herein.

The Series 2018 Bonds will be issued as fully registered bonds and when issued will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2018 Bonds and purchasers of the Series 2018 Bonds will not receive certificates evidencing their ownership interests therein. So long as Cede & Co. is the registered owner of the Series 2018 Bonds as nominee of DTC, references herein to the Owners of the Series 2018 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2018 Bonds. So long as Cede & Co. is the registered owner of the Series 2018 Bonds, the payments of principal of and interest on the Series 2018 Bonds will be made to Cede & Co., as nominee for DTC, which will in turn remit such payments to the Direct Participants and Indirect Participants for subsequent disbursement to the beneficial owners. See "THE SERIES 2018 BONDS - Book-Entry System" and APPENDIX H - "BOOK-ENTRY SYSTEM."

SEE "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2018 BONDS. EACH PROSPECTIVE PURCHASER SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF AN INVESTMENT IN THE SERIES 2018 BONDS.

This cover page contains information for quick reference only. It is not a complete summary of the Series 2018 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2018 Bonds are offered when, as, and if issued by the Authority and received by the Underwriter and are subject to prior sale and the approval of legality by Kutak Rock LLP, Denver, Colorado, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California; for the Borrower and the Corporation by Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee; and for the Underwriter by Orrick, Herrington & Sutcliffe, LLP, Los Angeles, California. It is anticipated that the Series 2018 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about September __, 2018.

George K. Baum & Company

Dated: September __, 2018

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

California Community College Financing Authority
College Housing Revenue Bonds
(NCCD - Orange Coast Properties LLC - Orange Coast College Project)
Series 2018

Maturity Date May 1,	Principal Amount	Interest Rate	Price or Yield	CUSIP No.†
2021	\$1,395,000			
2022	1,470,000			
2023	1,550,000			
2024	1,635,000			
2025	1,725,000			
2026	1,820,000			
2027	1,920,000			
2028	2,195,000			
2029	2,305,000			
2030	2,420,000			
2031	2,540,000			
2032	2,665,000			
2033	2,800,000			
2034	2,940,000			
2035	3,085,000			
2036	3,240,000			
2037	3,405,000			
2038	3,575,000			
2039	3,755,000			
2040	3,940,000			
2041	4,135,000			
2042	4,345,000			
2043	4,560,000			
2044	4,790,000			
2045	5,030,000			
2046	5,280,000			
2047	5,545,000			
2048	5,820,000			
2049	6,115,000			
2050	6,420,000			
2051	6,740,000			
2052	7,075,000			
2053	7,430,000			

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The Authority, the Borrower, the Corporation, the District and the Underwriter take no responsibility for the accuracy of such numbers.

ISSUER

California Community College Financing Authority

Governing Board

Dr. Lawrence Galizio, *Executive Director and Board Member*

Lisa Mealoy, *Secretary and Board Member*

Cheryl Sullivan, *Board Member, State Center Community College District*

Ron Perez, *Board Member, Palomar Community College District*

Andrew Suleski, *Board Member, Butte-Glenn Community College District*

BORROWER

NCCD - Orange Coast Properties LLC

whose sole member is

National Campus and Community Development Corporation

PARTY TO GROUND LEASE

Coast Community College District, owner of the site of the Series 2018 Housing Facility

PROFESSIONAL SERVICES

Bond Counsel

Kutak Rock LLP
Denver, Colorado

Authority Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Underwriter

George K. Baum & Company

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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SUMMARY STATEMENT

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

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings ascribed thereto in Appendix F hereto.

The Authority

The California Community College Financing Authority (the “**Authority**”) is a joint powers authority organized and existing under the laws of the State of California (the “**State**”) and is authorized to issue the Series 2018 Bonds pursuant to the Joint Exercise of Powers Act, comprising Articles 1, 2, 3, and 4 of Chapter 5 of Division 7 of Title 1 (commencing with §6500) of the Government Code of the State of California, as amended (the “**Act**”). The Authority is composed of community college districts pursuant to a joint exercise of powers agreement (the “**Joint Powers Agreement**”) dated as of May 18, 1995, as amended from time to time to the date hereof. The Authority was established under the sponsorship of the Community College League of California to facilitate capital facility financings for California community college districts, including student housing projects owned by nonprofit corporations. See “THE AUTHORITY” herein.

The Borrower

NCCD - Orange Coast Properties LLC (the “**Borrower**”) is a single member limited liability company organized and existing under the laws of the State. National Campus and Community Development Corporation (the “**Corporation**”) is the sole member of the Borrower. The proceeds of the Series 2018 Bonds (hereinafter defined) will be lent by the Authority to the Borrower pursuant to a Loan Agreement (the “**Loan Agreement**”) dated as of September 1, 2018, between the Authority and the Borrower to finance the costs described below under “The Series 2018 Bonds.” To evidence the obligation to make loan payments sufficient to pay the principal of and interest on the Series 2018 Bonds (the “**Debt Service Payments**”), the Borrower will execute and deliver to the Authority its promissory note (the “**Series 2018 Note**”) in the principal amount of \$123,665,000* dated as of September 1, 2018, and the Authority will endorse the Series 2018 Note to the order of the Trustee. The Borrower was formed for the purpose of financing, acquiring, constructing, furnishing, equipping, and operating the Series 2018 Housing Facility (as defined herein) and is not expected to have any assets other than the Series 2018 Housing Facility. See “THE BORROWER” herein. The Borrower’s obligations with respect to the Series 2018 Bonds are non-recourse. See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

The Corporation

The Corporation is a non-profit corporation organized and existing under the laws of the State of Texas and is an exempt organization under

* Preliminary, subject to change.

§501(c)(3) of the Internal Revenue Code of 1986, as amended. See “THE BORROWER” herein. **The Corporation will have no obligation with respect to the hereinafter described Series 2018 Bonds or under the hereinafter described Ground Lease, Loan Agreement, Leasehold Deed of Trust, Security Agreement, Assignment of Contracts and Agreements, or Indenture.** See “THE BORROWER – The Corporation” and “– Board of Directors of the Corporation” herein.

The District

Coast Community College District (the “*District*”) has become a Member (as defined in the Joint Powers Agreement) of the Authority pursuant to the provisions of the Joint Powers Agreement and will be a party to the Ground Lease and the Coordination Agreement (each as defined herein). The District was established in 1947 and serves an area of approximately 105 square miles in Orange County (“*Orange County*”). The District operates the following three comprehensive community colleges, each providing collegiate-level instruction across a wide spectrum of subjects: Coastline Community College in Fountain Valley, Golden West College in Huntington Beach, and Orange Coast College (the “*College*”) in Costa Mesa. For additional information relating to the District, see APPENDIX A – “INFORMATION CONCERNING ORANGE COAST COLLEGE AND COAST COMMUNITY COLLEGE DISTRICT” and APPENDIX E – “GENERAL ECONOMY AND DEMOGRAPHICS INFORMATION FOR THE CITIES OF COSTA MESA, HUNTINGTON BEACH AND NEWPORT BEACH AND FOR ORANGE COUNTY” herein.

The District has limited express obligations in the Ground Lease and the Coordination Agreement. Pursuant to the Ground Lease and the Coordination Agreement, the District will agree to allow the Borrower to advertise and market the Series 2018 Housing Facility, will agree to support, in part, the Series 2018 Housing Facility’s ability to maintain a Fixed Charges Coverage Ratio (as defined in the Loan Agreement) of at least 1.20 and will agree to take certain actions otherwise in support of the Series 2018 Housing Facility. See “THE COORDINATION AGREEMENT” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Rate Covenant” herein. Neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds. The information in this Official Statement concerning the operations of the District and the College, and the District’s finances, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Series 2018 Bonds is payable from the general fund or any other funds of the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

The College

The College in the City of Costa Mesa (the “*City*”), will be the site of the Series 2018 Housing Facility, to be owned and operated by the Borrower. The other projects being financed with the proceed of the Series 2018 Bonds as described below will be owned and operated by the District. See

APPENDIX A – “INFORMATION CONCERNING ORANGE COAST COLLEGE AND COAST COMMUNITY COLLEGE DISTRICT.”

The Series 2018 Project

The Series 2018 Project consists of those improvements described below to be made on certain property (the “*Property*” and the “*Additional Property*” each as further described herein) being leased by the District to the Borrower under the Ground Lease which is located on the campus (the “*Campus*”) of the College, as well as a monitoring well that is being relocated from the Property to another location on the Campus (the “*Monitoring Well*”). The term “*Series 2018 Project*” means, collectively, the Series 2018 Housing Facility, the Series 2018 Additional Space and the Monitoring Well. The “*Series 2018 Housing Facility*” means the approximately 814 bed housing facility primarily for students of the College as well as students of the other colleges operated by the District, including the buildings, furniture, fixtures, and equipment therefor and associated site development and various related amenities and improvements that will be acquired, constructed, furnished, and equipped on the Property located on the Campus of the College in the City with the proceeds of the Series 2018 Bonds. The “*Series 2018 Additional Space*” means the surface parking spaces and tennis courts to be constructed on the Additional Property located on the Campus under the Development Agreement which will be initially leased by the Borrower from the District under the Ground Lease but will be released from the terms of the Ground Lease upon completion thereof. The “*Series 2018 Building*” means those certain buildings and all other facilities and improvements constituting part of the Series 2018 Housing Facility and not constituting part of the Series 2018 Equipment that are or will be located on the Property. The “*Series 2018 Equipment*” means the equipment, machinery, furnishings, and other personal property to be located on the Property acquired with the proceeds of the Series 2018 Bonds and described in the Loan Agreement, and all replacements, substitutions, and additions thereto. Subject to the terms of the Ground Lease, the Series 2018 Housing Facility will be owned by the Borrower and, upon completion thereof, the Parking Lot and Tennis Courts will be owned by the District. The Monitoring Well will be owned by the District, subject to an easement in favor of Orange County Water District. The Series 2018 Housing Facility will be managed by the Manager. See “THE SERIES 2018 PROJECT” and “THE MANAGER AND THE MANAGEMENT AGREEMENT.”

The Series 2018 Bonds

The Authority will issue \$123,665,000* principal amount of housing revenue bonds to be designated “California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018” (the “*Series 2018 Bonds*”) for the purpose of providing funds (i) to finance substantially all of the costs to design, acquire, construct, furnish, and equip the Series 2018 Project, (ii) to fund interest on the Series 2018 Bonds during the construction of the Series 2018 Project, (iii) to fund the Debt

* Preliminary, subject to change.

Service Reserve Fund for the Series 2018 Bonds, and (iv) to fund the costs of issuing the Series 2018 Bonds.

The Trustee

The Bank of New York Mellon Trust Company, N.A. (the “*Trustee*”), will act as trustee, bond registrar, and paying agent for the Bonds.

Redemption of Bonds

The Series 2018 Bonds will be subject to prior redemption as described herein. See “THE SERIES 2018 BONDS – Redemption” herein.

Market Study

Attached hereto as Appendix C is the “Student Housing Market Study for Orange Coast College” dated July 30, 2018 (the “*Market Study*”), prepared by MGT of America Consulting, LLC (“*MGT*”) on behalf of the Developer (as defined below). MGT employed a number of analytical tools and methodologies to determine the feasibility of the Series 2018 Housing Facility, including surveying a statistically significant population of current College students in order to test proposed unit designs and rental rates. The conclusions and findings contained in the Market Study are based upon information available at the time and assumptions about the outcome of future events. There can be no assurance that such projections will approximate actual results, and there is no assurance, representation, or warranty that such projections will be achieved. See “MARKET STUDY” and “CERTAIN BONDHOLDERS’ RISKS – Actual Results May Differ from Cash Flow” and “– Forward Looking Statements” herein. MGT will not be liable for any other costs, expenses, losses, damages, claims, or actions in connection with the Loan Agreement, the Indenture or the Bonds. For discussion of the assumptions and methodology used in arriving at the conclusions and findings, see the Market Study which should be read in its entirety. MGT has consented to the use of the Market Study in this Official Statement. See APPENDIX C – “MARKET STUDY.”

Current Housing

As detailed in the Market Study, the District provides no on Campus nor off-Campus student housing. Approximately 43% of the housing (or about 450,000 units) in Orange County is occupied by renters. MGT found no properties that would be considered purpose-built student housing that appeal to students attending the College. MGT compiled a list of 25 properties to review and evaluate as market comparables and eliminated three that were inappropriate for college student renters. For the remaining 22 properties, MGT collected information on their rents, features, amenities, occupancy, and size. See APPENDIX C – “MARKET STUDY.” The Series 2018 Housing Facility, when completed and opened, is expected to be the only housing on any campus of the District designed for, and serving, primarily students. The District will agree under the Coordination Agreement to not sanction or build additional housing stock or provide other housing options for potential Eligible Residents over and above the Series 2018 Housing Facility subject to the limitations therein. See “THE COORDINATION AGREEMENT – General and District Support.”

Eligible Residents

The Series 2018 Housing Facility is to be used as on Campus housing for the primary benefit of students of the District. Accordingly, as provided

in the Coordination Agreement, and requested by the District, the Borrower will make the Units (as defined herein) available to certain students, faculty and staff of the College and the District in the order of acceptance priority as follows: (i) full-time students at the College who meet the District's eligibility requirements; (ii) full-time students at one of the District's other colleges who meet the District's eligibility requirements; (iii) full-time faculty, staff, administrators, and other employees of the District; (iv) visiting scholars and other professionals serving one of the District's colleges, including the College; (v) part-time students at the College or the District; and (vi) other eligible residents approved by the District and the Borrower (together, the "**Eligible Residents**").

The Developer

Servitas, LLC (the "**Developer**"), a Texas Limited Liability Company, was formed in 2010 for the express purpose of providing design and development services to the higher education industry. As of the present date, the Developer and its key personnel have developed (or have been selected to develop) approximately 15,694 on-campus student beds, on 33 separate collegiate campuses (including the Series 2018 Housing Facility and the Series 2018 Additional Space). The Developer's headquarters are in Irving, Texas. See "THE DEVELOPER AND THE DEVELOPMENT AGREEMENT" herein.

The General Contractor

Moss & Associates, LLC (the "**General Contractor**"), a Florida limited liability company, was formed in 2004. As of the present date, the General Contractor has constructed (or has been selected to construct) over 4,100 beds, on eight (8) separate collegiate campuses (including the Series 2018 Project). The General Contractor's headquarters are in Ft. Lauderdale, Florida, and it has offices in Oceanside and Sacramento, California. See "THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT" herein.

The Architect

HPI Architecture (the "**Architect**") was engaged by the Developer to act as Consulting Architect. Founded in 1975, HPI Architecture (formerly Hill Partnership) provides planning, architecture, and interior design services. The firm has completed significant higher education facilities in the Southern California region including the Community Planetarium at Orange Coast College. See "THE ARCHITECT AND THE ARCHITECT'S AGREEMENT" herein.

The Manager

The Scion Group LLC (the "**Manager**") was founded in 1999, and focuses exclusively on ownership, operation and advisory services for student housing, both on and off campus. The Scion Group has advised colleges, universities and private-sector providers in over 200 campus markets throughout the United States and Canada, and today owns and operates over 60,000 beds at 90 communities, serving 55 major university campus markets across 26 states. The Manager has managed on-campus residences for several colleges and universities nationwide. See "THE MANAGER AND THE MANAGEMENT AGREEMENT" herein.

The Ground Lease

Pursuant to the Ground Lease, the District will lease (i) the Housing Facility Property (as defined herein) to the Borrower for the purpose of developing, constructing, and operating the Series 2018 Housing Facility, and (ii) the Additional Property to the Borrower for the purpose of developing and constructing the Parking Lot and Tennis Courts. With respect to the Housing Facility Property, the term of the Ground Lease shall be for a term not less than the final maturity of the Series 2018 Bonds as described herein. The annual rental payable to the District under the Ground Lease will be equal to the Net Available Cash Flow. Net Available Cash Flow will equal the amount transferred from time to time to the Surplus Fund created under the Trust Indenture (the “*Indenture*”) dated as of September 1, 2018, between the Authority and the Trustee. The Borrower will agree in the Ground Lease, among other things, to acquire, construct, furnish, and equip the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts in accordance with the plans and specifications therefor on file with the Trustee, to cause the Developer and/or General Contractor to maintain insurance against certain risks, to deliver performance and labor and material payment bonds with respect to construction contracts, and to operate and maintain the Series 2018 Housing Facility in good repair and operating condition. In addition, the Borrower will agree to finance the costs of relocating the Monitoring Well pursuant to the terms of the Well Relocation Agreement to be entered into by and between the District and Orange County Water District. See “THE GROUND LEASE” herein.

Security for the Bondholders

To secure the Borrower’s obligations to the Authority under Loan Agreement and the Series 2018 Note, the Borrower will execute and deliver to the Trustee (i) a Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing (the “*Leasehold Deed of Trust*”) dated as of September 1, 2018, pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the deed of trust trustee named therein (the “*Deed of Trust Trustee*”) for the benefit of the Trustee of the Borrower’s interest in the Ground Lease and the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and derived from the Series 2018 Housing Facility and any improvements thereto or expansions thereof; (ii) a Pledge and Security Agreement (the “*Security Agreement*”) dated as of September 1, 2018, pursuant to which the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, the Pledged Revenues (as defined in Appendix F hereto), the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower’s ownership of the Series 2018 Housing Facility; and (iii) an Assignment of Contracts and Agreements (the “*Assignment of Contracts and Agreements*”), dated as of September 1, 2018, pursuant to which the Borrower will grant to the Trustee a first priority security interest in the Development Agreement (the “*Development Agreement*”), dated as of September 1, 2018, between the Borrower and the Developer, pursuant to which the Developer has agreed to develop the Series 2018 Project, and the construction contracts, the architect’s agreement, and all other contracts and agreements relating to the development, design, construction

and management of the Series 2018 Housing Facility and any improvements thereto or expansions thereof, and the Series 2018 Additional Space. As security for its obligations under the Series 2018 Bonds, the Authority will enter into the Indenture with the Trustee. Pursuant to the Indenture, the Authority will grant to the Trustee a first priority security interest in the Loan Agreement, the Series 2018 Note, all property described therein, all amounts to be received thereunder, and all property to be held thereunder (except for Unassigned Rights hereinafter defined). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” and “CERTAIN BONDHOLDERS’ RISKS” herein.

Additional Bonds

Additional bonds, payable on a parity basis with the Series 2018 Bonds and secured by the lien and security interests granted by the Leasehold Deed of Trust and the Security Agreement (“*Additional Bonds*”) may be issued in accordance with the Indenture including for the purpose of paying costs to complete, improve or expand the Series 2018 Housing Facility, to acquire, construct, furnish and equip one or more additional student, faculty and staff housing facility on the campus of the College or to refund the Series 2018 Bonds or any other bonds issued under the Indenture. Such Additional Bonds, together with the Series 2018 Bonds, are collectively referred to herein as the “*Bonds.*” See “ADDITIONAL BONDS.”

Cash Flow Projection

Included herein under the caption “CASH FLOW” is a cash flow statement (the “*Cash Flow*”) relating to the Series 2018 Housing Facility’s ability to generate revenues from the operations sufficient to pay principal of and interest on the Series 2018 Bonds for each of the years ending June 30, 2021 through 2025. The Cash Flow has been prepared by the Developer and the Manager. None of the Authority, the District, the Borrower or the Underwriter makes any representations with respect to the Cash Flow. See “CASH FLOW” and “CERTAIN BONDHOLDERS’ RISKS – Actual Results May Differ from Cash Flow” and “– Forward Looking Statements” herein.

Certain Bondholders’ Risks

There are certain considerations relating to an investment in the Series 2018 Bonds that are set forth in the sections of this Official Statement, including the heading “CERTAIN BONDHOLDERS’ RISKS,” that should be carefully reviewed and considered by prospective purchasers of the Series 2018 Bonds.

Tax Status of Interest

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner of a Series 2018 Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner of a Series 2018 Bond) is exempt from State of California personal income tax. For a more complete

description of such opinions of Bond Counsel, see “TAX MATTERS” herein.

Continuing Disclosure

The Borrower will agree 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, and neither the Corporation nor the Authority will undertake any responsibility with respect to continuing disclosure under Rule 15c2-12. See “CONTINUING DISCLOSURE” and APPENDIX J – “FORM OF BORROWER CONTINUING DISCLOSURE AGREEMENT.”

The District will agree to provide certain information in accordance with its Continuing Disclosure Certificate, a form of which is attached hereto as APPENDIX K – “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE.” The continuing disclosure obligation of the District is not subject to the provisions of Rule 15c2-12.

Book-Entry-Only

The Series 2018 Bonds will be delivered in book-entry form through The Depository Trust Company. Bondholders will not receive a certificate representing their Series 2018 Bonds except in very limited circumstances. See “THE SERIES 2018 BONDS – Book-Entry System” and APPENDIX H – “BOOK-ENTRY SYSTEM” hereto.

General/Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Official Statement in final form will be provided to the Municipal Securities Rulemaking Board for availability to the public on its Electronic Municipal Market Access web site known as EMMA. Copies of the 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 2018 Bonds and from the Trustee after the issuance and delivery of the Series 2018 Bonds. The Official Statement, including the cover page, the inside cover page and the attached Appendices, contains specific information relating to the Series 2018 Bonds, the Authority, and the Borrower and other information pertinent to the Series 2018 Bonds described herein.

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OFFICIAL STATEMENT

\$123,665,000*

**CALIFORNIA COMMUNITY COLLEGE FINANCING AUTHORITY
COLLEGE HOUSING REVENUE BONDS
(NCCD - ORANGE COAST PROPERTIES LLC - ORANGE COAST COLLEGE PROJECT)
SERIES 2018**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, furnishes certain information in connection with the sale by the California Community College Financing Authority (the “**Authority**”) of \$123,665,000* aggregate principal amount of its College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018 (the “**Series 2018 Bonds**”) to be issued by the Authority pursuant to a Trust Indenture (the “**Indenture**”) dated as of September 1, 2018, between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “**Trustee**”). The Authority will lend the proceeds of the Series 2018 Bonds to NCCD - Orange Coast Properties LLC (the “**Borrower**”), a California single member limited liability company whose sole member is National Campus and Community Development Corporation (the “**Corporation**”), a Texas non-profit corporation, pursuant to a Loan Agreement (the “**Loan Agreement**”) dated as of September 1, 2018, between the Authority and the Borrower.

In accordance with the Loan Agreement, the Borrower will apply net proceeds of the Series 2018 Bonds (i) to finance the costs to design, acquire, construct, furnish, and equip a student housing facility containing approximately 814 beds within 323 studio, one, two and four bedroom apartment-style units (individually a “**Unit**” and collectively the “**Units**”), including the buildings, furniture, fixtures, and equipment therefor and associated site development and various related amenities and improvements (as more particularly described herein the “**Series 2018 Housing Facility**”), an approximately 300 space surface parking lot adjacent thereto (the “**Parking Lot**”), tennis courts (the “**Tennis Courts**”), and a monitoring well (the “**Monitoring Well**” and, all together with the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts, the “**Series 2018 Project**”) to be located on the campus of Orange Coast College (the “**College**”), a California Community College, located in the City of Costa Mesa, California (the “**City**”), (ii) to fund interest on the Series 2018 Bonds during the construction of the Series 2018 Project, (iii) to fund the Debt Service Reserve Fund for the Series 2018 Bonds, and (iv) to fund the costs of issuing the Series 2018 Bonds. The College is one of three comprehensive community colleges operated by the Coast Community College District (the “**District**”). The Series 2018 Housing Facility is designed to serve the College as a housing facility primarily for students of the College, as well as the other colleges operated by the District. In order to facilitate the financing of the Series 2018 Project, the District has become a Member (as defined in the hereinafter defined Joint Powers Agreement) of the Authority pursuant to the provisions of the Joint Powers Agreement and will be a party to the Ground Lease and the Coordination Agreement (each as defined herein) with the Borrower. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings ascribed thereto in Appendix F hereto.

The Series 2018 Housing Facility will be owned and operated by the Borrower and will be located on a site leased to the Borrower by the District pursuant to a Ground Lease Agreement (the “**Ground Lease**”) dated as of September 1, 2018, between the District, as ground lessor, and the Borrower, as ground lessee. The Series 2018 Bonds will be payable from and secured by the Borrower’s interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and derived from

* Preliminary, subject to change.

the Series 2018 Housing Facility and any improvements thereto or expansions thereof pursuant to a Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing (as now or hereafter amended, supplemented, modified, and/or restated, the **“Leasehold Deed of Trust”**).

Additional bonds, payable on a parity basis with the Series 2018 Bonds and secured by the lien and security interests granted by the Leasehold Deed of Trust and the Security Agreement (**“Additional Bonds”**) may be issued in accordance with the Indenture including for the purpose of paying costs to complete, improve or expand the Series 2018 Housing Facility, to acquire, construct, furnish and equip one or more additional student, faculty and staff housing facility on the campus of the College or to refund the Series 2018 Bonds or any other bonds issued under the Indenture. Such Additional Bonds, together with the Series 2018 Bonds, are collectively referred to herein as the **“Bonds.”** See “ADDITIONAL BONDS.”

The site on which the Series 2018 Housing Facility will be constructed (the **“Property”**) and the sites on which the Parking Lot and Tennis Courts will be constructed (the **“Additional Property”**) will be leased to the Borrower pursuant to the Ground Lease. Upon completion of the Parking Lot and Tennis Courts and acceptance thereof by the District pursuant to the terms of the Ground Lease, the Borrower shall release the Additional Property, together with all improvements thereon, to the District, such Additional Property shall no longer be leased to the Borrower, title will revert to the District, and the District shall operate such property. In connection with the development and construction of the Series 2018 Housing Facility, an existing monitoring well located on the Property will be relocated to and constructed by the Orange County Water District on another site on the Campus pursuant to the Well Relocation Agreement (the **“Well Relocation Agreement”**) by and between the District and the Orange County Water District. The Monitoring Well will be owned by the District, subject to an easement in favor of the Orange County Water District.

The Borrower will be obligated pursuant to the Loan Agreement to pay to the Authority such loan payments as will be sufficient to pay the principal and redemption price of, and premium, if any, and interest on (collectively, the **“Debt Service Payments”**) the Series 2018 Bonds as the same mature and become due, and under the Loan Agreement, it will be the obligation of the Borrower to pay all expenses of operating and maintaining the Series 2018 Housing Facility in good repair, to keep it properly insured, and to pay all taxes, assessments, and other charges levied or assessed against or with respect to the Series 2018 Housing Facility. To evidence the obligation to make loan payments sufficient to pay the Debt Service Payments on the Series 2018 Bonds, the Borrower will execute and deliver to the Authority its promissory note (the **“Series 2018 Note”**) in the principal amount of \$123,665,000* dated as of September 1, 2018, and the Authority will endorse the Series 2018 Note to the order of the Trustee.

The Series 2018 Housing Facility will be managed by The Scion Group LLC, an Illinois limited liability company (the **“Manager”**) pursuant to a Property Management Agreement (the **“Management Agreement”**) dated as of September 1, 2018, between the Borrower and the Manager. See “THE MANAGER AND THE MANAGEMENT AGREEMENT” herein and “THE SERIES 2018 PROJECT” in Appendix B hereto.

The obligations of the Borrower to the Authority under the Loan Agreement and the Series 2018 Note will be secured by (i) a Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing (the **“Leasehold Deed of Trust”**) dated as of September 1, 2018, pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the deed of trust trustee named therein (the **“Deed of Trust Trustee”**) for the benefit of the Trustee a first deed of trust lien on its interest in the Ground Lease and the real property included in the Series 2018 Project, and will grant to the Deed of Trust Trustee for the benefit of the Trustee a first priority security interest in the leases, rents, issues, profits, revenues,

* Preliminary, subject to change.

income, receipts, moneys, royalties, rights, and benefits of and from the Series 2018 Housing Facility, (ii) a Pledge and Security Agreement (the “**Security Agreement**”) dated as of September 1, 2018, pursuant to which the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, the Pledged Revenues, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower’s ownership or operation of the Series 2018 Housing Facility, the Inventory, and the Equipment (each as defined in Appendix F hereto), and (iii) an Assignment of Contracts and Agreements (the “**Assignment of Contracts and Agreements**”) dated as of September 1, 2018, pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the Coordination Agreement, the Management Agreement, the Development Agreement (the “**Development Agreement**”) between the Borrower and Servitas, LLC (the “**Developer**”) pursuant to which the Developer will agree to develop the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts, and all other contracts and agreements relating to the design, construction, or management of the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts (collectively, the “**Contracts and Agreements**”).

The Authority, pursuant to the Indenture, will grant a first priority security interest in and pledge and assign its right, title, and interest in and to the Loan Agreement (except for Unassigned Rights as hereinafter defined) and the Series 2018 Note to the Trustee which, on behalf of the owners of the Series 2018 Bonds, will exercise all of the Authority’s rights thereunder (except for Unassigned Rights). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

The District will enter into a Coordination Agreement (the “**Coordination Agreement**”) dated as of September 1, 2018, with the Borrower pursuant to which the District will allow the Borrower to advertise and market the Series 2018 Housing Facility, the District will agree to support, in part, the Series 2018 Housing Facility’s ability to maintain a Fixed Charges Coverage Ratio (as defined in the Loan Agreement) of at least 1.20 and the District will agree to take certain actions otherwise in support of the Series 2018 Housing Facility. See “THE COORDINATION AGREEMENT” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Rate Covenant” herein.

The obligations of the Borrower under the Ground Lease, the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements will be non-recourse to the Borrower, and any judgment in any action or proceeding under such documents will be enforceable against the Borrower only to the extent of the Borrower’s interest in the Series 2018 Project and the other Security. See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Authority, the Borrower, the Corporation, the District, the College, the Series 2018 Project, the Developer, the Manager, the Series 2018 Note, the Loan Agreement, the Coordination Agreement, the Ground Lease, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Series 2018 Bonds and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ground Lease, the Loan Agreement, the Series 2018 Note, the Coordination Agreement, the Ground Lease, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Series 2018 Bonds and the Indenture are qualified in their entirety by reference to such documents, and references herein to the Series 2018 Bonds are qualified in their entirety to the forms thereof included in the Indenture.

LIMITED OBLIGATION. THE SERIES 2018 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ITS MEMBERS OR ANY OF THE RESPECTIVE INCOME OR RECEIPTS THEREOF, EXCEPT FOR THE REVENUES DESCRIBED HEREIN. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL

BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2018 BONDS, OR THE INTEREST THEREON, EXCEPT FROM THE REVENUES DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2018 BONDS. NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING THE SERIES 2018 BONDS SHALL BE LIABLE PERSONALLY ON THE SERIES 2018 BONDS OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE OF THE SERIES 2018 BONDS.

THE AUTHORITY

The Authority is a public entity organized pursuant to a Joint Exercise of Powers Agreement (the “*Joint Powers Agreement*”) dated as of May 18, 1995, as amended from time to time, entered into pursuant to the Joint Exercise of Powers Act, comprising Articles 1, 2, 3, and 4 of Chapter 5 of Division 7 of Title 1 (commencing with §6500) of the Government Code of the State of California, as amended (the “*Act*”). The Community College League of California sponsored the formation of the Authority for the purpose of funding cashflow and capital improvements, including student housing facilities, for its member community college districts within the State pursuant to the Act.

Pursuant to the Act, the Authority is authorized to issue bonds for the purpose of financing, refinancing or providing reimbursement for costs incurred in connection with the construction, expansion, remodeling, renovation, furnishing, equipping or acquisition of public capital improvements of public entities such as the District. The Act provides for the issuance of revenue bonds of joint exercise of powers authorities, such as the Authority, to be repaid from the proceeds of certain public or private obligations, such as the Loan Agreement. The intent of the California legislature, as stated in the Act, is to assist in the reduction of local borrowing costs, help accelerate the construction, repair, and maintenance of public capital improvements and promote greater use of existing and new financial instruments and mechanisms such as bond pooling by local public entities.

The Authority has entered into, sold, and delivered obligations, and may in the future enter into, sell, and deliver obligations, other than the Series 2018 Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Loan Agreement. The owners of any such obligations of the Authority have no claim on the Security for the Series 2018 Bonds, and the owners of the Series 2018 Bonds will have no claim on the security of any such other obligations issued by the Authority.

THE BORROWER

General

The Borrower is a single member limited liability company duly organized and existing under the laws of the State. The Borrower was formed for the purpose of financing the Series 2018 Project, acquiring, constructing, furnishing and equipping the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts, and operating the Series 2018 Housing Facility. After completion of the Series 2018 Project, the Borrower is not expected to have any assets other than the Series 2018 Housing Facility. National Campus and Community Development Corporation (the “*Corporation*”) is the sole member of the Borrower.

The Corporation

The Corporation is a non-profit corporation formed in 2006 under the laws of the State of Texas. The Corporation is also an organization that is exempt from federal income tax pursuant to §501(c)(3) of

the Internal Revenue Code of 1986, as amended (the “*Code*”). It was organized and is operated to engage in a broad range of charitable and educational activities that include promoting healthy communities, promoting education, and lessening the burdens of government. The membership of the Corporation is comprised of those colleges and universities so assisted by the Corporation.

To this date, the Corporation has assisted eight (8) different colleges and universities with the creation of 5,281 beds and four (4) mixed use facilities at a cost of over \$818,000,000.

In assisting those colleges and universities, the Corporation has established and may in the future establish other single member limited liability companies for the limited purpose of acquiring, financing, and operating student housing projects for such colleges and universities, none of which have or will have any assets other than the particular project for which they were established nor any obligation beyond the acquisition, financing, and operation of such particular project. **The Corporation will have no obligation with respect to the Series 2018 Bonds or under the Ground Lease, the Loan Agreement, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, or the Indenture.**

Board of Directors of the Corporation

The Corporation is governed by a Board of Directors. The following individuals constitute the Board of Directors of the Corporation:

<u>Name</u>	<u>Business Affiliation</u>	<u>Term Expires</u>
Charles G. Eden	President, National Campus and Community Development Corporation	Perpetual
Eric Markland, CPA	Chief Operating Officer, INTERA Incorporated	June 30, 2019
James E. (Jeb) Brown	Attorney, Houston, Texas	June 30, 2021
Richard Gilbane	Gilbane Building Company (retired)	June 30, 2021
Frank P. Krasovec	Chief Executive Officer, Norwood Investments	June 30, 2020

NON-RECOURSE OBLIGATION OF THE BORROWER

Neither the Authority nor the Trustee will be permitted 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 any money or deficiency judgment shall be sought against the Borrower, except that the Authority or the Trustee may bring a foreclosure action, action for specific performance, or other appropriate action or proceeding to enable the Authority or the Trustee to enforce the Borrower’s obligations under the Bond Documents or, in the case of the Trustee, to enforce and realize upon the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements and the Borrower’s interest in the property pledged under the Leasehold Deed of Trust and the Security Agreement; 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 Series 2018 Project and the other Security. The Authority and the Trustee will agree that they will not sue for, seek, or demand any money from, or deficiency judgment against, the Borrower in such action or proceeding, under or by reason of or in connection with the Loan Agreement or any of the other Bond Documents; provided that the Borrower will be liable for certain misrepresentations

and omissions, misapplication of insurance, condemnation, or rental proceeds, and indemnity owed to the Trustee. This agreement effectively means that neither the Authority nor the Trustee will be able to bring any claim against the Borrower that will require it to utilize any of its funds or property other than those specifically pledged to the payment of the Series 2018 Bonds. Because of the limited nature of the Borrower's obligation, no information is being provided regarding the financial assets or business and affairs of the Borrower.

COAST COMMUNITY COLLEGE DISTRICT

The District was established in 1947 as a community college district duly organized and validly existing under the laws of the State of California. The District serves an area of approximately 105 square miles in the County. The District is governed by a Board of Trustees, which includes five voting members elected by the voters of the District.

The District operates three comprehensive community colleges, each providing collegiate-level instruction across a wide spectrum of subjects: Coastline Community College in Fountain Valley, Golden West College in Huntington Beach, and Orange Coast College in Costa Mesa. Each of the colleges is fully accredited by the Accrediting Commission for Community and Junior Colleges. The District has more than 32,000 full and part-time students and serves a resident population of approximately 758,000. The College is one of the nation's largest community colleges, enrolling about 22,100 students. The College offers more than 135 academic and career programs, including one of the nation's largest and most acclaimed public nautical programs. Nearly half the students on campus are enrolled in one of Orange Coast College's Career and Technical Education programs. Orange Coast College ranks first out of Orange County's community colleges in the number of students it transfers to the University of California and California State University systems.

The District will assume limited obligations with respect to the Series 2018 Housing Facility under the Ground Lease and the Coordination Agreement. Neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds, and neither the District nor the College will be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents.

For additional information relating to the District, see APPENDIX A – "INFORMATION CONCERNING ORANGE COAST COLLEGE AND COAST COMMUNITY COLLEGE DISTRICT," APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2017" and APPENDIX E – "GENERAL ECONOMY AND DEMOGRAPHICS INFORMATION FOR THE CITIES OF COSTA MESA, HUNTINGTON BEACH AND NEWPORT BEACH AND FOR ORANGE COUNTY" herein.

The information in this Official Statement concerning the operations of the District and the College, and the District's finances, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Series 2018 Bonds is payable from the general fund or any other funds of the District. The Series 2018 Bonds are payable solely from the proceeds of the Trust Estate (as defined herein) and are payable from and secured by the Borrower's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and derived from the Series 2018 Housing Facility and any improvements thereto or expansions thereof pursuant to the Leasehold Deed of Trust. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS" herein.

The District will agree to provide certain information in accordance with its Continuing Disclosure Certificate (the “**Disclosure Certificate**”), executed and delivered by the District, a form of which is attached hereto as APPENDIX K – “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE.” Such financial and operating information for the District is presented for information purposes only. The Series 2018 Bonds are not an obligation of the District. None of the Borrower, the Corporation, the Authority, the Underwriter or the Trustee will have any responsibilities with respect to the Disclosure Certificate.

THE SERIES 2018 PROJECT

The Series 2018 Project consists of the Series 2018 Housing Facility, the Parking Lot, the Tennis Courts and the Monitoring Well that will be acquired, constructed, furnished, and equipped on property located on the campus (the “**Campus**”) of the College with the proceeds of the Series 2018 Bonds.

The Series 2018 Housing Facility consists of the approximately 814 bed student housing facility within 323 studio, one, two and four bedroom apartment-style units intended primarily for students of the College (individually a “**Unit**” and collectively the “**Units**”), (including the buildings, furniture, fixtures, and equipment therefor and associated site development and various related amenities and improvements) to be constructed on the Property located on the Campus of the College. The Series 2018 Housing Facility includes the Series 2018 Building and the Series 2018 Equipment. The “**Series 2018 Building**” means those certain buildings and all other facilities and improvements constituting part of the Series 2018 Housing Facility and not constituting part of the Series 2018 Equipment that are or will be located on the Property. The “**Series 2018 Equipment**” means the equipment, machinery, furnishings, and other personal property to be located on the Property acquired with the proceeds of the Series 2018 Bonds and described in the Loan Agreement, and all replacements, substitutions, and additions thereto. As currently planned, amenities would include study and group meeting areas, game rooms, outdoor courtyards, and surface parking. The site on which the Series 2018 Housing Facility will be constructed (the “**Property**” herein) will be leased to the Borrower pursuant to the Ground Lease.

The term “**Series 2018 Additional Space**” means, collectively, the Parking Lot and the Tennis Courts to be constructed on the Additional Property located on the Campus. The sites upon which the Parking Lot and the Tennis Courts will be constructed (the “**Additional Property**”) will be leased to the Borrower pursuant to the Ground Lease. Upon completion of the Parking Lot and Tennis Courts and acceptance thereof by the District pursuant to the terms of the Ground Lease, the Borrower shall release the Series 2018 Additional Space, together with all improvements thereon, to the District, such Series 2018 Additional Space shall no longer be leased to the Borrower, title will revert to the District, and the District shall operate such property.

The Monitoring Well will be constructed by the Orange County Water District on land located on the Campus. The Monitoring Well will be owned by the District at all times, subject to an easement in favor of the Orange County Water District. Proceeds from the Series 2018 Bonds will be applied to reimburse Orange County Water District for the costs of constructing the Monitoring Well.

As provided in the Coordination Agreement, and requested by the District, the Borrower will make the Units available to certain students, faculty and staff of the College and the District in the order of acceptance priority as follows: (i) full-time students at the College who meet the District’s eligibility requirements; (ii) full-time students at one of the District’s other colleges who meet the District’s eligibility requirements; (iii) full-time faculty, staff, administrators, and other employees of the District; (iv) visiting scholars and other professionals serving one of the District’s colleges, including the College; (v) part-time students at the College or the District; and (vi) other eligible residents approved by the District and the Borrower (together, the “**Eligible Residents**”).

The residents of the Series 2018 Housing Facility will have exclusive access to approximately 412 parking spaces in adjacent parking lots.

Currently, the District provides no on Campus nor off-Campus student housing. As detailed in the Market Study, approximately 43% of the housing (or about 450,000 units) in Orange County is occupied by renters. MGT found no properties that would be considered purpose-built student housing that appeal to students attending the College. MGT compiled a list of 25 properties to review and evaluate as market comparables and eliminated three that were inappropriate for college student renters. For the remaining 22 properties, MGT collected information on their rents, features, amenities, occupancy, and size. See APPENDIX C – “MARKET STUDY.” The Series 2018 Housing Facility, when completed and opened, is expected to be the only housing on any campus of the District designed for, and serving, primarily students.

The Market Study was one of three market studies that have been undertaken for the Series 2018 Project. The first was completed in 2014 to determine general feasibility and approximate design (appeal, size, scope, amenities, etc.). Once a preliminary design was completed in consultation with the College, the second market study was completed in 2017 by the Developer to confirm the design being advanced. The Market Study was completed in July 2018 to test the specific room designs and rental rates of the Series 2018 Housing Facility. This study determined that sufficient demand exists among approximately 1,700 full time and 1,300 part-time students at the College alone (no consideration of those students at Coastline Community College or Golden West Community College, both run by the District, or among faculty or staff).

The Series 2018 Housing Facility will be managed by the Manager pursuant to the Management Agreement. See “THE MANAGER AND MANAGEMENT AGREEMENT” and “THE SERIES 2018 PROJECT” in Appendix B hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The table below contains the estimated sources and uses of funds resulting from the sale of the Series 2018 Bonds (excluding accrued interest, if any):

	Total
SOURCES OF FUNDS:	
Par Amount of Series 2018 Bonds	
Plus/Minus [Net] Original Issue Premium/Discount	
Total Sources of Funds	
 USES OF FUNDS:	
Deposit to Construction Fund	
Deposit to Bond Fund ⁽¹⁾	
Deposit to Debt Service Reserve Fund ⁽²⁾	
Prepayment/Reimbursement of Expenses ⁽³⁾	
Deposit to the Issuance Costs Fund ⁽⁴⁾	
Total Uses of Funds	

(1) Deposit to the Capitalized Interest Account with respect to the Series 2018 Bonds.
 (2) Deposit to the Debt Service Reserve Fund for the Series 2018 Bonds equal to the Debt Service Reserve Requirement for the Series 2018 Bonds.
 (3) To be applied by the District to pay costs of utilities for the Series 2018 Housing Facility for approximately 18 months after the Series 2018 Completion Date, as well as certain reimbursable expenses.
 (4) Includes underwriter’s discount, legal fees, advisory fees and other costs of issuance of the Series 2018 Bonds.

THE SERIES 2018 BONDS

General Description

The Series 2018 Bonds will bear interest at the rates and will be sold at prices to bear the yields shown on the inside cover page of this Official Statement. The Series 2018 Bonds will be dated their date of delivery and be issued in fully registered form without coupons in denominations of \$5,000 and any integral multiple thereof, so long as no Series 2018 Bond shall have more than one maturity date. Interest on the Series 2018 Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2019 (each, an “*Interest Payment Date*”). The Series 2018 Bonds will mature on May 1 of each year, shall bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months) and shall be in the principal amounts as shown on the inside cover page of this Official Statement.

Each Series 2018 Bond shall bear interest from the Interest Payment Date immediately preceding the date of registration and authentication thereof unless it is registered and authenticated as of an Interest Payment Date, in which event, it shall bear interest from such date, or unless it is registered and authenticated prior to the first Regular Record Date (as defined below), in which event, it shall bear interest from its dated date, or unless, as shown by the records of the Trustee, interest on the Series 2018 Bonds shall be in default, in which event, it shall bear interest from the date to which interest shall have been paid in full, or unless no interest shall have been paid on the Series 2018 Bonds, in which event, it shall bear interest from its dated date. If interest on the Series 2018 Bonds shall be in default, Series 2018 Bonds issued in exchange for Series 2018 Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Series 2018 Bonds surrendered. The term “*Regular Record Date*” means the fifteenth (15th) day of the month (whether or not such day is a Business Day) immediately preceding each Interest Payment Date.

Principal of and premium, if any, on the Series 2018 Bonds shall be payable by check or draft to the Owner of each Series 2018 Bond upon presentation and surrender of such Series 2018 Bond when due at the Office of the Trustee. Payment of interest on any Series 2018 Bond shall be made to the Person in whose name such Series 2018 Bond is registered at the close of business on the Regular Record Date for such payment and shall be paid by check or draft mailed to such Person at his, her, or its address as it appears on the Bond Register, irrespective of any transfer or exchange of such Series 2018 Bond subsequent to a Regular Record Date and prior to such Interest Payment Date, by the Person in whose name such Bond is registered. At the option of the Owner of Series 2018 Bonds, if such Owner is the owner of not less than \$500,000 in aggregate principal amount outstanding of Series 2018 Bonds, interest shall be paid by wire transfer in immediately available funds in accordance with written wire transfer instructions filed with the Trustee at least five days prior to the close of business on the Regular Record Date or the Special Record Date, as applicable. Interest shall continue to be paid in accordance with such instructions, until revoked in writing by the Owner, except for the final payment of interest upon maturity or redemption prior to maturity which shall be paid only upon presentation of the Series 2018 Bond to the Trustee. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS SUBSECTION, WHILE A SECURITIES DEPOSITORY OR ITS NOMINEE IS THE OWNER OF BONDS OF A SERIES, ALL DEBT SERVICE PAYMENTS THEREON SHALL BE PAID TO THE SECURITIES DEPOSITORY OR ITS NOMINEE IN ACCORDANCE WITH THE LETTER OF REPRESENTATIONS.

Defaulted Interest shall cease to be payable to the Owner of Bonds on the relevant Regular Record Date solely by virtue of such Owner’s having been an Owner of Bonds on such date, and such Defaulted Interest may be paid by the Trustee, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Trustee may elect to make payment of any Defaulted Interest on the Bonds to the Persons in whose names such Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. When the Trustee holds an amount of money equal to the proposed payment of Defaulted Interest, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, such expense to be paid solely from amounts held under the Indenture, shall cause notice of the date and amount of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, not less than 10 days preceding such Special Record Date, to each Owner at his, her, or its address as it appears in the Bond Register at the close of business on the fifth day preceding the date of mailing. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds are registered on such Special Record Date and shall no longer be payable pursuant to the following clause (ii). The term “*Special Record Date*,” for the payment of any Defaulted Interest, means the date fixed by the Trustee pursuant to the Indenture as described in this subsection.

(ii) The Authority may make payment of any Defaulted Interest on the Bonds in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if notice is given by the Authority to the Trustee of the proposed payment pursuant to this subsection.

The Series 2018 Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“*DTC*”). DTC will act as securities depository for the Series 2018 Bonds and purchasers of the Series 2018 Bonds will not receive certificates evidencing their ownership interests therein. So long as Cede & Co. is the registered owner of the Series 2018 Bonds as nominee of DTC, references herein to the Owners of the Series 2018 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2018 Bonds. So long as Cede & Co. is the registered owner of the Series 2018 Bonds, the Debt Service Payments on the Series 2018 Bonds will be made to Cede & Co., as nominee for DTC, which will in turn remit such Debt Service Payments to the Direct Participants and Indirect Participants for subsequent disbursement to the beneficial owners. See “THE SERIES 2018 BONDS – Book-Entry System” and APPENDIX H – “BOOK-ENTRY SYSTEM” attached hereto.

Registration Provisions; Exchange; Replacement

The Bonds will be and will have all the qualities and incidents of negotiable instruments under the laws of the State, and the Bondholders, in accepting any of the Bonds, shall be conclusively deemed to have agreed that the Bonds will be and have all of said qualities and incidents of negotiable instruments.

The Authority will cause the Bond Register to be kept by the Trustee. The Trustee, for and on behalf of the Authority, will keep the Bond Register in which will be recorded any and all transfers of ownership of Bonds. No Bonds shall be registered to bearer. Any Bond may be transferred upon the Bond Register upon surrender thereof at the Office of the 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 Trustee duly executed by the Owner or his, her or its 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 Authority will cause to be executed and the Trustee will authenticate and deliver in the name of the transferee a new fully registered Bond or Bonds of

like tenor; in Authorized Denominations; of the same Series maturity or maturities, and interest rate or rates; and in the same aggregate principal amount, and the Trustee will enter the transfer of ownership in the Bond Register. No transfer of any Bond will be effective until entered on the Bond Register. Notwithstanding the foregoing, for so long as Bonds of a Series will be held under the Book-entry system, transfers of beneficial ownership will be effected pursuant to rules and procedures established by the Securities Depository.

Any Bonds, upon surrender thereof at the Office of the Trustee together with a written instrument of transfer in form and with guarantee of signature satisfactory to the Trustee, duly executed by the Owner or his, her or its 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 shipping charge, insurance premium, 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 Bonds of the same Series interest rate, designation, and maturity or maturities and in any other Authorized Denominations and registered in the name of the same Owner. When Bonds are presented for exchange, the Authority will cause to be executed and the Trustee will authenticate and deliver Bonds that the Owner making the exchange is entitled to receive, bearing numbers not then outstanding, and the 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 Bonds, the cost of printing, lithographing and engraving of all Bonds will be deemed to be an Ordinary Expense of the Trustee, and there will be no charge to any Owner for the registration, exchange, or transfer of Bonds, although in each case, the 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 Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving any payment on such Bond and for all other purposes of the Indenture and of the Loan Agreement, whether such Bond will be overdue or not, and neither the Authority nor the Trustee will be affected by any notice to the contrary. Payment of, or on account of, the Debt Service Payments on the Bonds will be made to or upon the written order of the applicable Owner or his, her, or its attorney-in-fact or legal representative duly authorized in writing. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The execution and attestation by the manual or facsimile signature of the Chair or the manual signature of any Authorized Signatory of any Bond of any Authorized Denomination will constitute full and due authorization of such denomination, and the Trustee will thereby be authorized to authenticate and deliver such Bond. New Bonds delivered upon any transfer or exchange will be valid limited obligations of the Authority, evidencing the same obligation as the Bonds surrendered, will be secured by the Indenture, and will be entitled to all of the security and benefits of the Indenture to the same extent as the Bonds (or portions thereof) surrendered. The Trustee will not be required to transfer or exchange any Bond (i) after the notice calling such Bond (or portion thereof) for redemption will have been given as provided in the Indenture; or (ii) during the period beginning at the opening of business on the fifteenth day (whether or not a Business Day) immediately preceding either any Interest Payment Date or any date of selection of 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.

Book-Entry System

Notwithstanding any other provision of the Indenture, the Series 2018 Bonds will be required to be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities. The ownership of each Series 2018 Bond will be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. All of the Outstanding Series 2018 Bonds will be required to be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. See APPENDIX H – “BOOK-ENTRY SYSTEM” hereto.

With respect to Series 2018 Bonds registered in the Bond Register in the name of the Securities Depository or its nominee, the Authority, the Borrower, and the Trustee will have no responsibility or obligation to any Participant or to any Person on behalf of which a Participant will hold an interest in the Series 2018 Bonds. Without limiting the provisions of the Indenture described in the immediately preceding sentence, neither the Authority, the Borrower, nor the Trustee will have responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, its nominee, or any Participant with respect to any ownership interest in the Series 2018 Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner, or any notice with respect to the Series 2018 Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other Person, other than an Owner, of any amount with respect to principal of, premium, if any, or interest on, the Series 2018 Bonds. The Authority, the Borrower, and the Trustee will be permitted to treat and consider the Person in whose name each Bond will be registered in the Bond Register as the absolute owner of such Bond for the purpose of payment of principal, premium, and interest with respect to such Bond, for the purpose of giving notices of redemption, for the purpose of obtaining consents, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will be required to pay all principal of, premium, if any, and interest on the Series 2018 Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the obligations with respect to the payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner will receive a certificated Bond evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to the Indenture. While DTC is the Securities Depository, upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of the Indenture described herein with respect to Record Dates, the words “Cede & Co.” herein and in the Indenture will refer to such new nominee of DTC.

The Trustee will be required to take all action necessary for all representations of the Authority in the Letter of Representations with respect to the paying agents and the bond registrar, respectively, to at all times to be complied with.

The Securities Depository will be permitted to determine to discontinue providing its services with respect to the Series 2018 Bonds at any time by giving notice to the Authority, the Borrower, and the Trustee and discharging its responsibilities with respect thereto under applicable law.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 2018 Bond will be registered in the name of the Securities Depository or its nominee, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond will be required to be made and given, respectively, in the manner provided in the Letter of Representations. For additional information regarding DTC and its book-entry system, see APPENDIX H – “BOOK-ENTRY SYSTEM” hereto.

Bonds Are Limited Obligations

The Bonds will be limited and not general obligations of the Authority as provided therein payable solely from the revenues and collateral pledged to the payment thereof. The Bonds will not constitute a debt or liability of the State or of any political subdivision thereof, including the Authority and any Members thereof (including the District) other than a limited obligation of the Authority, but will be payable solely from the funds provided therefor as provided and described in the Indenture. The Authority will not be obligated to pay the principal of the Bonds or the redemption premium (if any) or interest thereon except from the funds provided therefor under the Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof, including the Authority and any Members thereof (including the District), is pledged to the payment of the principal of or the redemption premium (if any) or interest on the Bonds. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power. Moreover, neither the Authority nor the District will be liable for any other costs, expenses, losses, damages, claims, or actions in connection with the Loan Agreement, the Bonds, or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement. Neither the members of the Authority nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof. The Bonds are payable solely, except to the extent paid out of moneys attributable to the proceeds of the Bonds and from temporary investment thereof, from the Security and from a pledge of moneys derived from the Loan Agreement between the Authority and the Borrower.

Redemption *

Optional Redemption. The Series 2018 Bonds maturing on and after May 1, 20__ will be subject to redemption prior to maturity at the option of the Authority upon the written request of the Borrower on and after May 1, 20__, in whole or in part (in amounts not less than \$50,000) on any date at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus interest accrued to the redemption date.

Any optional redemption of Series 2018 Bonds will be conditioned upon the Trustee’s receipt of funds sufficient to pay the Redemption Price of the Series 2018 Bonds to be redeemed on or prior to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2018 Bonds maturing on May 1, 20__, May 1, 20__ and May 1, 20__ will be subject to mandatory sinking fund redemption prior to maturity in part at a Redemption Price equal to 100% of the principal amount thereof plus interest accrued thereon to the redemption date, in the following principal amounts and on the dates set forth below:

Series 2018 Bonds Maturing on May 1, 20__	
<u>May 1 of the Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__*	

* Maturity Date.

* Preliminary, subject to change.

Series 2018 Bonds Maturing on May 1, 20__

<u>May 1 of the Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__*	

* Maturity Date.

Series 2018 Bonds Maturing on May 1, 20__

<u>May 1 of the Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__*	

* Maturity Date.

On or before the forty-fifth day immediately preceding any May 1 on which Series 2018 Bonds are to be retired pursuant to the applicable Mandatory Sinking Fund Redemption Requirement, the Borrower may (i) deliver to the Trustee for cancellation, Series 2018 Bonds of the applicable maturity in any aggregate principal amount desired; or (ii) receive a credit with respect to the applicable Mandatory Sinking Fund Redemption Requirement for any such Series 2018 Bonds, respectively, that before said date have been purchased or redeemed (other than through mandatory sinking fund redemption) and cancelled by the Trustee and not theretofore applied as a credit against such Mandatory Sinking Fund Redemption Requirement. Each such Series 2018 Bond so delivered or previously purchased or redeemed and cancelled by the Trustee will be credited by the Trustee at 100% of the principal amount thereof against the Mandatory Sinking Fund Redemption Requirement for the Series 2018 Bonds of the applicable maturity on such mandatory sinking fund redemption date, and any excess over such amount will be credited against future Mandatory Sinking Fund Redemption Requirements for such Series in such order as may be selected by the Borrower as set forth in a revised sinking fund schedule delivered to the Trustee or, in the absence of such selection, in chronological order, and the applicable Mandatory Sinking Fund Redemption Requirements for such Series 2018 Bonds will be accordingly reduced.

Extraordinary Optional Redemption. The Series 2018 Bonds will also be subject to redemption at the option of the Authority upon the written request of the Borrower, in whole if:

(i) the Series 2018 Housing Facility will have been destroyed or damaged to such an extent that, in the opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2018 Housing Facility cannot reasonably be restored within a period of 12 months to the condition thereof immediately preceding such destruction or damage; or (B) the Borrower will thereby be prevented from carrying on its normal operations thereat for a period of not less than 12 consecutive months; or (C) the cost of restoration or replacement thereof would exceed the Net Proceeds of insurance payable in respect of such destruction or damage; or

(ii) title to, or the temporary use of, a substantial portion of the Series 2018 Housing Facility will have been taken under the exercise of the power of eminent domain by any governmental authority or Person acting under governmental authority to such an extent that, in the

opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2018 Housing Facility 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 will thereby be prevented from carrying on its normal operations thereat for a period of not less than 12 consecutive months; or (C) the cost of restoration or replacement thereof would exceed the total amount of compensation for such taking.

The Series 2018 Bonds will also be subject to redemption at the option of the Authority upon the written request of the Borrower, in part in the event of partial condemnation or destruction of, or partial damage to, the Series 2018 Housing Facility, from the Net Proceeds received by the Borrower as a result of such taking, destruction, or damage to the extent such Net Proceeds are not used for the restoration of the Series 2018 Housing Facility or for the acquisition of substitute property suitable for the Borrower's operations at the Series 2018 Housing Facility as such operations were conducted prior to such taking, destruction, or damage if the Borrower furnishes to the Trustee and the Authority (i) a certificate of an Independent Architect/Engineer stating (A) that the property forming a part of the Series 2018 Housing Facility that was taken, destroyed, or damaged is not essential to the Borrower's use or occupancy of the Series 2018 Housing Facility at substantially the same revenue-producing level as prior to such taking, destruction, or damage; or (B) that the Series 2018 Housing Facility has been restored to a condition substantially equivalent to its condition prior to such taking, destruction, or damage; or (C) that the Borrower has acquired suitable land and improvements that are substantially equivalent to the property forming a part of the Series 2018 Housing Facility that was taken, destroyed, or damaged; or (ii) a certificate of a Financial Consultant filed with the Trustee and the Authority stating that the Fixed Charges Coverage Ratio for each of the two Annual Periods following the Annual Period following such taking, destruction, or damage will not be less than the lesser of (A) 1.20 and (B) the average Fixed Charges Coverage Ratio for the two most recent Annual Periods prior to such taking, destruction, or damage for which audited financial statements are available.

If the Series 2018 Bonds will be called for extraordinary optional redemption upon the occurrence of any of the events described above, the Series 2018 Bonds may be redeemed on any date for which the requisite notice of redemption can be given within 180 days of the receipt of the insurance or condemnation proceeds received by the Borrower as a result of such event at a Redemption Price equal to 100% of the principal amount thereof plus interest accrued to the redemption date.

Other Redemptions at Par. The Series 2018 Bonds will also be subject to redemption prior to maturity in whole or in part at any time and as expeditiously as reasonably possible upon the deposit of cash in the Redemption Fund required by the Loan Agreement or the Indenture as set forth below in a principal amount equal to such deposit (less any amount by which such deposit exceeds an Authorized Denomination) and at a Redemption Price equal to 100% of such principal amount plus interest accrued thereon to the redemption date:

(a) any Net Proceeds of title insurance on the Series 2018 Housing Facility paid to the Trustee pursuant to the terms of the Loan Agreement providing for the procurement of a title insurance policy and application of the proceeds thereto; or

(b) any Net Proceeds of a sale or disposition of any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Equipment that is part of the Series 2018 Housing Facility paid to the Trustee pursuant to the provisions of the Loan Agreement; or

(c) any money consideration received by the Trustee pursuant to the provisions of the Leasehold Deed of Trust in connection with the release of, or the subordination of the lien of the Leasehold Deed of Trust with respect to, any portion of the Series 2018 Housing Facility (i) that

the District proposes to convey fee title to a public utility or public body in order that utility services or public services may be provided to the Series 2018 Housing Facility; or (ii) with respect to which the Borrower requests the Trustee subordinate the lien of the Leasehold Deed of Trust to rights granted to a public utility or public body in order that utility services or public services may be provided to the Series 2018 Housing Facility; or

(d) the release price for any unimproved portion of the Series 2018 Housing Facility released from the lien of the Leasehold Deed of Trust determined and paid to the Trustee pursuant to the provisions of the Leasehold Deed of Trust.

Selection of Bonds To Be Redeemed. If any Series 2018 Bonds are to be called for optional redemption, extraordinary optional redemption or as described above under the heading “Other Redemptions at Par” in accordance with the Indenture, the Borrower will select the maturity of Bonds to be redeemed. Subject to the terms described under the caption “Effect of Calling for Redemption” below, if less than all of the Series 2018 Bonds of any maturity are to be called for optional redemption, extraordinary optional redemption or as described above under the heading “Other Redemptions at Par” in accordance with the Indenture, the Trustee will select the Series 2018 Bonds of such maturity to be redeemed by lot. Notwithstanding the foregoing, the Borrower will have the right to designate the Mandatory Sinking Fund Redemption Requirement, if any, to which such redemption will be credited.

DTC Procedures. While DTC is the Owner of the Series 2018 Bonds, or any of them, partial redemptions of the Series 2018 Bonds will be determined in accordance with DTC’s procedures. The Authority intends that redemption allocations made by DTC, the DTC Participants, or such other intermediaries that may exist between the Authority and the Beneficial Owners be made in accordance with the method of selection of Series 2018 Bonds for a partial redemption. However, the selection of Series 2018 Bonds for redemption in DTC’s book-entry only system is subject to DTC’s practices and procedures as in effect at the time of any such partial redemption.

Notice of Redemption. In case of any optional redemption, extraordinary optional redemption or as described above under the heading “Other Redemptions at Par” in accordance with the Indenture, the Borrower will, at least 20 days prior to the date that notice of redemption is required to be given by the Trustee (unless a shorter notice will be satisfactory to the Trustee), notify the Trustee in writing of such redemption date and of the principal amount of Series 2018 Bonds to be redeemed. A copy of such notice will be sent to each Rating Agency.

In the event any Series 2018 Bonds are called for redemption as aforesaid, notice thereof identifying the Series 2018 Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first-class mail (postage prepaid) not less than 30 nor more than 60 days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register at the close of business on the fifth day preceding the date of mailing; provided, however, that failure to give such notice by mailing to any Owner of Series 2018 Bonds, or any defect therein, will not affect the validity of any proceedings for the redemption of any other Series 2018 Bonds for which notice will have been properly given. Each notice will specify the CUSIP numbers of the Series 2018 Bonds being called; the numbers of the Series 2018 Bonds being called, if less than all of the Series 2018 Bonds are being called; the redemption date; the Redemption Price; and the place or places where amounts due upon such redemption will be payable. Such notice will further state that payment of the applicable Redemption Price will be made upon presentation and surrender of the Series 2018 Bonds to be redeemed and that on the redemption date, the Redemption Price will become due and payable upon each Series 2018 Bond to be redeemed and that interest thereon will cease to accrue on and after such redemption date, provided collected funds for the redemption of the Series 2018 Bonds to be redeemed are on deposit with the Trustee at the place of, and the time for, payment. Any notice mailed as provided in this section

will be conclusively presumed to have been duly given, whether or not the Owner of such Series 2018 Bonds actually receives such notice.

Any notice of redemption may, at the direction of the Authority upon the written request of the Borrower, state (i) that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of sufficient and legally available funds to pay the Redemption Price of the Series 2018 Bonds to be redeemed; and/or (ii) that the Borrower retains the right to rescind such notice on or prior to the scheduled redemption date and that if such funds shall not be so received or shall not be so legally available or if the notice will be rescinded, such notice will be of no force or effect and such Series 2018 Bonds will not be required to be redeemed. In the event that such notice will contain such condition(s) and sufficient legally available funds to pay the Redemption Price of such Series 2018 Bonds will not be received by the Trustee on or prior to the redemption date or if the notice will be rescinded on or prior to the redemption date, the redemption will not be made and the Trustee will, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption will have been given, that such funds were not so received.

Effect of Calling for Redemption. On or before the date fixed for redemption of Series 2018 Bonds, cash and/or Defeasance Obligations will be deposited with the Trustee sufficient to pay the Redemption Price of the Series 2018 Bonds or portions thereof called for redemption. On the date fixed for redemption, notice having been given in the manner and under the conditions provided above, the Series 2018 Bonds (or portions thereof) called for redemption will be due and payable on the date fixed for redemption at the Redemption Price provided therefor. On such date, if cash and/or Defeasance Obligations sufficient to pay the Redemption Price of the Series 2018 Bonds (or portions thereof) to be redeemed, are held by the Trustee in trust for the Owners of the Series 2018 Bonds (or portions thereof) to be redeemed, interest on the Bonds (or portions thereof) called for redemption will cease to accrue; such Series 2018 Bonds (or portions thereof) will cease to be entitled to any benefits or security under the Indenture or to be deemed Outstanding; and the Owners of such Series 2018 Bonds (or portions thereof) will have no rights in respect thereof except to receive payment of the Redemption Price thereof. Series 2018 Bonds and portions of Series 2018 Bonds for which irrevocable instructions to pay on one or more specified dates or to call for redemption at a redemption date will have been given to the Trustee in form satisfactory to it will not thereafter be deemed to be Outstanding under the Indenture and will cease to be entitled to the security of or any rights under the Indenture, other than rights to receive payment of the Redemption Price thereof, to be given notice of redemption in the manner provided in above under the heading “Notice of Redemption” and, as provided in the Indenture, to receive Series 2018 Bonds for any unredeemed portions of Bonds, if cash and/or Defeasance Obligations sufficient to pay the Redemption Price of such Bonds (or portions thereof) are held by the Trustee in trust for the Owners of such Bonds.

Redemption of a Portion of a Bond. No redemption of less than all of the Series 2018 Bonds may be made unless all Series 2018 Bonds remaining Outstanding after such redemption are of an Authorized Denomination. If a Series 2018 Bond is of an Authorized Denomination larger than the minimum Authorized Denomination, a portion of such Bond may be redeemed, but such Bond will be redeemed in part only in an Authorized Denomination and only if the unredeemed portion thereof is an Authorized Denomination.

If a portion of an Outstanding Series 2018 Bond will be selected for redemption, the Owner thereof or his, her, or its attorney or legal representative will present and surrender such Bond to the Trustee for payment of the Redemption Price of such Bond, and the Authority will cause to be executed and the Trustee will authenticate and deliver to or upon the order of such Owner or his, her, or its legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Series 2018 Bond so surrendered, a Series 2018 Bond or Bonds of the same form and maturity and of any Authorized Denominations; provided, however, that if the Owner is a Securities Depository Nominee, the Securities

Depository, in its discretion, (i) may surrender such Bond to the Trustee and request that the Authority cause to be executed and the Trustee authenticate and deliver a new Series 2018 Bond for the unredeemed portion of the principal amount of the Series 2018 Bond so surrendered; or (ii) will make an appropriate notation on such Bond indicating the dates and amounts of such reduction in principal.

In all instances where the Trustee is directed by the terms of the Indenture to redeem Series 2018 Bonds from cash deposited into the Redemption Fund, the Trustee will redeem the maximum number of Series 2018 Bonds that may be redeemed in accordance with the applicable provisions of the Indenture, and any excess cash will remain in the Redemption Fund.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS

General

As provided in the Indenture, the Bonds, together with interest thereon, will be limited and not general obligations of the Authority giving rise to no pecuniary liability of the Authority, will be payable solely from the Security, including the revenues and receipts derived from or in connection with the 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 as provided in the Indenture for the equal and ratable payment of the Bonds and will be used for no other purpose than to pay the Debt Service Payments on the Bonds, except as may be otherwise expressly authorized in the Indenture.

As security for the payments required to be made to the Authority under the Loan Agreement and the Notes, the Borrower will execute and deliver the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements.

As defined in the Indenture, the term “*Security*” means any of the property subject to the operation of the granting clauses contained in the Security Documents. “*Security Documents*” means, collectively, the Indenture, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, and the Loan Agreement, each being a Security Document.

All of the right, title, interest, and remedies of the Authority in the Loan Agreement (except the Unassigned Rights) and the Notes, together with all revenues and amounts to be received and all property to be held by the Authority thereunder, will be assigned and pledged, and shall be the subject of a grant of a first priority security interest, to the Trustee as security for, among other things, the payment of the Bonds. The Borrower will agree under the Loan Agreement to make payments on the Loan and to be liable therefor at times and in amounts sufficient to pay when due all Debt Service Payments on all Bonds from time to time Outstanding under the Indenture.

The Borrower will agree 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 Authority. The Trustee will have all rights and remedies accorded to the Authority under the Loan Agreement (except for Unassigned Rights), and any reference to the Authority in the Loan Agreement shall be deemed to include the Trustee.

The Borrower will consent to such assignment and pledge and grant of a first priority security interest and agree that its obligations to make all payments under the Loan Agreement shall be absolute and shall not be subject to any defense, except payment, or to any right of setoff, counterclaim, or recoupment arising out of any breach by the Authority of any obligation to the Borrower, whether under the Loan Agreement or otherwise, or arising out of any indebtedness or liability at any time owing to the Borrower by the Authority.

Neither the Authority nor the District will be liable for any other costs, expenses, losses, damages, claims, or actions in connection with the Loan Agreement, the Bonds, or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement. 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. The Bonds are payable solely, except to the extent paid out of moneys attributable to the proceeds of the Bonds and from temporary investment thereof, from the Security and from a pledge of moneys derived from the Loan Agreement between the Authority and the Borrower.

As defined in the Indenture, “**Revenues**” means, for any period, Pledged Revenues minus (a) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business, (b) any contributions from any Affiliate, and (c) any Net Proceeds of insurance other than business or rental interruption insurance.

As defined in the Indenture, “**Pledged Revenues**,” for any period, means (a) the sum of (i) the gross receipts and operating and non-operating revenues derived by the Borrower from the ownership or operation of the Series 2018 Housing Facility (other than contributions), including, without limitation, all payments to the Borrower from the District under the Coordination Agreement; and (ii) Net Proceeds of insurance; and (iii) Unrestricted Contributions, but excluding in any event; (b) the sum of (i) earnings on amounts that are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness; and (ii) security deposits, if any, received from occupants of the Series 2018 Housing Facility and held by the Borrower until such time, if any, as the Borrower shall be permitted to apply such deposits to the payment of rent or to the repair and maintenance of the Series 2018 Housing Facility in accordance with the terms of a lease or residency agreement; and (iii) earnings or gains resulting from any reappraisal, revaluation, or write-up of assets; and (iv) any unrealized gain resulting from changes in the value of investment securities.

Agreement To Deposit Pledged Revenues.

As security for its obligation to make the Loan Payments, the Borrower agrees under the Loan Agreement to deliver or cause to be delivered to the Trustee not less frequently than each Friday (or if any Friday shall not be a Business Day, the immediately preceding Business Day), for deposit to the Revenue Fund, all Pledged Revenues received by it in the form of cash, checks, or negotiable instruments; provided, however, that if an Event of Default shall have occurred and shall be continuing under the Loan Agreement, the Borrower shall deliver or cause to be delivered all such Pledged Revenues daily.

The Borrower may comply with such provisions of the Loan Agreement (i) by creating a restricted withdrawal account either with the Trustee or with another banking institution; (ii) by depositing all Pledged Revenues received by it in the form of cash, checks, or negotiable instruments into such account; and (iii) by giving the Trustee or such banking institution written instructions either (A) to transfer by wire or Automated Clearing House (“**ACH**”) transfer to the Trustee all immediately available funds in such account to the Trustee each Friday (or if any Friday shall not be a Business Day, the immediately preceding Business Day) or, if an Event of Default shall have occurred and shall be continuing under the Loan Agreement, each day (or if any day shall not be a Business Day, the immediately succeeding Business Day); or (B) if such account is held by the Trustee, to debit such account in the amount of all immediately available funds therein each Friday (or if any Friday shall not be a Business Day, the immediately preceding Business Day) or, if an Event of Default shall have occurred and shall be continuing under the Loan Agreement, each day (or if any day shall not be a Business Day, the immediately succeeding Business Day) and to credit such amount to the Revenue Fund.

The Parties agree that the Borrower shall not be deemed to have complied with the provisions above if the restricted account created in accordance with the such provisions is created with a banking institution

that is not the Trustee and such banking institution shall not comply with the written instructions provided to it by the Borrower in accordance with the provisions of clause (iii) immediately above.

The Borrower further agrees that all Basic Loan Payments required to be made under the Loan Agreement shall be paid directly to the Trustee for the account of the Authority. The Trustee shall have all rights and remedies under the Loan Agreement accorded to the Authority (except for Unassigned Rights), and any reference therein to the Authority shall 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.

As provided in the Indenture, if on any Bond Payment Date there are insufficient funds in the Bond Fund and the Redemption Fund available therefor to pay Debt Service Payments on the Bonds then due, the Trustee shall transfer to the Bond Fund an amount equal to such insufficiency from the following funds in the following order of priority: first, the Cash Trap Fund; second, the Surplus Fund; third, the Operations Contingency Fund; fourth, the Debt Service Reserve Fund; and fifth, the Repair and Replacement Fund.

Limited Obligations

The Bonds will be limited obligations of the Authority as provided therein payable solely from the revenues and collateral pledged to the payment thereof. The Bonds will not constitute a debt or liability of the State or of any political subdivision thereof, but will constitute a limited liability of the Authority, payable solely from the funds provided therefor as provided and described in the Indenture. The Authority will not be obligated to pay the principal of the Bonds or the redemption premium (if any) or interest thereon except from the funds provided therefor under the Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof, including the Authority, is pledged to the payment of the principal of or the redemption premium (if any) or interest on the Bonds. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power. Moreover, neither the Authority nor the District will be liable for any other costs, expenses, losses, damages, claims, or actions in connection with the Loan Agreement, the Bonds, or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement. 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. The Bonds are payable solely, except to the extent paid out of moneys attributable to the proceeds of the Bonds and from temporary investment thereof, from the Security and from a pledge of moneys derived from the Loan Agreement between the Authority and the Borrower.

Leasehold Deed of Trust, Security Agreement, and Assignment of Contracts and Agreements

As security for the obligations of the Borrower to the Authority under Loan Agreement and the Series 2018 Note, the Borrower will execute and deliver to the Trustee (i) the Leasehold Deed of Trust pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Deed of Trust Trustee for the benefit of the Trustee a first deed of trust lien on its interest in the real property included in the Series 2018 Housing Facility and the Property and will, subject to Permitted Encumbrances, grant to the Deed of Trust Trustee for the benefit of the Trustee a first priority security interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Series 2018 Housing Facility, (ii) the Security Agreement pursuant to which the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, the Pledged Revenues, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Series 2018 Housing Facility, the

Inventory, and the Equipment, and (iii) the Assignment of Contracts and Agreements pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the Coordination Agreement, the Management Agreement, the Development Agreement, and all other contracts and agreements relating to the design, construction, or management of the Series 2018 Housing Facility. The lien created by the Leasehold Deed of Trust is subject to the rights of the District under the Ground Lease as the fee simple owner of the Property. The Leasehold Deed of Trust does not constitute a lien on the District's fee simple interest in the Property. Because of certain risks associated with pledging and granting a security interest in collateral of this nature, prospective purchasers should not rely upon such collateral as providing any significant security for the Series 2018 Bonds. See "CERTAIN BONDHOLDERS' RISKS – Pledge and Assignment of, and Grant of Security Interest in, Future Revenues" herein.

Pledge of Pledged Revenues

In accordance with the Indenture, the Series 2018 Bonds will be secured by and payable from the Pledged Revenues. In accordance with the Loan Agreement, the Borrower will agree to deliver or cause to be delivered to the Trustee not less frequently than each Friday (or if any Friday shall not be a Business Day, the immediately preceding Business Day), for deposit to the Revenue Fund (described immediately below), all Pledged Revenues received by it in the form of cash, checks, or negotiable instruments; provided, however, that if an Event of Default shall have occurred and shall be continuing under the Indenture, the Borrower shall deliver or cause to be delivered all such Pledged Revenues daily. In order to further secure receipt of the Pledged Revenues, in accordance with the Indenture, the Series 2018 Bonds will be secured by the Security, consisting of any of the property subject to the operation of the granting clauses contained in the Indenture, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, and the Loan Agreement (the "*Security Documents*"), including the revenues and receipts derived from or in connection with the Series 2018 Housing Facility, 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) will be specifically pledged and assigned to the Trustee for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the Debt Service Payments on the Bonds, except as may be otherwise expressly authorized in the Indenture.

The Borrower and the Authority will grant to the Trustee a first priority security interest in (i) the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Housing Facility and any improvements thereto or expansions thereof, in the Inventory and in the Equipment pursuant to the Security Agreement) and (ii) all of their respective right, title and interest in the Loan Agreement (except for the Unassigned Rights, as defined in the Loan Agreement), the Notes, and all revenues, payments, receipts, and moneys to be received and held thereunder, all pursuant to the granting clauses of the Indenture.

Under the Indenture, upon the occurrence of an Event of Default, the rights of the owners of the Series 2018 Bonds to the Trust Estate, to the extent provided for, are subject to a prior lien to secure the payment of all fees and expenses of the Trustee, and the Trustee may apply moneys received by it pursuant to any action taken by it in accordance with the Indenture in connection with such 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 Trustee prior to its applying such moneys to the payment of Debt Service Payments on the Bonds.

Unless an Event of Default shall occur and be continuing, the Borrower will be permitted to possess and use the Security (except cash, securities, and other personal property deposited with the Trustee) and

receive and use the revenues, issues, profits, and other income of the Security (except cash, securities, and other personal property required to be deposited with the Trustee).

Because of certain risks associated with granting a security interest in collateral of the nature described above, prospective purchasers should not rely solely upon such collateral as providing security for the Series 2018 Bonds. See “CERTAIN BONDHOLDERS’ RISKS – Pledge and Assignment of, and Grant of Security Interest in, Future Revenues” herein.

Revenue Fund

The Revenue Fund will be a trust fund established under the Indenture. In accordance with the terms of the Loan Agreement, the Borrower will deposit or cause to be deposited all Pledged Revenues to the Revenues Fund on a weekly basis. As security for the obligations of the Borrower to the Authority under the Loan Agreement and the Series 2018 Note, the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, the Pledged Revenues and the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower’s ownership or operation of the Housing Facility.

To the extent authorized by the Borrower pursuant to the terms of the Management Agreement, the Manager is authorized to request withdrawals of amounts held in the Revenue Fund to pay operating costs of the Series 2018 Housing Facility (other than amounts payable to the Manager as its fee under the Management Agreement) when due if amounts then held in the Operating Account are insufficient for such purpose. In addition, the amounts deposited into the Revenue Fund shall be transferred or paid by the Trustee to the following Funds and/or Persons in the order and amounts and on the dates indicated:

(a) there shall be transferred to the Bond Fund:

(i) on or before October 20, 2018, and on or before the twentieth day of each month thereafter to and including April 20, 2019, a sum equal to one-seventh of the amount payable on May 1, 2019, as interest on the Series 2018 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor and any amounts to be transferred from the Capitalized Interest Account on such date, will be sufficient to pay interest on the Series 2018 Bonds to become due on May 1, 2019, as provided in the Indenture;

(ii) on or before May 20, 2019, and on or before the twentieth day of each month thereafter, a sum equal to one-sixth of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2018 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor and any amounts to be transferred from the Capitalized Interest Account on such date, will be sufficient to pay interest on the Series 2018 Bonds to become due on the immediately succeeding Interest Payment Date, as provided in the Indenture;

(iii) 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;

(iv) on or before August 20, 2020, and on or before the twentieth day of each month thereafter, to and including April 20, 2021, a sum equal to one-ninth of the principal due on May 1, 2021;

(v) on or before May 20, 2021, and on or before the twentieth day of each month thereafter, a sum equal to the sum of (A) one-twelfth of the principal due on the immediately succeeding May 1 that is a maturity date of the Series 2018 Bonds; and (B) one-twelfth of the Mandatory Sinking Fund Redemption Requirement, if any;

(vi) 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 such Additional Bonds);

(vii) on the Business Day immediately preceding any date on which the Series 2018 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant to the Indenture), an amount equal to the Redemption Price of the Series 2018 Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund available to be used for the payment of such Series 2018 Bonds to be redeemed); and

(viii) on the Business Day immediately preceding 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 Redemption Price of such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund available to be used for the payment of such Additional Bonds to be redeemed);

(b) there shall be transferred to the Rebate Fund and the Account(s) therein on the dates that the Borrower provides any calculation of the Rebate Amount to the Trustee in accordance with the Indenture, the amounts determined by the Borrower to be equal to the excess, if any, of the Rebate Amount so calculated over the amount then in the Rebate Fund;

(c) there shall be paid to the Trustee:

(i) 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 and under the other Bond Documents as and when the same shall become due;

(ii) 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 shall become due; and

(iii) promptly upon request, the reasonable fees and charges of the Trustee for the Extraordinary Services of the Trustee rendered by it, and the Extraordinary Expenses of the Trustee incurred by it, under the Indenture and under the other Bond Documents as and when the same shall become due; provided, that the Borrower may, without creating an Event of Default under the Indenture, contest in good faith the reasonableness of any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses;

(d) there shall be paid or transmitted to the Authority (as certified in writing to the Trustee by the Authority) (i) on the due date therefor, the Authority Annual Fee; and (ii) on the twentieth day of each

month (or the immediately succeeding Business Day if the twentieth day of a month is not a Business Day), any other Authority Additional Payments;

(e) there shall be paid to the Borrower on the twentieth day of each month (or the immediately succeeding Business Day if the twentieth day of a month is not a Business Day) for deposit into the Operating Account an amount as calculated by the Borrower equal to the lesser of (i) the greater of (A) the amount budgeted in the Annual Budget for Expenses (other than those Expenses, provision for the payment of which has otherwise been made either in accordance with the Indenture as summarized in this section or below under the heading "Surplus Fund") for the immediately succeeding month; or (B) any amount necessary to meet the minimum balance requirement, which, for purposes of the Indenture shall be an amount equal to 10% of the Expenses (other than those Expenses, provision for the payment of which has otherwise been made either in accordance with the Indenture as summarized in this section or below under the heading "Surplus Fund") shown in the then current Annual Budget; or (ii) the excess, if any, of (A) the amount budgeted in the Annual Budget for such Expenses for the then current Annual Period through the last day of the immediately succeeding month; over (B) the amount theretofore deposited into the Operating Account pursuant to this clause (e) for the then current Annual Period; provided, however, if, during any Annual Period, it shall be determined that an Operating Account Surplus shall have been created with respect to the immediately preceding Annual Period, such payment to the Borrower shall be reduced by the amount of such Operating Account Surplus, if any, and the amount of the Operating Account Surplus, if any, shall then be adjusted by the amount of such reduction;

(f) if any funds shall be withdrawn from the Debt Service Reserve Fund, if there shall be a diminution in Value of the cash and investments held in the Debt Service Reserve Fund as of any Valuation Date, or if any net losses shall result from the investment of amounts held in the Debt Service Reserve Fund that shall reduce the Value of the cash and investments in such Debt Service Reserve Fund to less than the Debt Service Reserve Requirement as of any Valuation Date, there shall be transferred to such Debt Service Reserve Fund, beginning on the twentieth day of the month following notice from the Trustee of such withdrawal, diminution in Value, or losses and on the twentieth day of each month thereafter, 12 consecutive monthly payments, each equal to one-twelfth of the amount of such withdrawal, diminution in Value, or losses;

(g) if any funds shall be withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture (providing for such payment to the extent there are insufficient funds in the Cash Trap Fund, the Bond Fund, the Redemption Fund, the Surplus Fund, the Operations Contingency Fund, and the Debt Service Reserve Fund available therefor on the date such Debt Service Payments are due), there shall be transferred to the Repair and Replacement Fund, beginning on the twentieth day of the month following any such withdrawal and continuing on the twentieth day of each month thereafter the greater of (i) the lesser of (A) one-twelfth of the amount of such withdrawal, or (B) such amount that is necessary to reimburse the Repair and Replacement Fund for all such withdrawals; or (ii) such amount as shall be directed by the Borrower;

(h) there shall be transferred to the Repair and Replacement Fund, commencing on August 20, 2020, and on the twentieth day of each month thereafter to and including June 20, 2021, in equal monthly installments, one-eleventh of the amounts set forth in an attachment to the Indenture as "Total Reserves" for such Annual Period, and on the twentieth day of each month thereafter, in equal monthly installments, one-twelfth of the amounts set forth in an attachment to the Indenture as "Total Reserves" for such Annual Period, and any and all additional amounts required to be deposited therein by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds;

(i) there shall be transferred to the appropriate fund or funds other than the Repair and Replacement Fund, the Cash Trap Fund, the Operations Contingency Fund, and the Surplus Fund, any and

all additional amounts required to be deposited into such fund or funds by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds on the date(s) specified therein; and

(j) provided no Event of Default shall have occurred and then be continuing under the Indenture, any amounts remaining therein on the last Business Day of each month shall be transferred to the Operations Contingency Fund.

Because of certain risks associated with granting a security interest in collateral of this nature, prospective purchasers should not rely solely upon such collateral as providing any significant security for the Series 2018 Bonds. See “CERTAIN BONDHOLDERS’ RISKS – Pledge and Assignment of, and Grant of Security Interest in, Future Revenues” herein.

Debt Service Reserve Fund

As provided in the Indenture, the Trustee will establish and maintain a debt service reserve fund (the “*Debt Service Reserve Fund*” herein) as a trust fund securing the Series 2018 Bonds and each Issue of Bonds which may be issued as Additional Bonds. On and as of the date of issuance and delivery of the Series 2018 Bonds (the “*Closing Date*”), there shall be deposited into the Debt Service Reserve Fund from the sale of the Series 2018 Bonds the amount set forth herein under the heading “ESTIMATED SOURCES AND USES OF FUNDS” in the amount of the Debt Service Reserve Requirement. In accordance with the Indenture, the Authority authorizes and directs the Trustee to withdraw funds from the Debt Service Reserve Fund to pay the Debt Service Payments then due on the Series 2018 Bonds and on any Additional Bonds to the extent that there are insufficient funds for said purposes in the Cash Trap Fund, the Bond Fund, the Redemption Fund, the Surplus Fund, and the Operations Contingency Fund available therefor on the date such Debt Service Payments are due.

As defined in the Indenture, the term “*Debt Service Reserve Requirement*,” at the time of determination, means the least of (i) 10% of the stated principal amount thereof (less original issue discount if more than 2% of the principal amount of the respective Issue of Tax-Exempt Bonds); (ii) 125% of the average Annual Debt Service thereon from the date of calculation to the final maturity thereof; (iii) the Maximum Annual Debt Service thereon; or (iv) such lesser sum as shall be required by the Code and the Regulations to ensure the exclusion of the interest thereon from the gross income of the Owners thereof for federal income tax purposes; provided, however, that the amount of principal due in any Bond Year shall be determined, in the case of Bonds subject to mandatory sinking fund redemption pursuant to the Indenture and similar provisions in any supplemental indenture, by the principal amount of Bonds to be redeemed by mandatory sinking fund redemption in such Bond Year. If Additional Bonds are issued, the Debt Service Reserve Fund will be required to be increased by an amount equal to the Debt Service Reserve Requirement for such Additional Bonds.

The Trustee shall deposit in the Debt Service Reserve Fund any funds paid to the Trustee in accordance with the provisions of the Loan Agreement or the Indenture for credit or transfer to such Debt Service Reserve Fund. If the Borrower shall have exercised its option or shall have become obligated to prepay the Loan in whole and not in part pursuant to the terms of the Loan Agreement with respect to termination and prepayment, and shall have paid the sums as provided therein, all of the funds then in the Debt Service Reserve Fund, subject to the terms of the Indenture, shall be deposited into the Bond Fund to be used to pay principal of the Issue of Bonds to which such proceeds relate.

The Trustee shall give written notice to the Authority and the Borrower of (i) any withdrawals from the Debt Service Reserve Fund, (ii) any diminution in Value as of any Valuation Date, or (iii) net losses from the investment of funds in the Debt Service Reserve Fund as of any Valuation Date that reduce the

Value of the cash and investments deposited therein or credited thereto to less than the Debt Service Reserve Requirement for the Bonds.

When (i) the remaining amount of Debt Service Payments on the Outstanding Bonds shall be equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, the balance of the Debt Service Reserve Fund, and the balance of the Repair and Replacement Fund; and (ii) all other amounts owed under the Loan Agreement and the Indenture shall have been paid, moneys held in the Debt Service Reserve Fund may, with the consent of the District, be deposited into the Bond Fund and, credited against payments of Loan Payments required under the Loan Agreement or may be used in such other manner for which a Favorable Opinion of Bond Counsel shall have been obtained.

In accordance with the Indenture, on the final maturity date of the Bonds any moneys in the Debt Service Reserve Fund may be used upon receipt of written instruction from the Borrower to pay the Debt Service Payments on the Bonds on such final maturity date. In the event of the redemption of the Bonds in whole, any moneys in the Debt Service Reserve Fund shall be transferred upon receipt of written instruction from the Borrower to the Bond Fund and applied to the payment of the principal of and premium, if any, on the Bonds.

If, as a result of the valuation of the investments held in the Debt Service Reserve Fund as of any Valuation Date pursuant to the Indenture, the balance of such Debt Service Reserve Fund shall be greater than the Debt Service Reserve Requirement for the Bonds, all amounts in such Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for the Bonds shall be transferred pro rata to the Accounts of the Bond Fund corresponding to the Series 2018 Bonds (to the extent Outstanding) and to any Outstanding Series of Additional Bonds; provided, however, if (i) on any date on which all or any portion of a Series of Bonds shall be defeased in accordance with the Indenture the balance of the Debt Service Reserve Fund shall be no less than the Debt Service Reserve Requirement (after such defeasance); and (ii) the Borrower shall give written instructions to the Trustee, all amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement (after such defeasance) may be used to pay the principal of or premium on the defeased Bonds or, if the Borrower shall provide the Authority and the Trustee with a Favorable Opinion of Bond Counsel, in such other manner as shall be directed by the Borrower.

See APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE – Revenue Fund” and “– Debt Service Reserve Fund” and “– THE LOAN AGREEMENT – Loan Payments and Other Amounts Payable – Reserve Loan Payments.”

Repair and Replacement Fund

The Repair and Replacement Fund will be a trust fund into which the Borrower will be required to make monthly deposits. As provided in the Indenture, the Authority will authorize and direct the Trustee to withdraw funds from the Repair and Replacement Fund to pay (i) the maintenance and repair costs related to the Series 2018 Housing Facility that the Borrower shall be obligated to pay pursuant to the Loan Agreement or, to the extent that the Net Proceeds shall be insufficient for such purposes, to the costs of restoration or replacement of the Series 2018 Housing Facility (or any portion thereof) pursuant to the Loan Agreement; and (ii) the Debt Service Payments on the Bonds to the extent there are insufficient funds in the Cash Trap Fund, the Bond Fund, the Redemption Fund, the Surplus Fund, the Operations Contingency Fund, and the Debt Service Reserve Fund available therefor on the date such Debt Service Payments are due. Moneys in the Repair and Replacement Fund to be used for the purpose described in clause (i) above shall be disbursed upon receipt of a requisition for payment executed by the Authorized Borrower Representative; provided that upon the occurrence of an Event of Default under the Indenture or a failure by the Borrower to pay Basic Loan Payments required by the Loan Agreement, the Trustee shall not be obligated to disburse funds from the Repair and Replacement Fund for such purposes. Upon the issuance

of the Series 2018 Bonds, there will initially be no minimum balance that is required to be maintained in the Repair and Replacement Fund.

In accordance with the Loan Agreement, at least every three years following the fifth anniversary of the date of substantial completion of the Series 2018 Project, as certified by the Borrower as provided in the Loan Agreement (the “*Series 2018 Completion Date*”), the Borrower will file with the Trustee a certification accompanied by a written report of an Independent Architect/Engineer relating to the adequacy of the deposits in the Repair and Replacement Fund and the condition of the Housing Facility which will state the Independent Architect/Engineer’s recommendation (after its consultation with the District) as to the amount of any adjustment needed to the Repair and Replacement Fund. The amounts required to be deposited into the Repair and Replacement Fund will be subject to adjustment upward or downward if so recommended by the Independent Architect/Engineer, and if so adjusted, the Borrower will provide the Authority and the Trustee with a revised schedule of payments. The Manager will set rental rates in the annual operating budget consistent with any revised Repair and Replacement Fund requirement.

See APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE – Revenue Fund” and “– THE LOAN AGREEMENT – Loan Payments and Other Amounts Payable – Additional Loan Payments.”

Operations Contingency Fund

The Operations Contingency Fund will be a trust fund into which the Trustee will transfer moneys remaining in the Revenue Fund after the disbursements described in “– Revenue Fund” above have been made provided no Event of Default shall have occurred and be continuing. Moneys in the Operations Contingency Fund may be used to pay Expenses of, or to make capital expenditures in respect of, the Housing Facility and disbursed upon receipt of a requisition for payment executed by the Authorized Borrower Representative and approved by the District, and/or to make the transfers and deposits required by the provisions of the Indenture described under the subheading “– Revenue Fund” above to the extent that there are insufficient funds in the Revenue Fund, the Cash Trap Fund, the Bond Fund, the Redemption Fund, and the Surplus Fund ((in such order of priority) available therefor. All amounts remaining in the Operations Contingency Fund at the close of business on the last day of each Annual Period shall be transferred to the Surplus Fund; provided however that the Borrower may direct the Trustee to retain an amount in the Operations Contingency Fund as a reserve for payment of operating expenses of the Housing Facility in an amount not to exceed three months of budgeted operating expenses for the next Annual Period.

Surplus Fund

The Surplus Fund will be a trust fund established with the Trustee. Provided (i) no Event of Default shall have occurred and then be continuing under the Indenture; (ii) all amounts withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture shall have been reimbursed in full; and (iii) all amounts withdrawn from the Debt Service Reserve Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture shall have been reimbursed in full, the Trustee shall pay to the Manager from moneys on deposit in the Surplus Fund all unpaid Subordinated Management Fees, as specified in writing by the Manager and the Borrower to the Trustee.

(b) After any payments pursuant to the immediately preceding paragraph shall have been made, upon receipt by the Trustee of the annual financial statements and Audit Report for the most recently ended Annual Period and the Borrower’s calculation of the Fixed Charges Coverage Ratio provided to the Trustee in accordance with the provisions of the Loan Agreement indicating a Fixed Charges Coverage Ratio of at least 1.20, the Trustee shall transfer all amounts in the Surplus Fund to the District as payment

for lease payments under the Ground Lease and to reimburse the District for any of its fees and expenses related to the Housing Facility.

If the Borrower's calculation of the Fixed Charges Coverage Ratio provided to the Trustee indicate a Fixed Charges Coverage Ratio of less than 1.20 or an Event of Default shall have occurred and then be continuing under the Indenture, the Trustee shall transfer all amounts in the Surplus Fund to the Cash Trap Fund.

Moneys in the Surplus Fund may also be used to make the transfers and deposits required by the Indenture as summarized above under the caption "– Revenue Fund" to the extent that there are insufficient funds in the Revenue Fund, the Bond Fund, and the Redemption Fund available therefor.

See APPENDIX G – "SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS" under the subheading "THE INDENTURE – Surplus Fund."

Cash Trap Fund

The Cash Trap Fund will be a trust fund into which the Trustee will transfer moneys from the Surplus Fund as provided in the Indenture and as described above under "– Surplus Fund." At such times as the Borrower's calculation of the Fixed Charges Coverage Ratio provided to the Trustee indicate a Fixed Charges Coverage Ratio of less than 1.20 or an Event of Default shall have occurred and then be continuing under the Indenture, the Trustee shall transfer all amounts in the Surplus Fund to the Cash Trap Fund. Moneys in the Cash Trap Fund may be used to pay Expenses of, or to make capital expenditures in respect of, the Housing Facility and to make Debt Service Payments on the Bonds and shall be disbursed upon receipt of a requisition for payment by the Authorized Borrower Representative. Moneys in the Cash Trap Fund may also be used to make the transfers and deposits required by the Indenture as summarized above under the caption "– Revenue Fund" to the extent that there are insufficient funds in the Revenue Fund available therefor.

If amounts are required to be transferred to the Cash Trap Fund for three (3) consecutive years from the Surplus Fund, then the Trustee will apply amounts on deposit in the Cash Trap Fund at any time to optionally redeem Bonds upon receipt of a written direction from a Majority of the Bondholders which specifies the amount to be applied for such redemption.

All amounts remaining in the Cash Trap Fund after the Fixed Charges Coverage Ratio for the prior Annual Period is at least 1.20 as shown by the Borrower's calculation of the Fixed Charges Coverage Ratio provided to the Trustee in accordance with the Loan Agreement shall be transferred to the Surplus Fund.

See APPENDIX G – "SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS" under the subheading "THE INDENTURE – Cash Trap Fund."

Insurance and Condemnation Funds

The Loan Agreement provides that under certain circumstances the Net Proceeds of insurance and condemnation awards are to be paid to the Trustee and deposited into the Insurance Fund and the Condemnation Fund, respectively, and are to be disbursed and paid out as therein provided. In furtherance of such terms, the Indenture provides for the creation by the Authority to be and ordered established with the Trustee, of 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 separate Account to be designated the "**2018 Account**," all of which will be opened only if funds are required to be deposited therein as provided in the Loan Agreement with respect of proceeds of destruction, damage, and condemnation. The Trustee will

also establish a separate Account within the Insurance Fund and within the Condemnation Fund with respect to each Series of Additional Bonds issued under the Indenture. Funds held in the Insurance Fund or in the Condemnation Fund will be disbursed in accordance with the Loan Agreement upon receipt of a requisition for payment executed by the Authorized Borrower Representative. Any amounts required to be deposited in the Insurance Fund or in the Condemnation Fund in accordance with the Loan Agreement will be deposited in the applicable Account thereof, and, prior to the occurrence of an Event of Default under the Indenture, 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.

The Ground Lease

The site on which the Series 2018 Housing Facility will be constructed (referred to as the Property herein) will be leased to the Borrower pursuant to the Ground Lease between the District, as ground lessor, and the Borrower, as ground lessee, for a term of not less than the final maturity of the Series 2018 Bonds, subject to certain termination rights provided therein. The site upon which the Parking Lot and the Tennis Courts will be constructed (referred to as the Additional Property herein) will be leased to the Borrower pursuant to the Ground Lease; provided that upon completion of the Parking Lot and Tennis Courts and acceptance thereof by the District pursuant to the terms of the Ground Lease, the Borrower shall release the Additional Property, together with all improvements thereon, to the District, such Additional Property shall no longer be leased to the Borrower, title will revert to the District, and the District shall operate such property. The annual rental payable under the Ground Lease will be equal to the Net Available Cash Flow. Net Available Cash Flow will equal the amount available to be distributed from the Surplus Fund after certain required payments therefrom have been made, so long as the Fixed Charges Coverage Ratio is equal to at least 1.20. See “– Surplus Fund” above. If the Net Available Cash Flow for a Lease Year shall be zero or a negative amount, no Rent shall be paid to the District under the Ground Lease, and District is under no obligation, express or implied, to contribute or pay the Borrower for any such deficit in Net Available Cash Flow. See “THE GROUND LEASE.”

As provided in the Ground Lease, the District shall make application for, obtain and pay for the following utilities required, used, or consumed on the Premises: gas, water and reclaimed water (including water for domestic uses and for fire protection), electricity, sewer service, or any similar service (herein sometimes collectively referred to as “*Utility Services*”). A portion of the net proceeds of the Series 2018 Bonds will be deposited in a restricted account to be established and maintained by the District to pay costs of Utility Services for the Series 2018 Housing Facility for approximately 18 months after the Series 2018 Completion Date and until no amounts remain in such account. Thereafter, the Borrower shall have no obligation to pay for any of such Utility Services, it being understood that the District shall pay all expenses related to the Utility Services. No later than 30 days after the Borrower has determined that the Fixed Charges Coverage Ratio equals or exceeds 1.20 for a Fiscal Year, the Borrower shall reimburse the District for the District’s expenses related to the Utility Services during such Fiscal Year from Net Available Cash Flow. The Borrower and the Manager shall develop and enforce a Utility Plan in an attempt to control the costs of the District in providing the Utility Services.

The Coordination Agreement

The District will agree in the Coordination Agreement that safe and affordable student housing assists the College in its educational mission; and that the ability to live on campus enhances the experience of students of the College in many positive ways. The terms of the Coordination Agreement will not prohibit the District from constructing or acquiring, or causing others to construct or acquire on its behalf, additional new student housing facilities serving students at the Campus and its other campuses, but will

provide that the District not sanction or build additional housing stock or provide other housing options for potential Eligible Residents over and above the Series 2018 Housing Facility except where (1) no Event of Default has occurred and is continuing under the Indenture or the Loan Agreement; (2) the Series 2018 Housing Facility has met a Fixed Charges Coverage Ratio of at least 1.20 for each of the last two Fiscal Years; (3) an independent consultant has delivered a report that the additional housing stock will not adversely affect occupancy of the Series 2018 Housing Facility that would result in a Fixed Charges Coverage Ratio of less than 1.20, and (4) the rating on the Series 2018 Bonds is not lower than the initial rating. In calculating the Fixed Charges Coverage Ratio set forth in clauses (2) and (3) in the immediately preceding sentence, all amounts paid by the District pursuant to the lease vacancy provisions of the Coordination Agreement will be excluded. See “THE COORDINATION AGREEMENT.”

Title and Property Insurance

A leasehold mortgagee’s title insurance policy will be delivered in the amount of not less than the original principal amount of the Series 2018 Bonds to insure that the Trustee will have a valid first deed of trust lien on the Borrower’s leasehold interest in and to the Property, subject only to Permitted Encumbrances and the standard exclusions from the coverage of such policy. Under such title insurance policy, the Trustee will not be permitted to recover more than the fair market value of any property that is lost as a result of a title defect. The Borrower will be required under the terms of the Loan Agreement to keep the Series 2018 Housing Facility fully insured against fire and other casualties and to maintain certain specified amounts of liability and business interruption insurance.

Further, as provided in the Loan Agreement, the Borrower will agree, at all times during the construction of the Series 2018 Project, to obtain and maintain or cause the Developer and/or cause the Developer to cause the General Contractor to obtain and maintain in full force and effect All Risk and Builder’s Risk – Completed Value Form Property Insurance insuring the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts, including coverage for soft costs (in an amount equal to or greater than the anticipated excess debt coverage anticipated for the first full year of operations) and lost rents (in an amount equal to or greater than the anticipated net rental revenue for the first full year of operations) due to damage and destruction prior to completion, including perils of theft, vandalism, malicious mischief, transit, materials stored off site, collapse, falsework, temporary buildings, debris removal, testing, and damage resulting from defective design, workmanship or material, fire, lightning, earth movement, (including, but not limited to, earthquake, landslide, subsidence, and volcanic eruption), flood, windstorm (including tornados), collapse, boiler and machinery accidents, strikes, riot, civil commotion, sabotage, and all other risks covered by the extended coverage endorsement then in use in the State to the full replacement cost of the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts with a deductible provision not to exceed \$25,000 per occurrence, except in the event of a named windstorm, earthquake, or flood in which case the deductible shall not exceed 3% of the value at risk, but shall in any case be a minimum of \$100,000.

Commencing on the date on which the Borrower begins leasing the Series 2018 Housing Facility to proposed occupants thereof, insurance upon the repair or replacement basis in an amount of not less than 100% of the then actual cost of replacement (excluding costs of replacing excavations and foundations, but without deduction for depreciation) of the Housing Facility (with deductible provisions not to exceed \$25,000 per occurrence, except in the event of a named windstorm or earthquake, or flood in which case the deductible shall not exceed 3% of the value at risk, but shall in any case be a minimum of \$100,000) against loss or damage by fire, lightning, windstorm, earth movement, (including, but not limited to earthquake, landslide, subsidence, and volcanic eruption), hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke and such other risks as are now or hereafter included in the uniform standard extended coverage endorsement in common use for similar structures (including vandalism and malicious mischief).

Also, commencing on the date on which the Borrower begins leasing the Series 2018 Housing Facility to proposed occupants thereof, business interruption insurance (also referred to as “business income” or “loss of rents” insurance) covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in, the operation of the Housing Facility caused by covered damage to or destruction of the Housing Facility in an amount not less than the Maximum Annual Debt Service on the Bonds plus 12 months’ budgeted operating expenses minus those operating expenses avoided as a result of and during the period of interruption.

All Net Proceeds received under such policy or policies by the Borrower or the Authority will be paid over to the Trustee and deposited into the Insurance Fund to be applied to the restoration and/or completion of the Series 2018 Housing Facility and, prior to the completion thereof, the Parking Lot and the Tennis Courts, or to the redemption of Series 2018 Bonds in accordance with the Loan Agreement.

See APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Insurance.”

Rate Covenant

The Borrower will covenant and agree under the Loan Agreement to operate the Housing Facility as a revenue producing student, faculty and staff 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 Housing Facility and to provide all payments required to be made by the Borrower under the Loan Agreement.

Such rates, fees, and charges in each Annual Period beginning with the first full Annual Period after the Series 2018 Completion Date, will be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.20. In the event that it will be determined, based upon the financial statements and calculation of the Borrower required under the Loan Agreement, that for any Annual Period such Fixed Charges Coverage Ratio shall not have been maintained, the Borrower will, within 30 days of receipt of such financial statements, engage a Financial Consultant to submit to the Trustee a report of such firm containing recommendations, if any, as to changes in the operating policies of the Borrower designed to maintain such Fixed Charges Coverage Ratio, will cause such Financial Consultant to prepare and submit such recommendations within 60 days of the date of its engagement, and will promptly implement such recommendations to the extent permitted by law and by the Ground Lease. Provided that the Fixed Charges Coverage Ratio does not fall below 1.00, no Event of Default shall occur under the Loan Agreement if such recommendations will be followed notwithstanding that such Fixed Charges Coverage Ratio shall not subsequently be reattained, but the Borrower will continue to be obligated to employ such a Financial Consultant for such purpose until such Fixed Charges Coverage Ratio shall be reattained.

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. See APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Rate Covenant.”

Enforceability of Remedies

The realization of value from the real and personal property comprising the Series 2018 Housing Facility and from the other security for the Series 2018 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 “CERTAIN BONDHOLDERS’ RISKS – Enforceability of Remedies” and “CERTAIN BONDHOLDERS’ RISKS – Pledge and Assignment of, and Grant of Security Interest in, Future Revenues” herein.

ADDITIONAL BONDS

The Indenture permits the issuance of Additional Bonds upon a request of the Borrower to provide funds to pay any one or more of the following: (i) the costs of completing a portion of the Project; (ii) the costs of making such Additions or Alterations as the Borrower may deem necessary or desirable and as will not impair the nature of the “Housing Facility” (defined as the Series 2018 Housing Facility and any additional student, faculty, and/or staff housing facility acquired, constructed, furnished and equipped with the proceeds of Additional Bonds), as a student, faculty, and staff housing facility and as will be located on the Property; (iii) the costs of refunding any Bonds; and (iv) 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 Authority. Such Additional Bonds shall be issued on a parity with the Series 2018 Bonds and any Additional Bonds theretofore or thereafter issued, shall be secured by the lien and security interests granted by the Leasehold Deed of Trust and the Security Agreement, equally and ratably with the Series 2018 Bonds and any Additional Bonds theretofore or thereafter issued, and shall be payable from the Bond Fund and the Redemption Fund. An amount equal to any increase of the Debt Service Reserve Requirement attributable to such Additional Bonds shall be deposited into the Debt Service Reserve Fund.

Prior to the issuance of any Additional Bonds to finance the cost of completing a portion of the “Project” (defined as the Series 2018 Project and any additional project acquired, constructed, furnished, and equipped with the proceeds of Additional Bonds), or making Additions or Alterations to the Housing Facility, there shall be prepared and filed with the Trustee a certificate of the Borrower approved by an Independent Architect/Engineer setting forth the estimated costs of the proposed completion or the proposed Additions or Alterations to the Housing Facility, including an allowance for contingencies, the estimated date on which the completed Project or such Additions or Alterations will be placed in service or completed, and the amount, if any, provided or to be provided by the Borrower from other sources toward payment of the costs of such completion or such Additions or Alterations to the Project or such additional Housing Facility and the manner in which such funds will be provided.

Prior to the issuance of any Additional Bonds to finance the costs of completing a portion of the Project, the Borrower shall furnish to the Trustee a written certificate of a Financial Consultant stating that (giving effect to the issuance or incurrence of such Additional Bonds) (i) the expected Fixed Charges Coverage Ratio for each of the three Annual Periods immediately following the Annual Period in which the completed Project is expected to be placed in operation is not less than 1.20; and (ii) the expected Revenue Available for Fixed Charges for each Annual Period until the completed Project is expected to be placed in operation plus any capitalized or funded interest is sufficient to pay the Fixed Charges, including the Fixed Charges that relate to the proposed Additional Bonds, for each Annual Period until the completed Project is expected to be placed in operation.

Prior to the issuance of any Additional Bonds to finance the cost of Additions or Alterations to the Housing Facility, there shall be prepared and filed with the Trustee (i) the prior written consent of a Majority of the Bondholders; or (ii) a certificate of an Authorized Borrower Representative stating that such

Additions or Alterations were ordered by a governmental body or required by the District and amounts then available for such purpose in the Repair and Replacement Fund are insufficient therefor.

Prior to the issuance of any Additional Bonds to refund any Bonds that results in the refunding of less than all of the then Outstanding Bonds, there shall be prepared and filed with the Trustee a written certificate of an Accountant stating that the debt service requirements on all Bonds (assuming no more Bonds are issued after the proposed refunding) for any Annual Period subsequent to the refunding to and including the Annual Period of the final maturity of Bonds outstanding prior to the refunding will not, as a result of such refunding, exceed the debt service requirements for any such Annual Period had such refunding not occurred.

Such Additional Bonds shall be issued in such Series and principal amounts, shall be dated, shall bear interest at such rate or rates, shall be subject to redemption at such times and prices, and shall mature in such years as the indenture supplemental to the Indenture authorizing the issuance thereof shall fix and determine and shall be deposited with the Trustee for authentication and delivery.

No Additional Bonds may be issued unless and until there shall be furnished to the Trustee written confirmation from each Rating Agency that the issuance of such Additional Bonds will not result in a reduction, suspension, or withdrawal of any rating of any Series of Bonds. See “THE COORDINATION AGREEMENT – General and District Support – Non-Compete Agreement.”

Any Series of Additional Bonds the proceeds of which will be used to pay, discharge, or defease (in accordance with the Indenture) all Outstanding Bonds may be issued in the Authority’s sole discretion and with the consent of the District without complying with the foregoing terms and provisions of this section.

See APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE – Issuance of Additional Bonds” and “– Delivery of Additional Bonds.”

ANY ADDITIONAL BONDS WILL BE SECURED BY THE LIEN AND SECURITY INTERESTS GRANTED BY THE LEASEHOLD DEED OF TRUST AND THE SECURITY AGREEMENT AND WILL BE EQUAL, WITHOUT PREFERENCE OR PRIORITY, TO THE LIEN AND SECURITY INTEREST PROVIDED FOR THE SERIES 2018 BONDS.

NOTWITHSTANDING THE PROVISIONS OF THE INDENTURE DESCRIBED IN THE FOREGOING PARAGRAPHS UNDER THIS HEADING, ANY SERIES OF ADDITIONAL BONDS THE PROCEEDS OF WHICH WILL BE USED TO PAY, DISCHARGE, OR DEFEASE (IN ACCORDANCE WITH THE PROVISIONS OF THE INDENTURE DESCRIBED IN APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS” ATTACHED HERETO UNDER THE HEADING “THE INDENTURE – DISCHARGE OF LIEN”) ALL OUTSTANDING BONDS WILL BE PERMITTED TO BE ISSUED IN THE AUTHORITY’S SOLE DISCRETION AND WITH THE CONSENT OF THE BORROWER WITHOUT COMPLYING WITH THE PROVISIONS OF THE INDENTURE DESCRIBED IN SUCH FOREGOING PARAGRAPHS UNDER THIS HEADING.

DEBT SERVICE SCHEDULE AND COVERAGE

The following table sets forth, among other things, a summary of annual projected revenues and expenses of the Borrower and the annual debt service on the Series 2018 Bonds (in thousands of dollars), and the projected debt service coverage ratios. The annual projected revenues and expenses were derived in part from the Cash Flow.

Projected Revenues and Debt Service Coverage Ratios

Series 2018 Bonds

Bond Year Ending	Total Revenues⁽¹⁾	Direct Operating Expenses⁽²⁾	Cash Flow Available for Debt Service	Series 2018 Bonds			Debt Service Coverage Ratio*
				Principal*	Interest*	Debt Service^{(3)*}	
5/1/2019	-	-	-	-	\$3,675,599	-	-
5/1/2020	-	-	-	-	6,183,250	-	-
5/1/2021	\$11,498,780	\$2,360,345	\$13,066,299	\$1,395,000	6,183,250	\$3,456,083	1.72x
5/1/2022	11,843,744	2,431,155	9,212,456	1,470,000	6,113,500	7,407,910	1.24
5/1/2023	12,199,056	2,504,089	9,488,830	1,550,000	6,040,000	7,414,410	1.28
5/1/2024	12,565,028	2,579,212	9,773,494	1,635,000	5,962,500	7,421,910	1.32
5/1/2025	12,941,978	2,656,589	10,066,699	1,725,000	5,880,750	7,430,160	1.35
5/1/2026	13,330,238	2,736,286	10,368,700	1,820,000	5,794,500	7,438,910	1.39
5/1/2027	13,730,145	2,818,375	10,679,761	1,920,000	5,703,500	7,447,910	1.43
5/1/2028	14,142,049	2,902,926	11,000,154	2,195,000	5,607,500	7,626,910	1.44
5/1/2029	14,566,311	2,990,014	11,330,159	2,305,000	5,497,750	7,627,160	1.49
5/1/2030	15,003,300	3,079,714	11,670,063	2,420,000	5,382,500	7,626,910	1.53
5/1/2031	15,453,399	3,172,106	12,020,165	2,540,000	5,261,500	7,625,910	1.58
5/1/2032	15,917,001	3,267,269	12,380,770	2,665,000	5,134,500	7,623,910	1.62
5/1/2033	16,394,511	3,365,287	12,752,193	2,800,000	5,001,250	7,625,660	1.67
5/1/2034	16,886,346	3,466,245	13,134,759	2,940,000	4,861,250	7,625,660	1.72
5/1/2035	17,392,937	3,570,233	13,528,802	3,085,000	4,714,250	7,623,660	1.77
5/1/2036	17,914,725	3,677,340	13,934,666	3,240,000	4,560,000	7,624,410	1.83
5/1/2037	18,452,167	3,787,660	14,352,706	3,405,000	4,398,000	7,627,410	1.88
5/1/2038	19,005,732	3,901,290	14,783,287	3,575,000	4,227,750	7,627,160	1.94
5/1/2039	19,575,904	4,018,329	15,226,786	3,755,000	4,049,000	7,628,410	2.00
5/1/2040	20,163,181	4,138,878	15,683,589	3,940,000	3,861,250	7,625,660	2.06
5/1/2041	20,768,076	4,263,045	16,154,097	4,135,000	3,664,250	7,623,660	2.12
5/1/2042	21,391,118	4,390,936	16,638,720	4,345,000	3,457,500	7,626,910	2.18
5/1/2043	22,032,852	4,522,664	17,137,882	4,560,000	3,240,250	7,624,660	2.25
5/1/2044	22,693,838	4,658,344	17,652,018	4,790,000	3,012,250	7,626,660	2.31
5/1/2045	23,374,653	4,798,094	18,181,579	5,030,000	2,772,750	7,627,160	2.38
5/1/2046	24,075,892	4,942,037	18,727,026	5,280,000	2,521,250	7,625,660	2.46
5/1/2047	24,798,169	5,090,298	19,288,837	5,545,000	2,257,250	7,626,660	2.53
5/1/2048	25,542,114	5,243,007	19,867,502	5,820,000	1,980,000	7,624,410	2.61
5/1/2049	26,308,378	5,400,298	20,463,527	6,115,000	1,689,000	7,628,410	2.68
5/1/2050	27,097,629	5,562,306	21,077,433	6,420,000	1,383,250	7,627,660	2.76
5/1/2051	27,910,558	5,729,176	21,709,756	6,740,000	1,062,250	7,626,660	2.85
5/1/2052	28,747,874	5,901,051	22,361,048	7,075,000	725,250	7,624,660	2.93
5/1/2053	29,610,311	6,078,082	23,031,880	7,430,000	371,500	(178,090)	-
Total				123,665,000	142,230,099	238,491,203	

(1) Revenues are as provided by the Borrower and the Manager based in part on the assumptions set forth under the caption "CASH FLOW."

(2) Includes operating expenses and certain ongoing fees related to the Borrower, the Manager, the Authority and the Trustee.

(3) Net of capitalized interest, debt service reserve fund earnings, and the release of the DSRF in the last year.

* Preliminary, subject to change.

Numbers may not sum due to rounding.

Sources: Revenues and operating expenses are as provided by the Borrower and the Manager. Debt service information and coverage calculation provided by the Underwriter.

THE DEVELOPER AND THE DEVELOPMENT AGREEMENT

General

The Developer is a Texas Limited Liability Company formed in 2010 for the express purpose of providing design and development services to the higher education industry. The principal business office of the Developer is located in Irving, Texas. The Developer's key personnel have been involved with the development, construction, management, and/or financing of multiple student housing facilities nationwide. As of the present date, the Developer and its key personnel have developed (or have been selected to develop) approximately 15,694 on-campus student beds, on 33 separate collegiate campuses (including the Series 2018 Project).

Key Personnel

Rafael Figueroa, President. Mr. Figueroa has in excess of thirty-five (35) years of diverse development, operations, and marketing experience with regional and national real estate firms. He has experience in student housing planning, development, and management and is involved in the financial and investment analysis aspects of the industry. His experience encompasses providing strategic master planning, market research, and development for several universities, and specifically includes over 20,000 student housing beds. Mr. Figueroa was most recently associated with a national multi-family development firm where he established and led the on-campus housing development division of the company. His other experience includes serving in senior leadership positions at Sallie Mae and North Carolina State University. Mr. Figueroa received his Master's in Land Economics and Real Estate degree from Texas A&M University.

Blair Tavenner, Senior Vice President-Director-Dallas Regional Office. Mr. Tavenner brings in excess of thirty-five (35) years of experience in operations, commercial real estate lending, real estate workout transactions, loan documentation, closings, contract negotiations, bankruptcy, asset management, and student housing. Mr. Tavenner received his BSBA in Finance from The Ohio State University and has completed additional course work in advanced finance principles, bankruptcy, and real estate analysis. He also brings more than fifteen (15) years of experience structuring student housing projects.

Aaron Docsa, Senior Vice President of Construction Services, oversees and manages Servitas' construction resources. He focuses on contract document compliance, quality, schedule, budget, and customer satisfaction. Aaron brings more than 23 years of mixed-use, multifamily, and retail construction experience to Servitas. Aaron's long history in the industry includes many military housing projects valued in excess of \$600 million. Since joining Servitas two years ago, he has overseen the successful design and construction of four projects totaling more than \$500 million and the development of more than 5,000 beds.

Projects Developed and to be Developed by the Developer and Experience of Developer's Managers

The table below describes the student housing communities (including the Series 2018 Project) (off- and on-campus) developed (and to be developed) by the Developer and its key personnel. Some of these projects are:

STUDENT HOUSING PROJECTS

Facility Location	Year Opened	Total Project Cost	Number of Beds
Orange Coast Community College [†] Los Angeles, California	2020 (scheduled)	\$138,750,000	814
Blinn College [†] Brenham, Texas	2018 (scheduled)	\$34,700,000	464
Texas A&M University [†] College Station, Texas	2016-2017 (scheduled)	\$371,100,000	3,406
Florida International University [†] North Miami, Florida	2016	\$58,287,000	410
East Texas Baptist, University [†] Marshall, Texas	2014	\$20,645,000	368
Texas A&M University College Station, Texas	2013	\$33,000,000	416
Edison State College [†] Ft. Myers, Florida	2012	\$26,300,000	408
Texas A&M University [†] College Station, Texas	2011	\$22,900,000	576
Northeast Texas Community College Mt. Pleasant, Texas	2011	\$7,980,000	112
Texas A&M University [†] College Station, Texas	2010	\$21,400,000	276
Texas A&M University [†] College Station, Texas	2010	\$27,600,000	428
Midwestern State University [†] Wichita Falls, Texas	2009	\$20,600,000	280
Nicholls State University [†] Thibodaux, Louisiana	2008	\$35,450,000	606
University of Central Missouri Warrensburg, Missouri	2008	\$13,588,663	360
Schreiner University [†] Kerrville, Texas	2007	\$4,750,000	110
Northern Illinois University [†] DeKalb, Illinois	2007	\$19,380,000	240
Missouri University of Science and Technology Rolla, Missouri	2007	\$14,150,000	336
Louisiana Tech University Ruston, Louisiana	2007	\$15,863,586	432
Eastern New Mexico University [†] Portales, New Mexico	2007	\$13,855,000	267
Eastern New Mexico University [†] Roswell, New Mexico	2007	\$11,990,000	258
Southwestern Oklahoma State University Weatherford, Oklahoma	2006	\$10,313,333	360
West Texas A&M University Canyon, Texas	2006	\$10,490,667	336
Stetson University [†] Deland, Florida	2006	\$17,015,000	338
Western Texas College [†] Snyder, Texas	2006	\$2,450,000	150

Facility Location	Year Opened	Total Project Cost	Number of Beds
Elon University [†] Elon, North Carolina	2006	\$27,115,000	516
Harris-Stowe State College [†] St. Louis, Missouri	2006	\$16,000,000	229
Texas A&M University – Kingsville Kingsville, Texas	2005	\$13,450,000	360
South Arkansas, University [†] Magnolia, Arkansas	2004	\$12,395,000	264
Nicholls State University [†] Thibodaux, Louisiana	2004	\$16,250,000	408
University of Oklahoma [†] Norman, Oklahoma	thru 2006	\$96,880,000	1,152
Philander Smith College [†] Little Rock, Arkansas	2003	\$7,865,000	264
Arizona State University West [†] Phoenix, Arizona	2003	\$15,000,000	414
Midwestern State University [†] Wichita Falls, Texas	2003	\$14,540,000	336

[†] Indicates project was built or is being built directly for a college or university on its campus.

Total Student Housing Beds15,694 (leased by the bed exclusively)

Approximate Total Project Costs..... \$1,173,303,249

The Development Agreement

The Borrower will enter into the Development Agreement with the Developer setting forth the terms and conditions of the design, development, and construction of the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts. The Developer will have no obligation to make payments on the Series 2018 Bonds. However, the obligations of the Borrower under the Ground Lease to construct the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts and to provide temporary alternative housing to students who have executed leases with respect to the Series 2018 Housing Facility, to the extent the Series 2018 Housing Facility is not completed on schedule, will be supported by the Developer’s contractual agreement to pay liquidated damages to the Borrower that are calculated to reimburse the Borrower for any costs incurred associated with providing the temporary alternative housing or paying the affected Eligible Residents the daily value of their lease for each day his/her bed is not available (at the Eligible Resident’s election). See “THE GROUND LEASE” herein.

The Developer will agree to pay any and all costs in excess of the fixed price that are not due to change orders initiated by the District or excused delays.

THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT

The General Contractor, Moss & Associates, LLC, is a Florida limited liability company which was formed in 2004. As of the present date, the General Contractor has constructed (or has been selected to construct) over 4,100 beds, on eight (8) separate collegiate campuses (including the Series 2018 Project). The General Contractor’s headquarters are in Ft. Lauderdale, Florida, and it has offices in Oceanside and Sacramento, California.

The Developer will enter into a Construction Contract (the “**General Construction Contract**”) with the General Contractor dated September __, 2018, pursuant to which the General Contractor will agree to construct the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts. The General Construction Contract will have a lump sum guaranteed maximum price of \$89,000,000 (referred to as “**Project Construction Budget**”) and the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts will be required to be constructed for the Project Construction Budget, inclusive of the Construction Contingency. The Construction Contingency will be \$1,260,000. This amount will be available to the General Contractor to perform additional scope of work which may not have been included in the plans and specifications, are not owner changes, changes in the cost of work due to further development and completion of the design documents or to complete work. The General Contractor is a general contractor headquartered in Ft. Lauderdale, Florida, is licensed in the State, commenced business in 2004, and has advised the Borrower that during the past five (5) years it has served or is serving as general contractor for six (6) collegiate housing projects having an aggregate construction cost in excess of \$158,000,000. These projects include student housing projects at the following colleges/universities: Barry University in Miami Shores, Florida; Florida International University in Miami, Florida; Texas A&M University, in College Station, Texas; and Blinn College Junior College District of Washington County, Texas, in the City of Brenham, Texas.

The General Contractor will agree to comply with Federal, State and local tax laws, social security acts, unemployment compensation acts, State residential prevailing wage requirements, and workers' or workmen's compensation acts insofar as applicable to the performance of this Contract. The Project Construction Budget and Guaranteed Maximum Price for construction do not include any sum for changes in laws, taxes, tariffs or other similar charges that are not in effect as of the date of the General Construction Contract. Any increased costs or delays that may be incurred as a result of changes in such laws, taxes, tariffs or similar charges, the inability to procure materials at the cost anticipated, and/or in the time anticipated, due to price escalation or the need to change suppliers, will entitle General Contractor to an increase in the Guaranteed Maximum Price for construction. In addition, if the impact of changes in laws, taxes, tariffs or other similar charges, as well as the inability to procure materials, results in delays to the critical path of the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts, the General Contractor/Construction Manager will be entitled to a commensurate extension of the Contract Time and adjustment to the Guaranteed Maximum Price for construction to accommodate for same.

The Cash Flow in this Official Statement and the Guaranteed Maximum Price utilize residential prevailing wages for determination of the Construction Budget. The California Department of Industrial Relations (“DIR”) definition of residential projects includes apartments such as the Series 2018 Housing Facility that are up to and including four stories. The Developer and the District have been advised and believe that the Series 2018 Project qualifies for residential prevailing wages, however neither can offer assurance at this time. In the event that the DIR prescribes commercial rather than residential prevailing wages for the Series 2018 Project, the aggregate increase will not exceed \$6,000,000. If such higher wages were to be prescribed, the Developer, together with the Borrower and the District, will manage costs, by commercially responsible means including identifying project efficiencies and modifying or eliminating components and/or design features of the Series 2018 Project that would not impact the market desirability or performance of the Series 2018 Housing Facility, with the approval of the Borrower and the District, to cause the Series 2018 Project to be delivered substantially on time and within budget.

The General Construction Contract will require the General Contractor to furnish performance and payment bonds; however, there can be no assurance that the obligations of the surety under such bonds can be enforced without costly and time-consuming litigation. See “CERTAIN BONDHOLDERS’ RISKS – Risks of Construction.”

The General Construction Contract will provide that the General Contractor will agree to achieve Substantial Completion of its work not later than the Substantial Completion Date, as adjusted under the General Construction Contract, to allow those Eligible Residents who have executed leases or licenses to timely occupy a unit on or after the Substantial Completion Date. If General Contractor fails to achieve Substantial Completion of the work upon reaching the Substantial Completion Date, liquidated damages will be assessed in order to compensate the Developer for the damages that the Developer will reasonably incur, which damages are not readily ascertainable at the time of the execution of the General Construction Contract, including, but not limited to, carrying charges, lost income, additional interest, taxes, lost rental income, and overhead and administration costs. In the event that any of the Eligible Residents with executed leases or licenses with respect to designated units of the Series 2018 Housing Facility are not able to occupy such units on or before the specified Substantial Completion Date due to delays that are not excused under the General Construction Contract, then for those Eligible Residents with executed leases or licenses that are not able to occupy such units on or before the specified Substantial Completion Date, as adjusted by the General Construction Contract, the General Contractor will agree to pay to Developer, as liquidated damages (but not as a penalty) all reasonable and necessary costs to provide temporary housing, any reasonable and necessary public temporary transportation of Eligible Residents and any reasonable and necessary moving services to and from such temporary housing to the campus, plus a fee of twenty percent (2010%) of the costs listed above to cover administrative expenses.

If after achieving Substantial Completion, the General Contractor fails to achieve Final Completion within the time frames required in the General Construction Contract, General Contractor agrees to pay Developer liquidated damages in the amount of \$2,500 per day, until such time as Final Completion has been achieved as provided in the General Construction Contract.

The General Contractor will have no obligation to make payments on the Series 2018 Bonds. However, the obligations of the Developer under the Development Agreement to pay liquidated damages to the Borrower that are calculated to reimburse it for any costs incurred associated with providing the temporary alternative housing will be supported by the General Contractor's contractual agreement to pay liquidated damages to the Developer that are calculated to reimburse it for any costs incurred associated with paying for the temporary alternative housing.

THE ARCHITECT AND THE ARCHITECT'S AGREEMENT

The Developer will enter into an Agreement for Design Services (the "*Architect's Agreement*") with the HPI Architecture (the "*Architect*") relating to the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts.

Founded in 1975, HPI Architecture (formerly Hill Partnership) provides planning, architecture, and interior design services. The firm has completed significant higher education facilities in the Southern California region including: the Community Planetarium at Orange Coast College; the Santa Ana College Johnson Student Center; the California Baptist University School of Business; the California State University - San Bernardino Murillo Family Observatory; the Cerritos College Math/Computer Information Sciences & Fine Arts Building; the Mt. San Antonio College Business & Computer Technology Center; the Mt. San Antonio College STEM Center; the Braille Institute, Anaheim Campus; and the Los Angeles Unified School District's Stanley Mosk Elementary School and Porter Ranch Community School Classroom Addition.

THE MANAGER AND THE MANAGEMENT AGREEMENT

General

The Scion Group LLC (the “*Manager*”), was founded in 1999, and focuses exclusively on ownership, operation and advisory services for student housing, both on and off campus.

The Scion Group has participated in the acquisition or development of over 70,000 beds and advised colleges and universities, foundations and private-sector providers in more than 200 campus markets, representing over \$5.0 billion of project value.

Today, The Scion Group owns and operates over 60,000 beds at 90 communities, serving 55 major university campus markets across 26 states. Among the most active participants in the sector, the company has acquired or recapitalized more than \$4 billion of purpose-built student housing during the past three years, and has managed on-campus residences for several colleges and universities nationwide.

Key Personnel

A brief description of the education and professional background of the employees of the Manager having primary responsibility for the management of the Series 2018 Housing Facility follows:

Robert Bronstein – President. Robert Bronstein co-founded Scion and has led its growth over 18 years from a two-person consulting practice to North America’s leading private owner, operator and advisor of student housing, with over 1,700 employees. His experience in financing, developing, acquiring, operating and advising student housing spans more than 70,000 beds and over \$5.0 billion of project value.

Eric Bronstein – Executive Vice President. Eric Bronstein co-founded Scion and manages the company’s acquisitions and capital transactions, along with supervising its legal affairs and other select Technology departments. He has over 20 years’ experience in finance, real estate and commercial transactions, including as in-house counsel for a Fortune 100 company and in private law practice.

Mitchell Smith – Chief Operating Officer. Mitchell Smith is the executive in charge of Scion’s operating portfolio of over 60,000 beds of student housing at 55 campuses. He leads a team of hands-on specialists and supervises over 1,500 staff members who deliver industry-leading results. He has more than 20 years’ experience in operating on- and off-campus student housing.

Jay Pearlman. Jay Pearlman leads Scion’s Advisory Services practice, including client work and relations, research, marketing, and product and business development. He has over 20 years of experience developing and implementing advisory services in the college and university environment and is a recognized thought leader in higher-education planning.

Management Agreement

The Borrower will engage the Manager to manage and maintain the Series 2018 Housing Facility pursuant to a Management Agreement (the “*Management Agreement*”). Under the Management Agreement, the Manager will be responsible for the payment of operating expenses and the collection and deposit of rent into an account, all of which will be delivered by Manager to the Trustee not less frequently than each Friday (or if any Friday is not a Business Day, the immediately preceding Business Day), for deposit to the Revenue Fund. In addition to these duties, the Manager will assure proper scheduled maintenance of the Series 2018 Housing Facility, including daily, monthly, and annual maintenance requirements.

As provided in the Management Agreement, the Borrower has engaged the Manager to manage and operate the Series 2018 Housing Facility in accordance with the Ground Lease, as an agent for the Borrower, and the sole and exclusive management and leasing agent for the Series 2018 Housing Facility, subject to the terms and conditions set forth in the Management Agreement. The Management Agreement is subject to the Ground Lease and Loan Agreement. The Manager, as part of its duties under the Management Agreement, and except to the extent expressly otherwise provided in the Management Agreement, will be responsible for performing, as the Borrower's agent, all the obligations of the Borrower under the Ground Lease and Loan Agreement to the extent relating to the use, operation, leasing, management, maintenance and repair of the Series 2018 Housing Facility. The Manager will use commercially reasonable efforts to manage the Series 2018 Housing Facility in accordance with the provisions of the Ground Lease and the Management Agreement applicable to the operation, use, management, repair, and modification of the Series 2018 Housing Facility. The Manager has no duties under the Management Agreement or otherwise with respect to any obligations of Borrower under the Indenture except as expressly set forth in the Management Agreement.

Except for staff provided by the District to address residential life needs for the resident students, 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. Under the terms of the Loan Agreement, if the initial Manager ceases to serve as Manager, the Borrower will promptly employ, and at all times thereafter, employ, as the Manager, either (i) the District; or (ii) 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. Prior to entering into a contract with any successor Manager, the Borrower will deliver to the Trustee a Favorable Opinion of Bond Counsel.

The Manager's responsibilities under the Management Agreement will include hiring, training, and overseeing the on-site manager, one assistant manager, and one on-site maintenance supervisor. The Manager will agree to manage, operate, and maintain the Series 2018 Housing Facility in compliance with the standards, rules, and procedures outlined within the Ground Lease. In connection with the management, operation, and maintenance of the Series 2018 Housing Facility, the Manager will be required to provide, or cause to be provided, and be responsible for, among other things, (i) the preparation of a marketing plan for the Series 2018 Housing Facility and the supervision of all advertising layouts, brochures, campaigns, and model apartments; (ii) the preparation on behalf of, and with the approval of, the Borrower of the Series 2018 Housing Facility's operating budget describing in detail all of the revenue and expenses entailed in the operation and maintenance of the Series 2018 Housing Facility and the submission of the same to the advisory working group of the Borrower and the District for their approval; (iii) the preparation on behalf of, and with the approval of, the Borrower of a capital budget describing the source and use of funds necessary or appropriate to repair, replace, refurbish, remodel, or rehabilitate the Series 2018 Housing Facility or any of its capital components and the submission of the same to the Borrower and the District for their approval; (iv) the implementation of the marketing program, the operating budget, and capital budget; and (v) the collection of all rents and other charges due for services provided in connection with the use or occupancy of the Series 2018 Housing Facility.

The Borrower's rights under the Management Agreement will be assigned to the Trustee as security for the Series 2018 Bonds. The existence of the Management Agreement shall not preclude the District from directly managing the Series 2018 Housing Facility at some time in the future.

Term. The Management Agreement will commence upon the date of Substantial Completion and will continue for a period of five (5) years after the date of Substantial Completion. Thereafter, the Management Agreement will automatically renew for additional ten (10) additional three (3) year terms unless (a) either party provides written notice to the other party of such party's intent to terminate the Management Agreement at least one-hundred twenty (120) days prior to the expiration of the initial term

or any renewal term in which case the Management Agreement will terminate at the end the then-current initial or renewal term, or (b) the Management Agreement is terminated in accordance with the Indenture or other terms or conditions contained in the Management Agreement.

Leasing of Project. The Manager will (a) use commercially reasonable efforts to lease the Series 2018 Housing Facility as expeditiously as possible based upon the priority leasing set forth in the Coordination Agreement and the Ground Lease and (b) lease residential units within the Series 2018 Housing Facility only to Eligible Residents at rental rates equal to those set forth on the current Rent Schedule and any amendments thereto, except as may be otherwise expressly approved in writing by the Borrower from time to time. All inquiries for any lease(s) or renewals(s) for the leasing of the Series 2018 Housing Facility will be referred to the Manager and all negotiations connected therewith will be conducted by or under the direction of the Manager subject to the terms of the Management Agreement. All leases and other agreements with Eligible Residents will be on the Standard Lease Forms, except as may be otherwise expressly approved in writing by the Borrower from time to time. The Manager is authorized to execute, deliver and renew leases on behalf of the Borrower.

Employment of Personnel. Subject to reimbursement by the Borrower as provided in the Management Agreement, the Manager will investigate, hire, train, pay, supervise and discharge the personnel necessary to be employed in order to manage and lease the Series 2018 Housing Facility. Such personnel will in every instance be deemed employees of the Manager and not of the Borrower. The Manager will provide the biographic information for each employee to the Borrower. The Borrower will have no right to approve or disapprove any decisions relating to employment but may provide the Manager with its comments or suggestions. The Manager will be an equal opportunity employer and will conform to all applicable federal and state laws regarding employment. The Manager will not engage in or permit discrimination against any person or groups of persons on the grounds of race, color, handicap, religion, national origin, age, or sex in any manner prohibited by the laws of the United States or the State of California.

Service Contracts. In accordance with the Operating Plan (as defined in Appendix F hereto), the Manager will execute in the Series 2018 Housing Facility's name and on behalf of Owner, contracts for gas, water and reclaimed water (including water for domestic uses and for fire protection), electricity, sewer service, or any similar service (to the extent not obtained by College as required by the Ground Lease); landscape maintenance; security services; cleaning; washer and dryer rental; copier rental; cable TV; Internet; sign service; vending; telephone; vermin extermination; trash removal; web and graphics design and other necessary services. Any of the foregoing contracts which are entered into in arms-length transactions in accordance with applicable law on the basis of the Operating Plan will not require the Borrower's prior approval. The Manager will, on behalf of the Borrower and subject to the Annual Budget, place orders for such equipment, tools, appliances, materials and supplies as are necessary to properly manage and lease the Series 2018 Housing Facility. When taking bids or issuing purchase orders, the Manager will act at all times under the direction of the Borrower and will be under a duty to secure for and credit to the Borrower any discounts, commissions, or rebates obtained as a result of such purchases. All invoices for goods and services provided to or for the benefit of the Series 2018 Housing Facility will be reviewed by the Manager, and if approved, will be paid by the Manager (as an Expense of the Series 2018 Housing Facility) out of the Operating Account.

Maintenance and Repair of Property. The Manager will, subject to the parameters of the Annual Budget and as an Expense, maintain the buildings, appurtenances and grounds of the Series 2018 Housing Facility, including, without limitation thereof, interior and exterior cleaning, painting and decorating, plumbing, carpentry, and other normal maintenance and repair work and shall take all such actions as may be required to fulfill Owner's obligations to maintain and repair the Series 2018 Housing Facility set forth in the Ground Lease. No expense may be incurred except as may have been provided in the Annual Budget;

provided, however, that emergency repairs necessary for the preservation and safety of the Series 2018 Housing Facility or the avoidance of the suspension of any service to the Series 2018 Housing Facility or the protecting of life or property from serious injury or damage may be made by Manager out of the Operating Account, but the Manager will confer promptly with the Borrower regarding every such expenditure and will furnish a complete written report as soon as possible.

Collection of Monies. On behalf of the Borrower, the Manager will use reasonable good faith efforts to collect all rent and other charges due from residents, applicants and others. The Manager will deposit all collected funds daily or as frequently as reasonably practical into the Deposit Account or to such other account as may be directed by the Borrower from time to time upon written notice to the Manager.

Enforcement of Collections. On behalf of the Borrower, the Manager will request, demand, collect, receive and provide receipts for all rental and other income of the Series 2018 Housing Facility and may use commercially reasonable efforts to collect the same. (See “*Termination; Subletting/Delegation*” under the caption “FORM OF RESIDENT LEASE” below). The Manager may institute legal proceedings for the collection thereof and the dispossession and/or termination of the Eligible Resident's rights of possession or a contracting party's contractual agreement.

Manager Disbursements. From amounts deposited into the Operating Account pursuant to the Indenture, the Manager will cause to be disbursed regularly and punctually amounts due and payable as Expenses of the Project as authorized in the Operating Plan or as otherwise authorized to be incurred under the terms of the Management Agreement, which shall be paid before such amounts are delinquent. Except in an emergency, the Manager will not expend funds in any Annual Period in excess of amounts in the Annual Budget without prior approval of the Borrower.

Management Fee. The Management Fee will be a fixed fee equal to an amount that is four percent (4.0%) of the Actual Rental Revenue in any Annual Period or partial Annual Period. The Management Fee will be paid on a monthly basis and will be calculated and paid as provided in the Management Agreement as follows:

(1) the Borrower will agree to pay the Manager the Management Fee in monthly installments (the “**Monthly Management Fee**”), every month during operation of the Project until the Management Agreement is terminated (and including payment of any accrued and unpaid Management Fee earned during the term of the Management Agreement and paid promptly following termination, which obligation will survive termination of the Management Agreement).

(2) The Monthly Management Fee will be due and payable on the first business day of the calendar month immediately following the month for which such Monthly Management Fee was earned, calculated based on the Actual Rental Revenue received during such concluded month.

The Management Agreement will provide that the Manager will subordinate one-fourth of the Management Fee (i.e., the portion of the Management Fee equal to 1.0% of Actual Rental Revenue) to Debt Service Payments (as defined in the Indenture) (the “**Subordinated Management Fee**”). The Subordinated Management Fee will not be paid until such time as the requirements of Section 5.11(b) of the Indenture have been satisfied. In order to achieve such subordination, the Manager will forego payment of the Subordinated Management Fee each month until awaiting the final audit and the requirements of Section 5.11(b) of the Indenture are shown to be met.

To the extent amounts available in the applicable fund under the Indenture are insufficient to pay the Subordinated Management Fee when due, such amounts will be deferred to be paid with interest thereon pursuant to the terms of the Management Agreement until amounts are available for such payment in the

applicable Fund. Upon the fifth anniversary of the due date of such unpaid Subordinated Management Fee, such amounts will be paid and will no longer be subject to deferral. If any portion of the unpaid Subordinated Management Fee remains outstanding after such five year anniversary date, then the Trustee will be in receipt of an opinion of Bond Counsel stating that such nonpayment will not impair the exclusion of the interest on any Bonds from the gross income of the Borrower thereof for federal income tax purposes.

Reimbursable Expenses. The Borrower will also pay to the Manager, as an Expense of the Series 2018 Housing Facility, the costs of gross salaries, travel expenses, training costs, leasing bonuses, and other incentive compensation payments or pro-rata share thereof, including payroll taxes, insurance, worker's compensation, and other employee benefits of the on-site manager and staff so long as such costs are approved by the Borrower in the Annual Budget (collectively, the "**Reimbursable Expenses**"). Reimbursable Expenses will be due and payable on or before the first business day of each calendar month.

Separation of the Borrower's Monies. The Manager will establish and maintain on behalf of the Borrower, in a banking facility reasonably acceptable to the Borrower and in a manner to indicate the custodial nature thereof, (i) a separate bank account (the "**Deposit Account**") for the deposit of monies of the Borrower from the Series 2018 Housing Facility all of which will be delivered by the Manager to the Trustee not less frequently than each Friday (or if any Friday is not a Business Day, the immediately preceding Business Day) or such other time periods required by the Indenture, for deposit to the Revenue Fund created under the Indenture and (ii) a separate bank account (the "**Operating Account**") into which the Trustee will deposit, on the first business day of each month or such other time periods required by the Indenture, the funds necessary to pay the Expenses of the Project approved in the Annual Budget. The Borrower's monies will not be commingled with any funds of the Manager. The Manager will also establish such other special bank accounts as may be required by the Borrower or by law. Funds may be disbursed by the Manager from the Operating Account to cover Expenses of the Series 2018 Housing Facility approved in the Annual Budget. All payments to be made by the Manager under the Management Agreement will be made by check, ACH or wire drawn on the Operating Fund. The Manager will not be obligated to make any advance to or for the account of the Borrower or to pay any sums, except out of funds held in the Operating Fund, nor will the Manager be obligated to incur any liability or obligation for the account of the Borrower without assurance that the necessary funds for the discharge thereof will be provided. Any bank accounts established under this section will expressly be subject to the right of the Borrower, by written notice to the subject bank, at any time, to terminate the Manager's authority to write checks on such account.

The Borrower will be obligated to deposit funds for the operating costs associated with the Series 2018 Housing Facility approved in the Annual Budget in the Operating Account on the first day of each month (if the first day of the month is not a business day, such deposit shall be made on the preceding Business Day) or such other time periods required by the Indenture. The Manager will provide the Borrower with the estimated funds needed for such month no later than five (5) business days prior to the date of the deposit. All obligations of the Borrower under the Management Agreement (including, but not limited to, its indemnity obligations) shall be "non-recourse" and, accordingly, the Manager's sole source of satisfaction of such obligations shall be limited to the Borrower's interest in the Series 2018 Housing Facility and the rents, issues and surplus related thereto.

Default and Termination. As between the Borrower and the Manager, if either party will default in the performance of any of its obligations under the Management Agreement, and such default will continue for thirty (30) days after written notice from the other party designating such default, or either party will make any assignment for the benefit of creditors or there will be filed by or against either party any petition for adjudication as a bankrupt or for reorganization, or an arrangement, or for any relief under other debtor relief laws, the other party may terminate the Management Agreement by written notice at any time thereafter while such default or other events will be continuing and thereupon the Management

Agreement will forthwith terminate. If termination will occur, through default of the Borrower, the Manager will be paid its Reimbursable Expenses under the Management Agreement accrued through the date of such termination and all fees due to the Manager through the earlier of (i) one (1) year after the termination of the Management Agreement or (ii) the end of the term of the Management Agreement (as renewed). Such payment will be made through the normal course of payment in accordance with the Indenture. Termination of the Management Agreement because of the Borrower's default, will release the Manager from liability for failure to perform any of the duties or obligations of the Manager as expressed in the Management Agreement and required to be performed after such termination. If the Manager is in default under the Management Agreement and such default will continue for thirty (30) days after written notice from the Borrower, the Borrower may terminate the Management Agreement, and no payment will be due and owing to the Manager from and after the date of termination. Termination of the Management Agreement will not be the exclusive remedy available to the Borrower in the event of the Manager's default, and the Borrower will have such other rights and remedies as are available at law or in equity.

At the election of Manager, if the Management Fee paid to Manager has been reduced as a result of delayed payment of the Subordinated Management Fee, as provided under the Management Agreement, for at least twelve (12) consecutive months and all or a portion of such Subordinated Management Fee is then outstanding, Manager may terminate the Management Agreement one hundred and eighty (180) days after the Manager provides written notice of termination to the Borrower; provided, that upon such termination, the Manager will be paid its Reimbursable Expenses and Monthly Management Fee under the Management Agreement accrued through the date of such termination.

Upon any termination, the Manager will forthwith (a) surrender and deliver up to the Borrower, any and all control and/or authority over the Series 2018 Housing Facility and all rents and income of the Series 2018 Housing Facility and other monies of the Borrower on hand and in any bank account; (b) deliver to the Borrower as received any monies due the Borrower under the Management Agreement but received after such termination after deducting Reimbursable Expenses and fees due the Manager under the Management Agreement; (c) deliver to the Borrower all materials and supplies, keys and documents, and such other accountings, papers and records pertaining to the Management Agreement, as the Borrower will request; (d) assign such existing contracts relating to the operations and maintenance of the Series 2018 Housing Facility as the Borrower shall require, provided the Borrower will agree to assume and indemnify the Manager for all liability thereunder occurring after the termination of the Management Agreement; (e) provide to the Borrower hard copies of all Project related information in the on-site computer systems (as the Manager will retain all software); and (f) surrender and vacate the Series 2018 Housing Facility.

THE COORDINATION AGREEMENT

General and District Support

The District will agree in the Coordination Agreement that safe and affordable student housing assists the College in its educational mission; and that the ability to live on campus enhances the experience of students of the College in many positive ways. The Series 2018 Housing Facility is appropriate housing for its students and the District wishes to undertake the efforts listed below on behalf of the Borrower in achieving optimum use of the Series 2018 Housing Facility by the College's students. The terms of the Coordination Agreement will not prohibit the District from constructing or acquiring, or causing others to construct or acquire on its behalf, additional new student housing facilities serving students at its campus, and thereafter operating the same, subject to the provisions described below under the heading "*Non-Compete Agreement*."

The Coordination Agreement provides the following with respect to revenues from the Series 2018 Housing Facility:

Prioritization of the Series 2018 Housing Facility. The College will agree to direct students to the Series 2018 Housing Facility first among all other current and/or future housing options not owned by the Borrower that might be located on or adjacent to the Campus to ensure sufficient capacity of the Series 2018 Housing Facility. Among its available housing options for students, the College will agree to prioritize and recommend, as and when appropriate, the Series 2018 Housing Facility over other available housing options.

Non-Compete Agreement. Unless certain thresholds are first met, the District will agree to not sanction or build additional housing stock or provide other housing options for potential Eligible Residents over and above the Series 2018 Housing Facility. The thresholds shall include all of the following: (1) no Event of Default has occurred and is continuing under the Indenture or the Loan Agreement; (2) the Series 2018 Housing Facility has met a Fixed Charges Coverage Ratio of at least 1.20 for each of the last two Fiscal Years; (3) an independent consultant has delivered a report that the additional housing stock will not adversely affect occupancy of the Series 2018 Housing Facility that would result in a Fixed Charges Coverage Ratio of less than 1.20, and (4) the rating on the Series 2018 Bonds is not lower than the initial rating. In calculating the Fixed Charges Coverage Ratio set forth in clauses (2) and (3) in the immediately preceding sentence, all amounts paid by the District as set forth below under the heading “Lease Vacancy Provision” shall be excluded. Additional thresholds to ensure occupancy in light of a non-competitive agreement may be established by the Borrower and the District, which shall be based upon input from a housing consultant, such as depth of waiting lists, magnitude of rate increases, etc.

Fee Subordination. Should the District or the College agree to act in any contractual capacity with the Borrower regarding the Series 2018 Housing Facility (as property manager, collection agent, etc.) or agree to provide direct service to the Series 2018 Housing Facility, the District or the College, as applicable, may charge the Borrower a reasonable amount for such services; provided however, that payment for all such services shall be subordinate to the payment of debt service on the Series 2018 Bonds and any other payments prescribed by any financing documents related to the Series 2018 Housing Facility.

District Space; Priority College Rentals. The Borrower will make available to the College at least 21 beds for its use and periodic rental as described in the Ground Lease (collectively, the “**District Space**”). No later than 30 days prior to the completion of the Series 2018 Housing Facility, the District will enter into a separate agreement to lease the District Space, the rental for which shall be at prevailing lease rates being charged for other similar beds at the Series 2018 Housing Facility. The obligation of the District to lease the District Space shall be subject to the availability of such beds for its beneficial use and occupancy, it being understood that if such beds are otherwise unavailable either due to a casualty event or failure to complete the Series 2018 Housing Facility, the obligation of the District to lease such beds shall be subject to suspension during such period of time that such beds are unavailable for occupancy. All payments of rent made by the District for the District Space shall be paid directly to the Trustee. Neither the District nor the College will have any obligation to lease units in excess of the amount set forth in the Coordination Agreement.

Lease Vacancy Provision. In addition to the leasing of the District Space, the District will agree to lease a number of beds at prevailing lease rates being charged for other similar beds at the Series 2018 Housing Facility in order to create net revenue sufficient to allow the Borrower to meet its debt covenants under the Loan Agreement, *i.e.*, to generate sufficient net revenues to pay annual debt service on the Series 2018 Bonds (net of any capitalized interest) by a factor of 1.20 (not to exceed in any event 33% of the total potential gross rental revenues within the Series 2018 Housing Facility). Payments made in accordance with this paragraph will be paid directly to the Trustee. The obligation of the District to lease beds pursuant to this paragraph shall expire seven years following the completion of the Series 2018 Housing Facility and shall be subject to the availability of such beds for its beneficial use and occupancy, it being understood that if such beds are otherwise unavailable either due to a casualty event or failure to complete the Series

2018 Housing Facility, the obligation of the District to lease such beds shall be subject to suspension during such period of time that such beds are unavailable for occupancy.

The District makes the following additional covenants under the Coordination Agreement:

Code of Conduct. The College, the Borrower, and the Manager will collaborate to develop and enforce a “Tenant Code of Conduct” applicable to the Series 2018 Housing Facility and its Tenants. The Manager will have the authority to reassign or remove Tenants pursuant to the terms of the Tenants’ lease agreements (each, a “**Resident Lease**”), such as pursuant to the College’s request. In performing its duties with respect to student Tenants, the Manager will be guided by the College’s Student Code of Conduct and by other applicable Board Policies and Administrative Procedures. Except as provided in the Coordination Agreement, the College and the District will be responsible for enforcement of matters relating to student conduct at the Series 2018 Housing Facility.

Residence Life Integration. Student life programming is primarily the responsibility of the Manager. In this regard, the College, will provide feedback to the Manager on student life programming activities to be conducted at the Series 2018 Housing Facility to benefit the student Tenants and to further the educational mission of the College, and the College will also develop student life activities independently.

Security Services. The College will allow the College Blue Light security system to be installed at the Series 2018 Housing Facility at the Borrower’s expense and will monitor this security system at the District’s expense. The District will provide security services to the Parking Lot, to the Tennis Courts and to the perimeter of the Series 2018 Housing Facility on the same basis as it provides on the Campus. The College’s campus security will be the first responder to the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts to the same extent and in the same manner as provided in the other areas of the Campus. Notwithstanding the foregoing, the College and the District will not be responsible for matters occurring at the Series 2018 Housing Facility that elevate to those involving law enforcement or those involving the adjudication of local governmental law.

Term of Coordination Agreement

The Coordination Agreement provides for an initial term (“**Initial Term**”) commencing on the Commencement Date and ending on the expiration or earlier termination of the Ground Lease, and further that the Coordination Agreement may be terminated by the Borrower or the District, as applicable, in writing, with sixty (60) days prior notice (unless otherwise remedied by either party or by the Manager or Trustee on behalf of the Borrower with both the Manager and the Trustee having been provided 90) days prior written notice of such occurrence and given a reasonable opportunity to remedy such occurrence prior to such termination), upon the occurrence of any of the following:

Compromise of Health or Safety of College or Students. By the District, in the event that the District reasonably determines that the health, safety or welfare of any Tenant or any of the District’s staff, employees, students, trustees, directors, agents, or invitees, is compromised in any material and continuing respect as a result of the Borrower’s failure to perform its obligations under the Coordination Agreement.

Compromise of Health or Safety of the Borrower. By the Borrower, in the event that the Borrower reasonably determines that the health, safety, or welfare of any of the Borrower’s employees, directors, officers, or agents is compromised in any material and continuing respect as a result of the District’s failure to perform its obligations under the Coordination Agreement.

Termination or Suspension of License. By the District, in the event that any license held by the Borrower and materially necessary for the performance of its duties or services under the Coordination Agreement is terminated or suspended, unless (i) the Borrower or the Manager commences the process for the reinstatement of such license within 30 days after the termination or suspension of said license and there is no interruption in the services to be provided by the Borrower pursuant to the terms of the Coordination Agreement which materially and adversely affects the Tenants of the Series 2018 Housing Facility; (ii) the District is not subject to any criminal or civil liability during such interim period; and (iii) the Borrower pays all reasonable and necessary costs and expenses, including attorneys' fees and costs, incurred by the District in connection with the matter in question and in providing a substitute to perform the obligations of the Borrower under the Coordination Agreement during such period, provided, however, that the Borrower shall have the right to approve of any such substitute in any such scenario.

Responsibilities of the Borrower

The duties and responsibilities of the Borrower will include, without limitation, the following items. To the extent possible, all such duties and responsibilities are to be performed at the expense of the Borrower. Any costs incurred prior to the execution and delivery of the Coordination Agreement will be paid by the Developer, consistent with the terms and conditions of the Pre-development Agreement:

Management of Construction. Construction of the Project will be to the satisfaction of the District as described in the Ground Lease.

Delivery. The Borrower will work diligently with the District, the Developer and other members of the Project development team to attempt to deliver the Project on time and on budget as described in the Ground Lease.

Lease to Eligible Residents. As requested by the District, the Borrower will make the Units available to certain students, faculty and staff of the College and the District in the order of acceptance priority as follows: (i) full-time students at the College who meet the District's eligibility requirements; (ii) full-time students at one of the District's other colleges who meet the District's eligibility requirements; (iii) full-time faculty, staff, administrators, and other employees of the District; (iv) visiting scholars and other professionals serving one of the District's colleges, including the College; (v) part-time students at the College or the District who meet the District's eligibility requirements; and (vi) other individuals who are approved in writing by the District and the Borrower (together, the "**Eligible Residents**").

Priority College Rentals. The Borrower will agree to make available to the College certain beds for its use and periodic rental, to include beds for residence assistants (RAs) (the "**District Space**"). The District will agree that it will rent at least 19 RA beds each year and at least two beds for the College each year for use by the College for Eligible Residents as designated by the College from time to time.

Management of Series 2018 Housing Facility. Pursuant to the direction of the District, the Borrower will contract with a third-party manager (the "**Manager**") to manage the operations of the Series 2018 Housing Facility and the relations with the Tenants. The Manager will be experienced in the management of similar student housing projects. The Scion Group LLC is specified as the initial Manager of the Series 2018 Housing Facility. The Borrower will require the Manager to adhere strictly to all policies, procedures, and regulations of the District and the College while on the Property, including but not limited to, parking, smoking, security, and drug and alcohol policies. Subject to the terms of the Management Agreement, such management will not preclude the District from managing the Series 2018 Housing Facility at some time in the future. The College and District will consent to each such third-party management agreement. The Parking Lot and Tennis Courts will be managed by the District.

Student Life Initiatives. The Borrower will work with and consider any student life initiative proposals from the College or the District that enhances the experience of the Tenants at the Series 2018 Housing Facility. In the event the College or the District takes on the responsibility of any such initiatives, such an agreement would specify the District is not responsible for Series 2018 Housing Facility rents or occupancy, but rather is responsible for student programming and residence life aspects at the Series 2018 Housing Facility.

Maintenance of Series 2018 Housing Facility. The Borrower will, as a Series 2018 Housing Facility expense payable solely from the revenues provided by the Series 2018 Housing Facility, be responsible for all repair and maintenance of the Series 2018 Housing Facility and the costs thereof, including without limitation items that would or might be considered capital expenditures. The Borrower will maintain and manage the Series 2018 Housing Facility consistent with the rules and policies of the District for safe and appropriate residency of its students, such rules and policies are to be further described in a new “Residents Life Handbook” to be developed jointly by the Borrower and the District which may be subject to approval or ratification by the District’s Board of Trustees. The Residents Life Policy Handbook will be distributed to prospective tenants and agreed to by all Tenants of the Series 2018 Housing Facility as a condition of moving in.

Collection of Rents. The Borrower will make provisions for an agent to collect rents, additional rents and any and all fees and payments associated with occupying of the Series 2018 Housing Facility (the “*Agent*”). The Agent may be the Manager. Any and all revenues will be deposited into the funds and accounts in accordance with the Indenture and the Loan Agreement. The District will not be involved in the collection of rents and fees from the Tenants, except that the District will facilitate disbursement of financial aid funds for student Tenants, as necessary.

Marketing

Pursuant to the Coordination Agreement, the District will agree, for itself and on behalf of the College to (i) forward, in electronic format whenever possible, to prospective and current students inquiring about housing, materials prepared and provided by the Borrower, and approved for distribution by the College, regarding the Series 2018 Housing Facility (ii) identify the Series 2018 Housing Facility as “*Preferred Student Housing,*” post a link on its website to the Borrower’s website and provide a brief description about the Series 2018 Housing Facility on the College’s web site, (iii) to post information on Campus bulletin boards that the College has approved relative to the Series 2018 Housing Facility, and in accordance with District policies and regulations, provided this information clearly discloses that it is posted by the Borrower, and (iv) at the College’s discretion, to allow the Borrower to advertise the Series 2018 Housing Facility around campus or online (i.e., on social media outlets), provided the timing, manner and content of such advertising is approved by the College.

Advisory Working Group

Under the Coordination Agreement, there will be created an advisory working group (the “*Group*”) to consider operational issues related to the Series 2018 Housing Facility. The District and the Borrower will each appoint up to four individuals to participate in the Group whose general role will be to provide informed guidance on issues related to the Series 2018 Housing Facility. The specific areas of responsibilities of the Group will include marketing, student life, annual budgeting, and reviewing the budget at least semi-annually. Commencing six months prior to the Series 2018 Housing Facility opening, the Group will meet at least monthly to clarify the parties’ operational roles and responsibilities, and to develop processes, with the intent of offering a seamless experience for students living in the Series 2018 Housing Facility. Once the Series 2018 Housing Facility is opened, the Group will meet at least quarterly to review the operations and performance of the Series 2018 Housing Facility (including any pending

concerns of the Manager, the Borrower, or the College), rental rates for the following academic year, staffing, significant maintenance and repair issues, and programming. The District and the Borrower will each designate a single individual as representative to interact with the Manager regarding the Series 2018 Housing Facility, and the Manager also will designate a representative for this purpose.

THE GROUND LEASE

Pursuant to the Ground Lease, the District will lease the Property to the Borrower for its Term, subject to certain termination rights provided therein. Upon completion of the Parking Lot and Tennis Courts and acceptance thereof by the District pursuant to the terms of the Ground Lease, the Borrower shall release the Additional Property, together with all improvements thereon, to the District, such Additional Property shall no longer be leased to the Borrower, title will revert to the District, and the District shall operate such property. The annual rental payable by the Borrower under the Ground Lease will be equal to the Net Available Cash Flow. Net Available Cash Flow will equal the amount transferred from time to time to the Surplus Fund created under the Indenture after payment of the Subordinated Management Fee from amounts held in the Surplus Fund. The Ground Lease will terminate upon the payment in full of the Bonds.

The term (the “*Term*”) of the leasehold estate of the Borrower in the Property created under the Ground Lease will commence on the date of issuance of the Series 2018 Bonds and shall expire at 12:00 midnight on the earlier of (i) May 1, 2058; or (ii) the date on which the Bonds shall have been paid in full and the Indenture shall no longer be in effect, unless otherwise extended or sooner terminated in accordance with the provisions of the Ground Lease or by operation of law.

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

Lessee Events of Default Defined. The following shall be “*Lessee Events of Default*” under the Ground Lease, and the terms “*Lessee Event of Default*” or “*Lessee Default*” shall mean, whenever they are used in the Ground Lease, any one or more of the following events:

(i) The Rent due from Borrower or any part thereof, or any sum of money due or payable to the District from the Borrower under the provisions of the Ground Lease, shall not be paid on any day whereon such payment is due, and such default shall continue for a period of ten days after written notice by the District to the Borrower and the Trustee.

(ii) The Borrower shall 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 subsection (i) above, and to correct such failure within 30 days after written notice specifying such is given to the Borrower by the District. 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 District, it shall not constitute a Lessee Event of Default if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected in accordance with and subject to any directions or limitations of time established in writing by the District.

(iii) The Borrower shall be adjudicated a bankrupt.

(iv) 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 District to the Borrower to obtain such removal.

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

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

(vii) The Premises 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 District to the Borrower and the Trustee to obtain satisfaction or dissolution thereof.

Remedies. Subject to the provisions in the Ground Lease described under “– Mortgaging of the Leasehold – Mortgagee Leases” and “– Subordination” below, upon the occurrence of a Lessee Event of Default, the District may pursue one of the following remedies:

(i) Terminate the Ground Lease immediately upon written notice thereof to the Borrower, any notice required by any statute or law now or hereafter in force, being waived, and thereafter, without legal process, enter upon and take possession and control of the Premises to the complete exclusion of the Borrower. The District may also demand, collect, and retain all rents due from tenants occupying the Premises, and the District may otherwise treat and occupy the Premises as if the Ground Lease had expired of its own limitation. The failure of the District to exercise such rights after one or more Lessee Events of Default shall not be a waiver of the rights of the District upon the occurrence of any subsequent Lessee Event of Default; or

(ii) The District may require strict performance of all covenants and obligations therein as the same shall accrue or become due, including, but not limited to, the right to recover Rent and charges equivalent to Rent without terminating the Ground Lease and have the right of action therefor without awaiting the end of the Term; or

(iii) As the Borrower's legal representative, without terminating the Ground Lease, re-let the Premises upon obtaining the written consent of any Leasehold Mortgagee (the Trustee so long as any Bonds are Outstanding under the Indenture). The term “Leasehold Mortgagee” means the holder of the indebtedness secured by any Leasehold Mortgage or any agent or fiduciary therefor and any designee thereof for the purpose of taking title to the Borrower's interests in the Ground Lease or entering into a Mortgagee Lease. The term “Leasehold Mortgage” means, collectively, the Leasehold Deed of Trust, the Mortgage, and any other encumbrance of the Borrower's interest in the Ground Lease, subject to the approval of the District, as security for any indebtedness the Borrower or the Borrower's successors and assigns may incur, whether by deed to secure debt, mortgage, deed of trust, or other security instrument. The term “Mortgagee Lease” means a lease of the Premises entered into between a Leasehold Mortgagee, as lessee, and the District, as lessor, as a result of a termination of the Ground Lease by reason of any Lessee 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. Such re-letting may be accomplished without advertisement and by private negotiations for such term or terms and at such rental or rentals as the District in its sole discretion may deem proper and advisable, with the right to make alterations and repairs to the Premises. Upon each such re-letting:

(A) the Borrower shall be immediately liable to pay to the District, in addition to any sums due under the Ground Lease, the reasonable cost and expenses of such re-letting and of such alterations and repairs incurred by the District; and

(B) subject to applicable law, rents received by the District from such re-letting shall be applied: First, to the payment of any costs and expenses of such re-letting and of such alteration and repair; Second, to the payment of Rent due and unpaid under the Ground Lease; and Third, the residue, if any, shall be held by the District, in escrow, and (1) applied to the payment of the Rent as the same shall become due under the Ground Lease, and (2) if any balance shall then remain, paid to the Borrower at the termination of the Ground Lease. The District shall in no event be liable to the Borrower for any interest on said residue.

Lessor Events of Default. If the District shall fail to perform, or cause to be performed, any term, covenant, condition, or provision imposed upon it under the Ground Lease, or to correct such failure within 30 days after written notice specifying such is given to the District by the Borrower, such failure shall be a “Lessor Event of Default;” provided, that 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 Borrower, it shall not constitute a Lessor Event of Default if corrective action shall be instituted by the District within the applicable period and diligently pursued until the failure shall be corrected. Upon occurrence and during the continuation of any Lessor Event of Default, the Borrower and any Leasehold Mortgagee shall have the right to:

- (i) perform, on behalf of the District, any obligation of the District under the Ground Lease that the District has failed to perform;
- (ii) cure such Lessor Event of Default in any other manner; and
- (iii) pursue any combination of such remedies and/or any other right or remedy available to the Borrower in respect to the District on account of such Lessor Event of Default under the Ground Lease or at law or in equity, other than termination of the Ground Lease.

Recovery of Damages by the District. Subject to the provisions of the Ground Lease regarding rights of the Leasehold Mortgagee, upon the occurrence of a Lessee Event of Default, the District may, in addition to any other remedies that the District may have, recover from the Borrower all damages that it may reasonably incur by reason of the Lessee Event of Default, including, without limitation, the cost of recovering the Premises and reasonable attorneys’ fees and expenses and all other amounts recoverable pursuant to section 1951.2 of the California Civil Code. The District shall be obligated to take all reasonable steps to mitigate its damages. The amounts recoverable pursuant to section 1951.2 of the California Civil Code are as follows:

- (i) the worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus
- (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Borrower proves could have been reasonably avoided; plus
- (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Borrower proves could be reasonably avoided; plus

(iv) any other amount necessary to compensate the District for all the detriment proximately caused by the Borrower's failure to perform the Borrower's obligations under the Ground Lease or which in the ordinary course of things would be likely to result therefrom.

(v) As used in clauses (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the maximum rate an individual is permitted to charge by law. As used in clause (iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent.

The District May Obtain Possession. If the District obtains possession of the Premises under a judgment, or if the District by written notice declares the Ground Lease to be terminated because of a breach of the Ground Lease, then the District may repossess and enjoy the Premises, together with all additions alterations and improvements thereto, including the Improvements thereon. Any lawful reentry as provided for herein shall be allowed by the Borrower without hindrance, and the District shall not be liable in damages or guilty of trespass because of any such lawful reentry.

Termination. In the event of any termination of the Ground Lease, the Borrower's right, title, and interest in documents related to the Improvements shall become the property and vest in the District.

Mortgaging of the Leasehold. The Borrower, and every successor and assign of the Borrower, shall have the right in addition to any other rights granted in the Ground Lease to encumber its interest in the Ground Lease with the District's consent, under any one or more Leasehold Mortgages, upon the condition that all rights acquired under any such Leasehold Mortgage shall be subject to each of the provisions set forth in the Ground Lease and to all rights and interests of the District therein. In accordance with the foregoing, the District will consent under the Ground Lease to the Borrower's encumbrance of its interest in the Ground Lease pursuant to the Leasehold Deed of Trust. If, from time to time, the Borrower or the Borrower's successors and assigns shall encumber the Ground Lease with a Leasehold Deed of Trust, and if the holder thereof delivers to the District an executed counterpart of such Leasehold Deed of Trust, together with each assignment thereof certified by such holder to be true together with written notice specifying the name and address of such holder and the pertinent recording data with respect to such Leasehold Deed of Trust, the District agrees that, anything in the Ground Lease to the contrary notwithstanding, from and after the date of receipt by the District of such notice and for the term (duration) of such Leasehold Deed of Trust, the following provisions shall apply:

(a) ***Consent to Amendment.*** There shall be no cancellation, surrender or modification of the Ground Lease by the District or the Borrower without the prior written consent of any Leasehold Mortgagee. Notwithstanding the foregoing (but, in any event, subject to a Leasehold Mortgagee's curative rights set forth in clauses (c) and (d) below), nothing in the Ground Lease shall be deemed to prohibit the District from terminating the Ground Lease in accordance with its terms or exercising its option to purchase as provided for in the Ground Lease.

(b) ***Notices to Leasehold Mortgagees.*** The District, upon serving the Borrower with any notice of a Lessee Event of Default, failure to comply, or termination, shall simultaneously serve a copy of such notice on any Leasehold Mortgagee. In the event the District shall serve the Borrower with a notice of a failure to comply with any term, covenant, condition, or provision of the Ground Lease, the Leasehold Mortgagee shall then have the same period after service of the notice on it as is given to the Borrower to remedy or cause to be remedied such failure, and the District shall accept performances by or at the instigation of any Leasehold Mortgagee as if it had been done by the Borrower.

(c) *Curative Rights of Leasehold Mortgagees.* In addition to the rights granted to any Leasehold Mortgagee under clause (b) above, a Leasehold Mortgagee shall have an additional period of 90 days to remedy or cause to be remedied any Lessee Event of Default of which it shall receive notice.

(d) *Limitation Upon Termination Rights of the District.* If the District shall elect to terminate the Ground Lease upon the occurrence of a Lessee Event of Default, the Leasehold Mortgagee shall also have the right to postpone and extend the date of termination as fixed by the provisions of the Ground Lease for a period of not more than six months from the expiration of the 90-day period specified in clause (c) above, provided that the Leasehold Mortgagee shall pay the Rent and other charges required to be paid under the Ground Lease during such period, and provided further, that the Leasehold Mortgagee shall take steps necessary to acquire the Borrower's interest and estate in the Ground Lease by foreclosure of its Leasehold Mortgage or otherwise, and shall prosecute such action to completion with due diligence. If at the end of the 6-month period, the Leasehold Mortgagee shall be actively engaged in steps to acquire or sell the Borrower's interest in the Ground Lease, the time for Leasehold Mortgagee to comply with the provisions of this clause (d) shall be extended for such period as shall be reasonably necessary to complete these steps with reasonable diligence and continuity.

(e) *Assignment.* The District agrees that in the event of any foreclosure under any Leasehold Mortgage, either by judicial proceedings or under power of sale contained therein all right, title, and interest encumbered by such Leasehold Mortgage may, without the consent of the District, be assigned to and vested in the purchaser at such foreclosure sale subject and subordinate, however, to the rights, title, and interests of the District; and, notwithstanding that the District's consent to such assignment shall not have been obtained, any such assignee shall be vested by virtue of such assignment with any and all rights of the party whose estate was encumbered by such Leasehold Mortgage as though the District had consented thereto.

(f) *Mortgagee Leases.* The District agrees that in the event of a termination of the Ground Lease by reason of any Lessee Event of Default, and subject to the rights therein granted to Leasehold Mortgagees, the Leasehold Mortgagee shall have the option, but not the obligation, to enter into a Mortgagee Lease; provided:

(i) the Leasehold Mortgagee shall enter into a Mortgagee Lease within the six- month period specified in clause (d) above.

(ii) the Leasehold Mortgagee shall perform and observe all covenants contained in the Mortgagee Lease on the Borrower's part to be performed during such period of time commencing with the date of the execution of the Mortgagee Lease and terminating upon the abandonment or surrender of possession of the Premises under the Mortgagee Lease; provided, however, that if an event occurs that gives the District the right to terminate the Mortgagee Lease, as a condition to the exercise of such right of termination, the District shall either: (A) pay to the Leasehold Mortgagee the outstanding amount payable by the Borrower under the Loan Documents that shall in any event be sufficient to pay the Bonds in full in accordance with the provisions of the Loan Documents; or (B) assume in writing the Borrower's obligations under the Loan Documents and grant to the Leasehold Mortgagee a perfected, first priority security interest in the gross revenues generated by the operation of the Housing Facility for the purpose of securing such obligations.

(iii) the Leasehold Mortgagee, as lessee under the Mortgagee Lease shall have the same right, title and interest in and to the Premises and the right to use the buildings and improvements thereon as the Borrower had under the Ground Lease.

Notwithstanding anything else contained in the Ground Lease, if (x) an event shall occur that gives the District the right to terminate the Ground Lease and (y) the Leasehold Mortgagee shall not elect to enter

into a Mortgage Lease, then, as a condition to the District's right to terminate the Ground Lease, the District shall either (1) pay to the Leasehold Mortgagee the outstanding amount payable by the Borrower under the Loan Documents that shall in any event be sufficient to pay the Bonds in full in accordance with the provisions of the Loan Documents or (2) assume in writing the Borrower's obligations under the Loan Documents and grant to the Leasehold Mortgagee a perfected, first priority security interest in the gross revenues generated by the operation of the Housing Facility for the purpose of securing such obligations.

Subordination. Notwithstanding anything else contained in the Ground Lease, the District agrees that the financing of the design, acquisition, construction, furnishing, and equipping of the Project will directly benefit the District's operations and the District agrees that its interest in and to the rents, revenues, issues and profits relating to the operation of the Project, including, without limitation, all insurance proceeds, reserve funds and gross revenues, as well as any and all rights to any and all contracts, agreements and other instruments in connection with the design, acquisition, construction, equipping, installation and operation of the Project shall be junior and subordinate to the interest of the Trustee as granted or provided in any of the Loan Documents (collectively, the "***Project Collateral***"). So long as any of the indebtedness created, evidenced, or secured by any of the Loan Documents shall remain outstanding and unpaid, the District shall not exercise any rights or remedies with respect to the Project Collateral without obtaining in each instance the prior written consent of the Trustee as directed by a Majority of the Bondholders, as the case may be, which may be withheld in the sole discretion of the Trustee. Notwithstanding the foregoing, the District reserves its right to terminate the Ground Lease or exercise other remedies available to the District under the Ground Lease other than foreclosure on or assumption of the Project Collateral, upon the occurrence of a Lessee Event of Default, subject, however, to the limitations set forth in clauses (c) through (f) under "– Mortgaging of the Leasehold" above.

Option to Purchase. Throughout the Term of the Ground Lease, the District will have the right and option to purchase the Borrower's right, title, and interest in and to the Project, the Ground Lease, and the Resident Leases (collectively, the "***Optioned Property***"). The District may exercise such option to purchase the Borrower's right, title and interest in and to the Optioned Property by delivering written notice (the "Exercise Notice") of such exercise to the Borrower. If the option to purchase shall be exercised, the purchase price (the "Option Price") of the Borrower's right, title, and interest in and to the Optioned Property shall be equal to (i) the principal balance of all indebtedness secured by any Leasehold Mortgage then in effect, plus (ii) any premium payable upon the prepayment or redemption of such indebtedness, plus (iii) all interest accrued or to accrue on such sums through the date of payment or redemption of such indebtedness, plus (iv) all recording fees for satisfaction of the Borrower's loans relating to the Project, plus (v) all transfer taxes in connection with the sale of the Optioned Property and all recording fees in connection with recording of any deed and assignment, plus (vi) all other expenses incurred by the Borrower in connection with the Closing (as defined in the Ground Lease) not paid from the Operating Account, less (vii) amounts then on deposit with the Trustee under the Indenture which are available for prepayment or redemption of the Bonds. This provision for the District's option shall not be in derogation of the District's power of eminent domain.

The Optioned Property shall be conveyed free and clear of all loans, and shall 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, title search, and inspection of the Premises.

Upon the transfer of all of the Borrower's interest in the Optioned Property as described above, the Borrower shall be released from, and relieved of, all of its obligations under the Ground Lease without any further action on the part of the District or the Borrower.

FORM OF RESIDENT LEASE

The proposed Resident Lease will grant a limited license to a Tenant to access and make personal residential use of one assigned bedroom space in a Unit, together with its standard installed fixtures, plus shared use (or individual use, if a 1-bedroom apartment that is not double occupancy) of accompanying common areas, furnishings, fixtures and appliances in the assigned Unit, at the Series 2018 Housing Facility. As provided in the Ground Lease, the Borrower, and its successors and assigns, shall, without the consent or approval of the District, have the right, in the ordinary course of business, to enter into Resident Leases in accordance with the criteria set forth in the Coordination Agreement and the Management Agreement. None of the Indenture, the Loan Agreement, the Coordination Agreement or the Management Agreement specify particular terms of a proposed Resident Lease. The initial form of proposed Resident Lease is expected to include terms substantially similar to the following:

Occupancy. Only the named Tenant may occupy the assigned space. Tenant will occupy only the assigned bedroom space and no other bedroom within the Unit. Tenant will not allow another person to use a bedroom space or Unit in place of or in addition to Tenant, whether for compensation or otherwise, and will not offer to do so through advertising or listings. If the assigned Unit is designated as “double occupancy,” Tenant will share the assigned bedroom with another resident designated by the Borrower. Unless the assigned Unit is a 1-bedroom which is not double occupancy, the proposed Resident Lease is for use of a bedroom space located within a Unit in which multiple occupants share one common area (and, where applicable, the bedrooms and/or bathrooms).

Tenant will have access to the Series 2018 Housing Facility and the assigned bedroom space and Unit as of 1:00 pm on the Start Date, and this access will end as of 12:00 Noon on the End Date, each to be specified in the Resident Lease (the “*Resident Lease Term*”), unless early arrival or late departure is approved by the Borrower in writing, at additional cost to the Tenant.

Payment. Tenant will accept financial responsibility for the full Resident Lease Term of the proposed Resident Lease, regardless of whether the assigned bedroom space is occupied for the duration of the full Resident Lease Term or at all. The total rent is a fixed price for the entire Resident Lease Term and is payable in equal installments for convenience; there is no proration or adjustment for any partial month of occupancy.

Assignments. Unit and bedroom space assignments are made, and may be changed, only by the Borrower or its agent. Tenant may request to change assignments to a different Unit. Such change requests by the Tenant are expected to be only effective upon written approval by the Borrower in its discretion, provided that, among other things, Tenant must be in good standing under the proposed Resident Lease.

Termination; Subletting/Delegation. Once the proposed Resident Lease is signed by the Borrower and Tenant, Tenant can terminate occupancy by providing written notice to the Borrower and by fully vacating the premises, provided that Tenant will remain fully responsible for the total rent that would have accrued under the proposed Resident Lease, through the end of the full original Resident Lease Term, accelerated and payable at the time of termination. Tenant may not assign or transfer Tenant’s interest in the proposed Resident Lease, or any part of the proposed Resident Lease, nor sublet Tenant’s right to use the Series 2018 Housing Facility, Unit or bedroom space, or any part thereof. However, in the Borrower’s sole discretion, Tenant may delegate his or her right to use the Series 2018 Housing Facility to another person pursuant to the Borrower’s approved delegation form, signed by all parties, if Tenant is in good standing under the proposed Resident Lease and pays to the Borrower a delegation fee.

Utilities. The following utilities are expected to be included in the total rent set forth in the proposed Resident Lease: electricity, water/sewer, Internet access, cable television and trash disposal.

Tenant will be responsible for establishing and paying for telephone service and any other available utilities not provided above.

Responsibility for Damage. Tenant will be solely responsible for any damage, defacement or loss within the assigned bedroom space. All assigned residents of a Unit will be jointly and severally responsible for any damage, defacement or loss to common areas, other parts of the facility, fixtures or appliances, except for the portion of damages over \$100,000 where it is finally established that one or more other residents were solely at fault for the entire loss. Tenant will be fully responsible for the conduct of his or her guests, visitors, licensees and invitees (the “*Guests*”), including without limitation harm to individuals or damage or defacement of any part of the Series 2018 Housing Facility or its fixtures or property of third parties (including other residents) by such Guests.

Tenant’s Use; No Pets. The bedroom space and Unit may be used solely for private residential purposes and no other purposes. Tenant may not carry on any business or other enterprise from the bedroom space or Unit, nor use any Borrower-provided Internet connections for business purposes. No pets of any kind are allowed anywhere in or about the Series 2018 Housing Facility, except fish in small tanks to the extent approved by the Borrower in its sole discretion. Violation of the no-pet policy will subject Tenant to deep-cleaning and daily administration fees in the Borrower’s discretion, and may be considered as a termination of the proposed Resident Lease by Tenant with fees due and accelerated as provided in this section under the caption “Termination; Subletting/Delegation.”

Guests; Occupancy Limits. No more than one person may occupy a bedroom space (in designated double occupancy Units, no more than the two assigned residents may occupy a bedroom space), except for one or more minor children in the custody of Tenant that have been registered in writing with the Borrower, further subject to Unit occupancy limits. If Tenant desires to have an Overnight Guest (any person staying in the Tenant’s assigned bedroom space or Unit for more than three total nights in any 30-day period), then Tenant must register the Overnight Guest(s) with the Borrower. Tenant may not have Overnight Guest(s) for more than three consecutive nights, nor for more than six total nights in any 30-day period. In the event any unregistered or unauthorized Overnight Guest(s) are identified to be in or using a Unit or bedroom space, the Borrower may assess against the Tenant a fee of an amount, which may be \$60 per night, in addition to the right of the Borrower to declare Tenant in material breach of the proposed Resident Lease and pursue other available remedies. Although Tenant may have Guests from time to time, the Borrower reserves the right to restrict the number of persons permitted in or about a Unit at any time in the Borrower’s discretion, to protect safety and the quiet enjoyment of other residents. Guests may park only in designated guest parking areas, if any, and no Guest’s vehicle may remain at the Series 2018 Housing Facility for more than three days.

Breach by Tenant. Upon any breach by Tenant of the proposed Resident Lease or a prior agreement between Tenant and the Borrower, including community policies, the Borrower may without separate demand or notice except as provided by law, and in addition to other lawful remedies, do any one or more of the following: (i) collect any charge under the proposed Resident Lease or community policies, including reimbursement for costs of collection; (ii) sue to collect past due charges; (iii) terminate the proposed Resident Lease and Tenant’s right to occupy the premises and/or institute an action for eviction; (iv) sue to collect all unpaid rent and other charges at their worth at the time of award, which would become due through the End Date or until the bedroom space and all other bedroom spaces at the Series 2018 Housing Facility have been filled, with recovery by the Borrower of any discrepancy in rent rate and any expense incurred in obtaining the new resident contract; (v) report any information to credit reporting agencies. Without limitation, the Borrower may terminate the proposed Resident Lease for non-payment of rent or other charges, or upon any conduct by Tenant that is prohibited by or in breach of the proposed Resident Lease, or if, in the reasonable judgment of the Borrower, continued residency will or may be detrimental to the educational process or the health, safety and/or welfare of the other residents of the Series

2018 Housing Facility or any of the Series 2018 Housing Facility's personnel. Also, upon any breach by Tenant of the Resident Lease or a prior agreement between Tenant and the Borrower, resulting from the nonpayment of total rent, that is not remedied, each student Tenant will agree that the District by and on behalf of any of its operating community colleges (Orange Coast College, Coastline Community College and Golden West College) may (i) limit or preclude student Tenant from enrolling or reenrolling in any of its academic courses or programs, (ii) withhold or refuse to release the student Tenant's academic records or transcripts, and/or (iii) withhold or limit the transfer of academic or programmatic credits to other educational, degree-granting institutions, until such outstanding payments are made whole. Further, upon any termination as described in this paragraph, Tenant: (a) must fully vacate the bedroom space and Unit (including removing all personal belongings) within the time provided in the written notice given by the Borrower, and will have no further use of or access to the Series 2018 Housing Facility, the assigned Unit or bedroom space; and (b) will be fully responsible for all rent and other charges as if the proposed Resident Lease had been terminated by Tenant as described in this section under the caption "Termination; Subletting/Delegation."

Assumption of Risks; Liability. Tenant assumes all risks associated with use of the Series 2018 Housing Facility, and to the full extent permitted by law, will agree to hold harmless, release, defend and indemnify the Borrower and its affiliates, members, partners, officers, agents, management company and its and their respective employees (the "***Released Parties***") from all loss, liability and/or claims for injury or death to persons or damage or theft to property arising in whole or in part from: (i) the negligent acts, omissions or intentional wrongdoing of Tenant or his/her Guests; or (ii) the use, occupancy, presence at or other interaction with the Series 2018 Housing Facility or any part or contents thereof by Tenant or his or her Guests, including without limitation those injuries and damages caused by a Released Party's alleged or actual negligence or by breach of any express or implied warranty. The Released Parties will not be liable for injury, damage or loss caused by criminal conduct of other persons, including theft, assault, vandalism or other acts of third parties. Tenant will agree to indemnify each Released Party for any injuries to Tenant or any Guest or other person or property that arises in connection with occupancy or use by Tenant or any Guest of Tenant. Tenant further will agree to reimburse, indemnify and hold harmless Released Parties from any and all claims, lawsuits, actions, costs, damages (including liquidated damages as specified) or losses, including reasonable attorneys' fees and costs and expenses, that a Released Party incurs or may incur as a result of any breach of the proposed Resident Lease by Tenant. The forgoing will be binding to the fullest extent permitted by law.

Abandonment. If the assigned bedroom space or a Unit is abandoned or Tenant's right to use them has been terminated, the Borrower may, without notice, secure the bedroom space and/or Unit with new locks, store or dispose of any personal property left in the bedroom space or Unit by Tenant or Tenant's Guests, and re-assign the bedroom space and/or Unit to others for use. The Borrower, in its sole reasonable discretion in accordance with applicable law, will determine when a bedroom and/or Unit is abandoned. Upon abandonment, the Borrower may recover damages including without limitation the worth at the time of award of the amount by which the unpaid rent for the balance of the Resident Lease Term, including after the time of award, exceeds the amount of such rental loss for the same period that the Tenant proves could be reasonably avoided.

Vacating at End of Resident Lease Term; Renewal. The proposed Resident Lease does not automatically renew and the Borrower is not obligated to renew it. The Borrower reserves the right to contract with others for the premises at any time, for occupancy commencing after the End Date. Upon termination or expiration of the proposed Resident Lease for any reason, Tenant will immediately vacate and relinquish the bedroom space and entire Unit. If Tenant fails to vacate the bedroom space and Unit by the end of the Resident Lease Term or upon earlier termination of the proposed Resident Lease, Tenant will pay agreed holdover charges equal to three (3) times the daily pro-rated housing charges during the Resident Lease Term (but not more than the amount provided by law), plus associated expenses, including attorneys'

fees. In no event after termination or expiration of the proposed Resident Lease will it be deemed to be renewed or extended.

Claims. All claims, including without limitation claims for injury and/or death, will be governed by the internal laws of the State of California with respect to contracts made and events occurring therein, and that exclusive jurisdiction will be in the courts of Orange County, California. In any action for breach or other enforcement of this agreement, the prevailing party may recover all costs or fees incurred in connection with such matter, including reasonable attorneys' fees, as part of any judgment, in accordance with applicable law.

MARKET STUDY

Attached hereto as Appendix C is the "Student Housing Market Study for Orange Coast College" dated July 30, 2018 (the "**Market Study**"), prepared by MGT of America Consulting, LLC ("**MGT**") on behalf of the Developer. The primary purpose of the Market Study is to verify demand for the proposed addition of new housing on the Campus and evaluate the area's conventional apartment rental market. MGT employed a number of analytical tools and methodologies to determine the feasibility of the Series 2018 Housing Facility, including surveying a statistically significant population of current College students in order to test proposed unit designs and rental rates. The conclusions and findings contained in the Market Study are based upon information available at the time and assumptions about the outcome of future events. There can be no assurance that such projections will approximate actual results, and there is no assurance, representation, or warranty that such projections will be achieved. The conclusions and findings contained in the Market Study are based upon information available at the time and assumptions about the outcome of future events. There can be no assurance, representation, or warranty that such projections will approximate actual results, and there is no assurance, representation, or warranty that such projections will be achieved. See "CERTAIN BONDHOLDERS' RISKS – Actual Results May Differ from Cash Flow" and "– Forward Looking Statements." For discussion of the assumptions and methodology used in arriving at the conclusions and findings, see the Market Study which should be read in its entirety. MGT has consented to the use of the Market Study in this Official Statement.

MGT was established in Tallahassee, Florida in 1974, and has become a nationwide professional services firm that delivers a diverse range of services to a variety of public sector organizations and nonprofit groups. With a national reputation and track record of business from repeat clients, MGT provides customized solutions, objective research, creative recommendations, and quality products that respond to each client's unique needs and time requirements. The firm now boasts regional offices across the country and has conducted business in all 50 states as well as several foreign countries. MGT has multiple locations throughout the United States and has completed over 8,100 client engagements.

MGT has assisted clients to operate more efficiently and effectively by offering common-sense and implementable recommendations. Student housing is an important support component for most colleges and universities and is a primary tool for recruiting and retaining students. Campus leaders have been rethinking and reshaping student housing facilities and programs, and are promoting a renewed emphasis on the connections between academics and student living. MGT's philosophy recognizes that a strong residential learning environment is integral to the overall mission of a college, and contributes to student success.

MGT offers the following student housing consulting services, individually and in combination: Administrative and Organizational Reviews; Capacity Analysis; Comprehensive Housing Plans; Student Surveys; Demand Estimates; Facilities Condition Assessments; Feasibility Studies; Focus Groups; Financial Analyses; Off-Campus Rental Market Research; Peer Reviews (Competitive Analysis);

Privatized Housing Advisement; Project Pro Forma Development; Project Sequencing; and Rental Rate Analysis.

Among other things, the Market Study considers local housing stock and demand, and a survey of unit preference for the Series 2018 Housing Facility, as shown in Figure 32 in the Market Study attached as Appendix C. The survey instructed respondents to select only one as “Preferred,” select “Acceptable” for any units they would live in if their preferred unit were not available, and to select “Would Not Live There” for units they find unacceptable. About 12% of respondents selected “Would Not Live There” for all units; they are shown by the purple WNLA (Would Not Live in Any) bars below. When looking only at the units marked preferred, 20% of respondents chose the four-single-bedroom apartment. About 20% of respondents marked at least one unit as acceptable but did not mark any as preferred.

CASH FLOW

The table below is a cash flow projection (the “*Cash Flow*”) relating to the Series 2018 Housing Facility’s ability to generate revenues from operations sufficient to pay principal of and interest on the Series 2018 Bonds for each of the years ending June 30, 2021 through 2025. The Cash Flow has been prepared by the Developer and the Manager based on operating budgets formulated by the Manager. None of the Authority, the District, the Borrower, the Company or the Underwriter makes any representations with respect to the Cash Flow.

Fiscal Year Ending in June 30	2021	2022	2023	2024	2025
Revenue					
Gross Potential Rent	\$14,319,502	\$14,749,087	\$15,191,560	\$15,647,306	\$16,116,726
Other Income	43,179	44,474	45,808	47,182	48,598
Vacancy	(2,863,900)	(2,949,817)	(3,038,312)	(3,129,461)	(3,223,345)
Net Rental Revenue	11,498,780	11,843,744	12,199,056	12,565,028	12,941,978
Operating Expenses					
General & Administrative	75,850	78,126	80,470	82,884	85,370
Resident Services	296,292	305,180	314,336	323,766	333,479
Property Management Fee	344,963	355,312	365,972	376,951	388,259
Payroll	809,407	833,689	858,700	884,461	910,995
Turnover	194,304	200,133	206,137	212,321	218,691
Marketing	127,025	130,835	134,761	138,803	142,967
Repairs & Maintenance	86,975	89,584	92,272	95,040	97,891
Insurance	236,507	243,603	250,911	258,438	266,191
Total Operating Expense	2,171,323	2,236,463	2,303,557	2,372,665	2,443,843
Deposit Into Replacement Reserve Account	194,304	200,133	206,137	212,321	218,691
Total Operating Expense & Reserves	2,365,627	2,436,596	2,509,694	2,584,985	2,662,534
Net Operating Income	9,133,153	9,407,148	9,689,362	9,980,043	10,279,444
Additional Project Expenses					
Issuer/Trustee Fees	27,318	28,138	28,982	29,851	30,747
Borrower Expenses	76,703	79,004	81,374	83,816	86,330
Borrower Fee	85,000	87,550	90,177	92,882	95,668
Subtotal Additional Project Expenses	189,021	194,692	200,533	206,549	212,745
Total Cash Available for Debt Service	8,944,132	9,212,456	9,488,830	9,773,494	10,066,699
Debt Service					
Series 2018 Bonds Debt Service	7,578,250	7,583,500	7,590,000	7,597,500	7,605,750
Debt Service Reserve Fund Earnings		(175,590)	(175,590)	(175,590)	(175,590)
Capitalized Interest	(4,122,167)	-	-	-	-
Total Net Debt Service	3,456,083	7,407,910	7,414,410	7,421,910	7,430,160
Cashflow after Debt Service	5,488,049	1,804,546	2,074,420	2,351,584	2,636,539
Fixed Charge Coverage Ratio	2.59	1.24	1.28	1.32	1.35
Subordinated Expenses					
Property Management Fee	114,988	118,437	121,991	125,650	129,420
Operations Reserve Fund Deposit	607,789	18,234	18,781	19,344	19,924
Total Subordinated Expenses	722,777	136,671	140,771	144,994	149,344
Operations Reserve Fund Balance	607,789	626,022	644,803	664,147	684,072
Fixed Charge Coverage Ratio with Operations Reserve Fund	2.59	1.33	1.36	1.40	1.44
Net Available Cash Flow*	\$ 4,765,272	\$ 1,667,875	\$ 1,933,648	\$ 2,206,590	\$ 2,487,195

* Represents the District's Ground Lease payment to be applied to fund annual costs of Utility Services for the Series 2018 Housing Facility. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – The Ground Lease."

The Cash Flow is based on the following assumptions: Projected rental rates are those tested in the Market Study, increased by 3% to the expected date of Substantial Completion of the Series 2018 Housing Facility; Unit designs are those tested in the Market Study; Rent rates also increase by 3% per year during the projection period and through maturity of the Series 2018 Bonds (local market is currently growing approximately 4%-5% per year); and operating expenses of the Series 2018 Housing Facility, as provided by the Developer and the Property Manager, increase by 3% per year. Operating expenses of the Series 2018 Housing Facility, including deposits to the Repair and Replacement Fund, are based on an initial budget prepared by the Developer and the Manager and include annual deposits as required by the

Indenture. Repair and Replacement Fund deposits are established at \$225 per bed and grow at a rate of 3% per year thereafter. The Operations Contingency Fund is funded at 3 months of estimated monthly operating expenses for the following year. Occupancy rates are forecasted to achieve a blended rate of 80% during the lease year.

Additional assumptions with respect to debt service on the Series 2018 Bonds include the following prior to pricing. Debt service is structured in a mortgage style fashion with annual debt service being approximately level. Interest rate is assumed at an average of 4.35%. The Debt Service Reserve Fund is gross funded, with assumed interest earning thereon at an annual rate of 2.5%, contributing to the payment of debt service. The Capitalized Interest Fund is net funded through December 31, 2020, or six months after the anticipated delivery of the Series 2018 Housing Facility, with assumed interest earning thereon at an annual rate of 1.75% contributing to the payment of debt service. The Construction Fund is net funded, with the interest rate assumption of 1.75% over the life of the construction period. Debt is amortized over 35 years, with the retirement of the debt service reserve fund resulting in net debt service in the final year of \$0. The Cash Flow and the Guaranteed Maximum Price utilize residential prevailing wages. In the event that commercial rather than residential prevailing wages are applied to construction costs, the aggregate increase will not exceed \$6,000,000. See “THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT.”

First year’s estimated utilities are funded at closing at one and a half times (1.5x) the anticipated annual utility cost, to be available to reimburse the College for the payment of utilities. Thereafter, in addition to a Utility Plan that encourages energy savings and conservation, it is anticipated that the College will replenish the Utility Fund at the end of each year prior to realizing its annual lease rental payments from available funds.

The achievement of any financial projection is dependent upon future events, the occurrence of which cannot be assured. Therefore, the actual results achieved may vary from the Cash Flow. Such variation could be material. See “CERTAIN BONDHOLDERS’ RISKS – Actual Results May Differ from Cash Flow” and “– Forward Looking Statements.”

ASSIGNMENT OF CONTRACTS AND AGREEMENTS

The Borrower will, as security for the obligations of the Borrower to the Authority under Loan Agreement and the Series 2018 Note and subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in all of its right, title, and interest in and to the Coordination Agreement, the Management Agreement, the Development Agreement, the General Construction Contract, the Architect’s Agreement, and all other contracts and agreements relating to the development, design, or construction of the Series 2018 Housing Facility and the Series 2018 Additional Space. In the event of a default by the Borrower under the Loan Agreement, the Trustee will be entitled to enforce performance of the Development Agreement, but will not be required to perform the obligations of the Borrower as set forth in such contract. In the event of a default by the Borrower under the Loan Agreement and a default by the Developer under the Development Agreement, the Trustee will be entitled to enforce performance of the General Construction Contract and the Architect’s Agreement, but, unless the Trustee chooses to enforce performance of the General Construction Contract, will not be required to perform the obligations of the Developer as set forth in such contracts.

CERTAIN BONDHOLDERS’ RISKS

An investment in the Series 2018 Bonds involves certain risks. In order to identify such risks and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) and the transaction documents in order to make a

judgment as to whether the Series 2018 Bonds are an appropriate investment. This section sets forth certain risk factors that should be carefully considered by potential investors in connection with a purchase of the Series 2018 Bonds. Identified and summarized below are a number of considerations or risks that could adversely affect the operation of the Series 2018 Housing Facility, the Borrower, the District, the College and the Manager that should be considered by prospective purchasers. The factors listed below, among others, could materially and adversely affect the operations and financial condition of the Borrower, and the Borrower's ability to pay Loan Payments as and when necessary to pay principal of and interest on the Series 2018 Bonds, to an extent which cannot be determined at this time. This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive. There can be no assurance that other risk factors not identified in this Official Statement will not become material in the future.

Revenues from Operation of the Series 2018 Housing Facility

If the Borrower is unable to generate sufficient revenues from the operation of the Series 2018 Housing Facility to pay its operating expenses and principal of and interest on the Series 2018 Note, an Event of Default will occur under the Bond Documents. Upon an Event of Default, the Series 2018 Bonds may not be paid or may be paid before maturity or applicable redemption dates and a forfeiture of redemption premiums may result. The Borrower's ability to generate revenues and its overall financial condition may be adversely affected by a wide variety of future events and conditions including (i) a decline in the enrollment of the District, and, in particular, the College, (ii) increased competition from other schools, (iii) loss of accreditation, (iv) failure to meet applicable federal guidelines or some other event that results in students being ineligible for federal financial aid, and (v) cost overruns in connection with the Series 2018 Housing Facility or other capital improvements.

Limited Obligations of the Authority

The Series 2018 Bonds constitute limited obligations of the Authority and have three potential sources of payment. The sources of payment are as follows:

(a) Loan Payments received by the Trustee from the Borrower pursuant to the terms of the Indenture and the Loan Agreement.

The Authority has no obligation to pay the Series 2018 Bonds except from the Trust Estate, including Basic Loan Payments derived from the Loan Agreement. See APPENDIX F – “DEFINITIONS” for the definition of “*Trust Estate*.” The Series 2018 Bonds, together with interest and premium, if any, thereon, will not be or constitute general obligations or indebtedness of the State, the District, the Board of Trustees, or any other political subdivision of the State, but will be limited obligations of the Authority. Neither the faith and credit nor the taxing power of the State, the District, or any other agency or political subdivision thereof is pledged to the payment of the Debt Service Payments on the Series 2018 Bonds, and the owners of the Series 2018 Bonds, will not have the right to compel any exercise of the taxing power of the State, the District, or any other political subdivision of the State to pay the Series 2018 Bonds, any premium thereon, or the interest thereon. The Authority has no taxing power. The Borrower will be required to make Basic Loan Payments (the interest in which the Trustee has received by assignment from the Authority) to the Trustee in amounts sufficient to enable the Trustee to pay the Debt Service Payments on the Series 2018 Bonds. See APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE – Bond Fund.” The Basic Loan Payments will be derived solely from operation of the Series 2018 Housing Facility. However, no assurance can be made that the Borrower will generate sufficient revenues from the Series 2018 Housing Facility to pay Debt Service Payments on the Series 2018 Bonds after payment of operating expenses of the Series 2018 Housing Facility.

(b) Revenues received from operation of the Series 2018 Housing Facility by a receiver upon a default under the Indenture.

It has been the experience of lenders in recent years that attempts to have a receiver appointed to take charge of properties with respect to which loans have been made are frequently met with defensive measures such as the initiation of protracted litigation and the initiation of bankruptcy proceedings. Such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. See “CERTAIN BONDHOLDERS’ RISKS – Enforceability of Remedies” herein. Accordingly, prospects for uninterrupted payment of principal and interest on the Series 2018 Bonds in accordance with their terms are largely dependent upon Basic Loan Payments from the Borrower described in the preceding paragraph, which are wholly dependent upon the success of the Borrower in the operation of the Series 2018 Housing Facility.

(c) Proceeds realized from the sale or lease of the Borrower’s interest in the Series 2018 Housing Facility to a third party by the Trustee at or following foreclosure by the Trustee of the Leasehold Deed of Trust and proceeds realized from the liquidation of other security for the Series 2018 Bonds.

Debtors frequently employ defensive measures, such as protracted litigation and bankruptcy proceedings, in response to lenders’ efforts to foreclose on real property or otherwise to realize upon collateral to satisfy indebtedness that is in default. Such defensive measures can prevent, or greatly increase the expense and time involved in achieving, such foreclosure or other realization. In addition, the Trustee could experience difficulty in selling or leasing the real and personal property portion of the Series 2018 Housing Facility upon foreclosure due to the special purpose nature of a student, faculty, and staff housing facility, and the proceeds of such sale may not be sufficient to pay fully the owners of the Series 2018 Bonds. See “CERTAIN BONDHOLDERS’ RISKS – Enforceability of Remedies” herein. Accordingly, prospects for uninterrupted payment of principal and interest on the Series 2018 Bonds in accordance with their terms are largely dependent upon the Basic Loan Payments described in paragraph (a) above, which are wholly dependent upon the success of the Series 2018 Housing Facility. Even if the Series 2018 Housing Facility is operating in an efficient manner, other factors could affect the ability of the Borrower to make Basic Loan Payments under the Loan Agreement. The Borrower also may become engaged in other ventures in the future.

Limited Resources

The Borrower will have no substantial revenues or assets other than the Series 2018 Housing Facility. Furthermore, the Series 2018 Bonds are secured only by the operations and assets of the Series 2018 Housing Facility. Therefore, timely payment of Loan Payments under the Loan Agreement and the Series 2018 Note will be dependent upon the Borrower’s ability to generate revenues from the Series 2018 Housing Facility in amounts sufficient to pay its operating expense and such payments of principal of and premium, if any, and interest on the Series 2018 Bonds. If after payment of operating expenses, net revenues are insufficient to pay the principal of and premium, if any, and interest on the Series 2018 Bonds, the Borrower likely will have no moneys or assets other than the Series 2018 Housing Facility from which to make such payments.

Required Occupancy Levels and Rents

In order for the Borrower to generate sufficient revenues to enable it to make the payments at the times required under the Loan Agreement, the Series 2018 Housing Facility must meet certain occupancy levels and achieve certain rents. As described herein, pursuant to the Ground Lease and the Coordination Agreement, the District will agree to support, in part, the Series 2018 Housing Facility’s ability to maintain a Fixed Charges Coverage Ratio of at least 1.20 and will agree to take certain actions otherwise in support

of the Series 2018 Housing Facility, the obligation of the District to lease beds as such support to expire seven years following the completion of the Series 2018 Housing Facility. See “THE COORDINATION AGREEMENT” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Rate Covenant” herein. However, neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds. There can be no assurance, otherwise, that the Series 2018 Housing Facility will be able to meet and maintain such required occupancy and rent levels.

Special Use Nature of the Series 2018 Housing Facility

The Series 2018 Housing Facility will be constructed to serve as a student, faculty, and staff housing facility, and to provide limited additional space for the District, and is located on the Campus of the College. If it were necessary to sell the Borrower’s interest in the Ground Lease pursuant to the Leasehold Deed of Trust upon an Event of Default, the special use nature of the Series 2018 Housing Facility and the fact that the interest to be sold is in the nature of a leasehold interest and subject to the terms of the Ground Lease may curtail the purchase price that could be obtained, and the net proceeds received may be less than the principal amount of Series 2018 Bonds Outstanding. For all practical purposes, payment of the Series 2018 Bonds will be primarily dependent upon the continued operation of the Series 2018 Housing Facility.

Risks Associated with the Ground Lease

Neither the Authority nor the Borrower will have fee title to the Property. Instead, the Borrower will lease the Property from the District pursuant to the Ground Lease. The Borrower’s obligation to comply with the terms of the Ground Lease and to relinquish any claim to the Series 2018 Housing Facility upon the termination of the Ground Lease will likely render the Series 2018 Housing Facility less valuable to prospective purchasers upon foreclosure. See “THE GROUND LEASE” herein.

Special Purpose Entity

The Borrower is a special purposes entity created for the sole purpose of entering into the transactions represented by the Borrower Documents. The Borrower will have no substantial revenues or assets other than the Series 2018 Housing Facility and will have no source of revenues other than those derived from its operations of the Series 2018 Housing Facility. In the event the operation of the Series 2018 Housing Facility do not generate sufficient revenues to provide for the repayment of the Series 2018 Bonds, no funds will be available from any other source.

The District

The Coordination Agreement and the Ground Lease contain provisions requiring the District to meet certain obligations to the Borrower including rent with respect to a fixed number of beds and, in certain circumstances, to lease a number of beds at prevailing lease rates being charged for other similar beds at the Series 2018 Housing Facility in order to create net revenue sufficient to allow the Series 2018 Housing Facility to meet its debt covenants under the Loan Agreement. See “THE COORDINATION AGREEMENT” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Rate Covenant” herein. Should the revenues from the Series 2018 Housing Facility, after having paid Expenses and made any required deposits under the Indenture, fail to generate sufficient net revenues to pay annual debt service on the Series 2018 Bonds (net of any capitalized interest) by a factor of 1.20, the District will agree to lease the number of available beds sufficient to generate net revenue equal to the required Fixed Charges Coverage Ratio of 1.20 pursuant to the Loan Agreement. The obligation of the District to lease beds pursuant to such agreement will expire seven years following the completion of the Series 2018 Housing Facility and shall be subject to the availability of such beds for its beneficial use and

occupancy, it being understood that if such beds are otherwise unavailable either due to a casualty event or failure to complete the Series 2018 Housing Facility, the obligation of the District to lease such beds shall be subject to suspension during such period of time that such beds are unavailable for occupancy. Neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or premium, if any, or interest on the Series 2018 Note or the Series 2018 Bonds.

Rate Setting

The Borrower will agree to operate the Series 2018 Housing Facility as a revenue producing student, faculty and staff 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 Series 2018 Housing Facility and to provide all payments required to be made by the Borrower under the Loan Agreement. 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 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 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. Further, the Manager shall set rental rates in the annual operating budget consistent with any revised Repair and Replacement Fund requirement. As provided in the Coordination Agreement, a Working Group composed of representatives of the Borrower and the College will review and provide informed guidance from such party's perspective with respect to marketing, student life, annual budgeting, and budget review, at least semi-annually and, once the Series 2018 Housing Facility is opened, the Working Group will meet at least quarterly to review the operations and performance of the Series 2018 Housing Facility (including any pending concerns of either the Manager, the Borrower, or the College), rental rates for the following academic year, staffing, significant maintenance and repair issues, and programming. Additionally, the Borrower and the District will each designate a representative to interact with the Manager regarding the Series 2018 Housing Facility, and the Manager will designate a representative for this purpose. Although delegated to the Borrower, rate setting is subject to market conditions and student budget and financial aid limitations. No assurance can be made that the Borrower will generate sufficient revenues from the Series 2018 Housing Facility to pay Debt Service Payments on the Series 2018 Bonds after payment of operating expenses of the Series 2018 Housing Facility.

Vitality of the College; Competition for Students

Competition among peer colleges and universities and changing trends in higher education may inhibit the extent to which the Borrower will be able to capitalize upon student and employee populations and, as a result, to meet certain occupancy levels and achieve certain rents necessary to meet the assumptions and projections in the Cash Flow and this Official Statement. The College's regional stature and the District's consolidated revenues, expenses, assets and liabilities may be affected by events, developments and conditions relating generally to, among other things, the ability of the College (i) to conduct educational and extracurricular activities of the types and quality required to maintain its stature, (ii) to generate sufficient revenues, while controlling expenses, to adequately fund the cost of these activities, (iii) to attract faculty, staff and management necessary to conduct these activities, (iv) to attract a student body of commensurate quality, and (v) to build and maintain the facilities necessary to conduct these activities. The majority of the College's student body is comprised of Orange County residents, with a sizeable minority (approximately 34%) from the rest of California or outside the state. Both the College and the District have seen an increase in international students every year since 2012. See APPENDIX A – "INFORMATION CONCERNING ORANGE COAST COLLEGE AND COAST COMMUNITY COLLEGE DISTRICT."

In turn, success in these areas depends upon the ability of the District, the College and its management to respond to substantial challenges in a rapidly changing environment including, among others, (i) developments in the regional, national and global economies, such as a protracted economic recession; (ii) volatility in the global financial markets, variations in economic growth, changes in monetary policy and taxation, and the adequacy of the District's investment management policies and the performance of its investments in the face of such challenges, all of which may substantially reduce amounts distributable for operations and contributed by its donors to support College operations and capital needs; (iii) changes in the direction of demographic trends determining the number of college- and post-graduate aged persons in the general population; (iv) the occurrence of national or international calamities; (v) changes in the competitive appeal and perceived quality of the College's curriculum; and (vi) changes in the demand for post-high school education and for certain degrees.

A variety of additional risks, uncertainties and other factors may affect the financial strength and stature of the College. By its nature, the College is an open environment, potentially vulnerable to disruption of operations, injury and damage notwithstanding its security and public safety programs. It is subject to governmental investigations and enforcement action and private suits, and may incur substantial costs of defense, sanctions, penalties and reputational harm for violation of laws applicable to the College in its routine operations.

The events, developments and conditions described above are, or may be, of a magnitude such that they could have a material adverse effect on the financial results and condition of the College however effective the College's response thereto.

Geographic Concentration

The occupancy rates of the Series 2018 Housing Facility may be adversely affected by regional and local economic conditions, competitive conditions, local laws and regulations, and general real estate market conditions, including the supply, proximity, and amenities of apartment communities in the area.

Insurance and Legal Proceedings

The Borrower will carry property and general liability insurance in amounts believed by the Borrower to be adequate and consistent with industry practices. See APPENDIX G – "SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Insurance." However, there can be no assurance that any current or future claims will be covered by or will not exceed applicable insurance coverage. No casualty will entitle the Borrower to any postponement, abatement, or diminution of the Basic Loan Payments. See APPENDIX G – "SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Destruction and Damage."

Competition

The housing industry is highly competitive. Such competition may inhibit the extent to which the Borrower will be able to increase rates and charges and maintain or increase occupancy of the Series 2018 Housing Facility. Competing companies may offer newer or different projects, amenities, or services and thereby attract occupants who are current or potential occupants of the Series 2018 Housing Facility. MGT, in completing the Market Study, identified and collected data from 22 apartment complexes on a list of properties compiled based on Internet research, visual observation, and assistance from Servitas; data included unit types, size, rent, policies, amenities, and occupancy. The sample represents over 1,000 units; 17 are located within two miles of campus. Any of the Developer or, under certain circumstances, the Borrower, the District, or the College may acquire or develop additional housing facilities that compete

with the Series 2018 Housing Facility. See “THE COORDINATION AGREEMENT – General and District Support – *Non-Compete Agreement*” herein.

Rental housing in the City of Costa Mesa is not subject to rent control, however, with California experiencing a statewide shortage of affordable housing, the California legislature considered through committee in the past two years a bill would have repealed the 1995 Costa-Hawkins Rental Housing Act, which exempts newly constructed housing from rent control laws and prevents cities from limiting a landlord’s ability to raise rents on a unit after a tenant moves out. The bill was introduced in February of last year, but was put on hold. In October 2017, tenant advocate groups, along with the AIDS Healthcare Foundation, brought the issue back into the public spotlight when they proposed a ballot initiative that would repeal Costa Hawkins. Nearby Santa Ana has considered whether to become the first city in Orange County to implement rent control on apartments and houses and took public comments from residents and presentations from experts on the issue in 2018. The city cited census data showing a 10 percent increase in median rent from 2010 to 2016 and increased gentrification in the city. At the same time, the city’s median household income fell by 1.5 percent during that time period and the County’s housing market has become increasingly tight. Both rent control and the construction of more housing as solutions to changes in a housing market and the need to increase housing affordability by increasing affordable housing may inhibit the extent to which the Borrower will be able to increase rates and charges and maintain or increase occupancy of the Series 2018 Housing Facility.

Government Regulation

The housing industry is significantly regulated by the federal and local government. Regulations and conditions affecting the acquisition, development, and ownership of residential real estate, including local zoning and land use issues, environmental regulations, the Americans with Disabilities Act, the Fair Housing Amendments Act of 1988, and general conditions in the market, could increase the operating expenses of the Series 2018 Housing Facility or could otherwise have a material adverse effect on the operation thereof.

Risks of Construction

On the basis the Developer’s representation, management of the Borrower believes that the proceeds of the Series 2018 Bonds will be sufficient to complete the Series 2018 Project; however, the cost of construction of the Series 2018 Project may be affected by factors beyond the control of the Borrower, including strikes, material shortages, adverse weather conditions, subcontractor defaults, delays, and unknown contingencies.

The General Construction Contract between the Developer and the General Contractor will obligate the General Contractor to complete the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts within a specified time for a fixed price. The General Construction Contract will require the General Contractor to furnish performance and payment bonds; however, there can be no assurance that the obligations of the surety under such bonds can be enforced without costly and time-consuming litigation.

If cost overruns resulting from delays, change orders, or other causes are experienced, the Developer will be obligated, subject to *force majeure* and eminent domain, to complete the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts at its own expense. To the extent that construction is delayed or halted due to acts of *force majeure* or eminent domain, neither the Authority, the Borrower, the District, the College nor the General Contractor will have any obligation to provide for such completion. In the event the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts is not completed, the only meaningful security for the owners of the Series 2018 Bonds would be the right to foreclose under the Leasehold Deed of Trust on the Borrower’s interest in the uncompleted Series 2018 Housing Facility, the

Parking Lot and the Tennis Courts. While the Indenture permits the Authority to issue Additional Bonds to complete the Series 2018 Housing Facility, the Authority is not obligated to issue such Additional Bonds and there can be no assurance that a purchaser for such Additional Bonds could be obtained.

The Series 2018 Project is subject to the risk of delays due to a variety of factors including, among others, delays in obtaining the necessary permits, licenses and other governmental approvals, site difficulties, labor disputes, delays in delivery and shortage of materials, weather conditions, fire and other casualties and default by the Borrower, the Contractor or subcontractors. If completion of the Series 2018 Project is delayed beyond the estimated construction period, the cost of completing the Series 2018 Project may increase. In addition, if operation of the Series 2018 Housing Facility is delayed the amount available to pay interest on the Series 2018 Bonds may be exhausted and the ability of the Borrower to make required payments may be adversely affected. Thus, a delay could adversely affect the ability of the Borrower to meet the debt service requirements of the Series 2018 Bonds and the operating expenses of the Borrower. The Borrower believes that the proceeds of the Series 2018 Bonds, together with funds provided by the Borrower, and Completion Bonds, if necessary, will be sufficient to finance the costs of the Series 2018 Project. The Orange County Water District has agreed to a not-to-exceed amount of \$1.2 million for the construction of the Monitoring Well for reimbursement of its costs.

Notwithstanding the measures taken by the Borrower to mitigate construction risk, there can be no assurance that the contract terms and financial instruments described above and any available insurance proceeds will be sufficient to cover the costs resulting from delay or unforeseen cost overruns and other events or to provide cash to the Borrower to complete the construction of the Series 2018 Project or to pay Loan Payments as and when necessary to pay principal of and interest on the Series 2018 Bonds.

Risk of Natural Disasters

Like many areas of California, the Property is subject to seismic activity. The Property is located in a seismically active region and the Property could be impacted by a major earthquake originating from the numerous faults in the area. There are four major faults or zones which present seismic hazards for Costa Mesa: Newport-Inglewood structural zone; Whittier fault zone; San Andreas fault zone; and San Jacinto fault zone. Other faults with lesser seismic hazard include the El Modeno, Norwalk, Palos Verdes, 4-S Ranch and Aliso Faults. Portions of the City, the District and the Property may also be subject to localized or more widespread flooding. See terms for provision of insurance policies for the period during and then for the period after construction of the Series 2018 Housing Facility. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Title and Property Insurance.” If the Property is substantially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that timely payment of Debt Service Payments on the Series 2018 Bonds will be impaired. Such payments will be dependent upon the Borrower’s ability to generate revenues from the Series 2018 Housing Facility in amounts sufficient to pay its operating expense and such payments of principal of and premium, if any, and interest on the Series 2018 Bonds.

Apart from the Net Proceeds of insurance, none of the Borrower, the Authority or the District will have any obligation to expend any funds to repair or replace such damaged or destroyed property. If any Property so damaged or destroyed is not repaired or replaced within the period during which the proceeds of rental interruption insurance or amounts in the Debt Service Reserve Fund are available, available net revenues are likely to be insufficient to pay the principal of and premium, if any, and interest on the Series 2018 Bonds. If after payment of operating expenses, net revenues are insufficient to pay the principal of and premium, if any, and interest on the Series 2018 Bonds, the Borrower likely will have no moneys or assets other than the Series 2018 Housing Facility from which to make such payments.

Discovery of a Hazardous Substance That Would Limit the Beneficial Use of the Property

In general, the owners and lessees of a parcel may be required by law to remedy conditions of the property relating to the releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 sometimes referred to as CERCLA or the Superfund Act, is the most well known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or lessee) is obligated to remedy a hazardous substance condition of property whether or not the owner (or lessee) had any involvement in creating or handling the hazardous substance. The effect, therefore, should the Property be affected by a hazardous substance, might be to limit the beneficial use of the Property upon discovery and during remediation. An environmental site assessment of the Property has been completed and identified no material issues. See “Environmental Matters” below. None of the Borrower, the Authority or the District is aware of any such factor affecting the Property.

Risk of Uninsured or Underinsured Loss

The Borrower will covenant in the Loan Agreement to maintain certain types of insurance with respect to the Series 2018 Housing Facility. See APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE LOAN AGREEMENT – Insurance.” These insurance policies will not cover all types of risk and will contain both deductible and maximum loss payment provisions. The Series 2018 Housing Facility could be damaged or destroyed due to earthquake or other casualty for which the Series 2018 Housing Facility is uninsured or underinsured. Additionally, there can be no assurance that the Borrower’s insurance providers will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies or that that amounts received as proceeds from insurance on the Series 2018 Housing Facility will be sufficient to repair the Series 2018 Housing Facility or to redeem the Series 2018 Bonds.

Environmental Matters

Pursuant to the Loan Agreement, the Borrower has made certain covenants and warranties with respect to Environmental Regulations (as defined therein) regarding the Property and the Additional Property. Although no significant environmental issues have yet arisen with respect to the construction of the Series 2018 Project, there can be no assurance that environmental matters will not arise relating to the Series 2018 Project in the future or that the Borrower will not incur significant expenses related to any such environmental conditions if found liable for such conditions. In particular, normal construction activity could trigger the need for additional permits dealing with, among other things, such issues as construction noise, accidental spills or discharges, equipment malfunctions or removal of contamination disturbed by such activity.

In anticipation of the execution and delivery of the Ground Lease, the Developer retained Dudek (the “Environmental Engineer”) to conduct an environmental site assessment and to prepare a California Environmental Quality Act (“CEQA”) Report dated June of 2015 (the “CEQA Site Assessment”) of the Property. The Environmental Engineer identified no concerns. While such report may be made available for inspection, prospective purchasers of the Series 2018 Bonds may not rely upon the findings contained in the CEQA Site Assessment or upon any action or undertaking of the Developer in connection therewith.

The Borrower is not aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants at the Property. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the Borrower could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the Property. In addition, under applicable environmental

statutes, in the event an enforcement action were initiated, a lien superior to the Trustee's lien on behalf of the Bondholders could attach to the Project, which would adversely affect the Trustee's ability to realize value from the disposition of the Borrower's interest in the Project upon foreclosure of the Leasehold Deed of Trust. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Project under the Indenture, the Trustee and the Bondholders would need to take into account the potential liability of any tenant of the Project, including a tenant by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

Pledge and Assignment of, and Grant of Security Interest in, Future Revenues

Under the Security Agreement, the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, (i) the Equipment, (ii) the Pledged Revenues, (iii) the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Housing Facility, (iv) the Inventory, (v) any and all tenant contracts, rental agreements, franchise agreements, construction contracts, and other contracts, licenses and permits affecting the Housing Facility, and (vi) all proceeds of any of the foregoing. Nevertheless, certain interests and claims of others may be on a parity with or prior to the grant of security interest made in the Loan Agreement and/or Security Agreement and in the Indenture and certain statutes and other provisions may limit the Borrower's and the Authority's rights to make such pledges, assignments, and/or grants of security interests. Examples of such claims, interests, and provisions are:

- (i) statutory liens;
- (ii) the California Uniform Commercial Code may not recognize a security interest in future revenues derived from the Project;
- (iii) constructive trusts, equitable liens, or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction;
- (iv) federal bankruptcy laws as they affect amounts earned with respect to the Project after any effectual institution of bankruptcy proceedings by or against the Borrower or the Authority;
- (v) as to those items in which a security interest can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Trustee;
- (vi) items not in possession of the Trustee, the records to which are located or moved outside the State of California, which are thereby not subject to or are removed from the operation of California law; and
- (vii) the requirement that appropriate continuation statements be filed in accordance with the California Uniform Commercial Code as from time to time in effect.

Enforceability of Remedies

The Series 2018 Bonds are payable from the Trust Estate, including payments to be made under the Loan Agreement and the Indenture. The payments to be made by the Borrower under the Loan Agreement are secured by (i) a first deed of trust lien on the Borrower's interest in the Project and the Property pursuant to the Leasehold Deed of Trust, (ii) a grant to the Trustee of a security interest in (a) the Borrower's interest in the rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and

benefits of and from the Project and from and in connection with the Borrower's ownership or operation of the Project and (b) all leases of all or part of the Project and any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, concessions, and other contracts, expenses, and permits pursuant to the Leasehold Deed of Trust, (iii) a pledge and assignment of, and a grant of a security interest in, the Pledged Revenues, (iv) a pledge and assignment of, and a grant of a security interest in, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Project pursuant to the Security Agreement, and (v) a grant of a security interest in Inventory and in the Equipment pursuant to the Security Agreement, all subject to Permitted Encumbrances. Pursuant to the Indenture, the Series 2018 Bonds are secured by the Trust Estate, including the grant of a security interest to the Trustee in, the Authority's interest in the Loan Agreement. The practical realization of value upon any default will depend upon the exercise of various remedies specified by the Bond Documents. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including, particularly, federal bankruptcy law), the remedies specified by the Bond Documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Bond Documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2018 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies, including judicial discretion in the application of the principles of equity, and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights generally.

Property Tax Risk

The Orange County Assessor's Office (the "*Assessor*"), which administers property tax exemptions, has never assessed, or imposed taxes on, the Property or the Additional Property. No assurances can be given, however, that the Assessor will not assess such taxes with respect to the Series 2018 Housing Facility in future years. It is the intention of District and the Borrower to contest any such imposition of property taxes. In the event any property interest in the Series 2018 Housing Facility becomes subject to property taxes at any time, the amount of such property taxes (which could be significant), would constitute an expense of the Series 2018 Housing Facility. Increased expenses relating to property taxes could result in material increases in rental rates with respect to the Series 2018 Housing Facility, possibly materially adversely affecting the marketability of the Series 2018 Housing Facility to students.

Effect of Determination of Taxability

The Authority, the District and the Borrower will covenant not to take any action that would cause the Series 2018 Bonds to be Arbitrage Bonds or that would otherwise adversely affect the federal income tax status of interest in the Series 2018 Bonds. The Borrower and the Corporation will also make representations with respect to certain matters within their knowledge that have been relied on by Bond Counsel and that Bond Counsel has not independently verified. Failure to comply with such covenants could cause interest on the Series 2018 Bonds to become subject to federal income taxation retroactively from the Closing Date.

It is possible that a period of time may elapse between the occurrence of the event that causes interest to become taxable and the determination that such an event has occurred. In such a case, interest previously paid on the Series 2018 Bonds could become retroactively taxable from the date of their issuance. Additionally, certain owners of Series 2018 Bonds are subject to possible adverse tax consequences. See "TAX MATTERS" herein.

Market for the Series 2018 Bonds

There is currently no secondary market for the Series 2018 Bonds and there can be no assurance that a secondary market will exist, or that the Series 2018 Bonds can be sold for any particular price. Accordingly, a purchaser of the Series 2018 Bonds should recognize that an investment in the Series 2018 Bonds will in all likelihood be illiquid and be prepared to have his, her, or its funds committed until the Series 2018 Bonds mature or are redeemed.

Actual Results May Differ from Cash Flow

The Cash Flow and its assumptions of future demand for units at the Series 2018 Housing Facility and its projection of future revenues and expenses with respect to the Series 2018 Housing Facility Included herein under the caption “CASH FLOW,” are based upon assumptions concerning future events, circumstances, and transactions. Among other factors, the Cash Flow and the Guaranteed Maximum Price utilize residential prevailing wages. In the event that commercial rather than residential prevailing wages are applied to construction costs, the aggregate increase will not exceed \$6,000,000. See “THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT.” In addition, the Cash Flow contained herein only covers the five-year period ending June 30, 2025, and consequently does not cover the entire period during which the Series 2018 Bonds may be Outstanding. The achievement of any results projected in the Cash Flow or other projection in this Official Statement is dependent upon future events, the occurrence of which cannot be assured. Realization of the results projected will depend, among other things, on the implementation by the District and/or the College of policies and procedures consistent with the assumptions. Future results will also be affected by events and circumstances beyond the control of the Borrower, the District or the College. For the reasons described above, it is likely that the actual results of the Series 2018 Housing Facility will be different from the results projected in the Cash Flow or other projection in this Official Statement, and those differences may be material and adverse. The Market Study is an integral component of the assumptions underlying the projected demand for units at the Series 2018 Housing Facility in the Cash Flow and should be read in its entirety.

Forward Looking Statements

This Official Statement, including but not limited to the information contained in the Market Study and the Cash Flow, contains statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “projection,” “intend,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. The factors that may cause projected revenues and expenditures to be materially different from those anticipated include (1) the ability of the Borrower to market the Series 2018 Housing Facility, (2) the ability of the Series 2018 Housing Facility to maintain substantial occupancy at projected increased rent levels of the Series 2018 Housing Facility, (3) the ability of the occupants of the Series 2018 Housing Facility to meet their financial obligations, (4) lower than anticipated revenues, (5) higher than anticipated operating expenses, (6) litigation, (7) changes in governmental regulation, (8) loss of federal tax-exempt status of the Corporation, (9) changes in demographic trends, (10) competition from other residential rental projects, (11) changes in the student housing industry, and (12) general economic conditions. No representation or assurances can be made that Revenues will be generated from the operation of the Series 2018 Housing Facility in amounts sufficient to pay maturing principal and interest on the Series 2018 Bonds.

Additional Bonds

The Authority has the right to issue Additional Bonds under the Indenture that will be equally and ratably secured on a parity basis with the Series 2018 Bonds. See “ADDITIONAL BONDS” herein and APPENDIX G – “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE – Additional Bonds.” SUCH ADDITIONAL BONDS COULD DILUTE THE SECURITY OF THE SERIES 2018 BONDS.

Consequences of Changes in the Corporation’s Tax Status

The tax-exempt status of the Series 2018 Bonds depends upon maintenance by each of the Corporation of its status as an organization described in §501(c)(3) of the Code. The maintenance of this status depends on compliance by the Borrower and the Corporation with rules regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals, such as the private benefit and inurement rules.

The Corporation has obtained a determination letter from the Internal Revenue Service (the “*IRS*”) stating that it will be treated as an exempt organization as described in §501(c)(3) of the Code. In order for each of the Corporation to maintain its exempt status and to not be considered a private foundation, the Corporation, the Borrower. The possible modification or repeal of certain existing federal income tax laws, the change of IRS policies or positions, the change of the Corporation’s or the Borrower’s method of operations, purposes or character or other factors could result in the loss of tax-exempt status.

The Borrower, the Corporation, and the District will covenant to and represent that they will remain eligible for such tax-exempt status and avoid operating the Project as an unrelated trade or business (as determined by applying §513 of the Code) except to the *de minimis* extent permitted under §145(a)(2) of the Code. Failure of the Project to remain so qualified or so to operate the Project could affect the funds available to the Borrower for payments under the Loan Agreement by subjecting the Corporation and the Borrower to federal income taxation and could result in the loss of the excludability of interest on the Series 2018 Bonds from gross income for purposes of federal income taxation. Potential investors should note that in such event, the provisions of the Indenture relating to a Determination of Taxability may be applicable. See “Effect of Determination of Taxability” above.

Taxation of Series 2018 Bonds

An opinion of Bond Counsel will be obtained as described under “TAX MATTERS” herein. Such an opinion is not binding on the IRS. Application for a ruling from the IRS regarding the status of the interest on the Series 2018 Bonds has not been made. The opinion of Bond Counsel contains certain exceptions and is based on certain assumptions described herein under the heading “TAX MATTERS.” Failure by any of the Authority, the District, the Borrower or the Corporation, to comply with certain provisions of the Code and covenants contained in the Indenture, the Loan Agreement, the No Arbitrage Certificate, and the Tax Certificate could result in interest on the Series 2018 Bonds becoming includable in gross income for federal tax purposes.

An opinion of Bond Counsel will be obtained regarding the exemption of interest on the Series 2018 Bonds from certain taxation by the State of California, as described under “TAX MATTERS” herein. Bond Counsel has not opined as to whether interest on the Series 2018 Bonds is subject to state or local income taxation in jurisdictions other than California. Interest on the Series 2018 Bonds may or may not be subject to state or local income taxation in jurisdictions other than California under applicable state or

local laws. Each purchaser of the Series 2018 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2018 Bonds in a particular state or local jurisdiction.

Risk of Audit by the IRS

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. Certain types of transactions are being targeted for audit, including financings of student housing facilities.

No assurances can be given as to whether the IRS will commence an audit of the Series 2018 Bonds. If an audit is commenced, under current procedures the IRS is likely to treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure. Neither the Underwriter nor Bond Counsel will be obligated to defend the tax-exempt status of the Series 2018 Bonds. Neither the Authority nor Bond Counsel will be responsible to pay or reimburse the cost of any Bondholders with respect to any audit or litigation relating to the Series 2018 Bonds.

Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest, and penalties. An IRS audit ultimately could affect the tax-exempt status of the Corporation, the Borrower or the District, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2018 Bonds.

LITIGATION

The Authority

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Series 2018 Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2018 Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Series 2018 Bonds, the completeness or accuracy of this Official Statement, or the existence or powers of the Authority relating to the sale of the Series 2018 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 Series 2018 Note, the Leasehold Deed of Trust, the Security Agreement, or the Assignment of Contracts and Agreements or that individually or in the aggregate would adversely affect the operations of the Borrower, financial or otherwise.

The District

There is no litigation now pending or threatened against the District, of which the District has knowledge, that in any manner questions the right of the District to enter into or perform its obligations under the Ground Lease or the Coordination Agreement or that individually or in the aggregate would adversely affect the operations of the District, financial or otherwise.

TAX MATTERS

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner of a Series 2018 Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the Authority and the Borrower with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Series 2018 Bonds. Failure to comply with such requirements could cause interest on the Series 2018 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018 Bonds. The Authority and the Borrower have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2018 Bonds.

Notwithstanding Bond Counsel’s opinion that interest on the Series 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations’ adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

The accrual or receipt of interest on the Series 2018 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2018 Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2018 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2018 Bonds.

Bond Counsel has relied upon the opinion of Borrower’s counsel with respect to (i) the due organization and good standing of the Borrower as a nonprofit corporation duly organized and existing under the laws of the State and the status of the Borrower as an organization described in Section 501(c)(3) of the Code and the status of the Borrower as a disregarded entity for federal income tax purposes; (ii) the corporate power of the Borrower to enter into and the due authorization, execution and delivery by the Borrower of the documents to which it is a party and that the same constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their terms; and (iii) matters which might be disclosed as a result of an examination of the indentures, mortgages, deeds of trust and other agreements or instruments to which the Borrower is a party or by which it or its properties are bound. We are not passing upon title to or the description of the Borrower’s facilities or the nature or extent of any liens thereon. We have also relied on the opinion of counsel to the Trustee with respect to the corporate power of the Trustee to enter into and the due authorization, execution and delivery by the Trustee of the documents to which it is a party and the binding effect thereof on the Trustee.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix I.

State Tax Exemption. Bond Counsel is also of the opinion that interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner of a Series 2018 Bond) is exempt from State of California personal income tax. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2018 Bonds under the laws of the State of California or any other state or jurisdiction.

Original Issue Discount. The Series 2018 Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “**Discount Bonds**”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Series 2018 Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “**Premium Bonds**”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even

though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2018 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2018 Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2018 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Recognition of Income Generally

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Series 2018 Bonds under the Code.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2018 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2018 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

UNDERWRITING

George K. Baum & Company (the “*Underwriter*”) is purchasing the Series 2018 Bonds and intends to offer the Series 2018 Bonds to the original purchasers thereof at the offering prices set forth on the inside cover page of this Official Statement, which offering price may subsequently be changed without any requirement of prior notice. The Underwriter will purchase the Series 2018 Bonds at a price equal to \$_____ (being \$_____, the principal amount thereof, plus \$_____ of original issue premium, less \$_____ of Underwriter’s discount).

The Underwriter has reserved the right to permit other securities dealers who are members of the National Association of Securities Dealers, Inc. to assist in selling the Series 2018 Bonds. The Underwriter may offer and sell Series 2018 Bonds to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts and/or commissions that may be received by such dealers in connection with the sale of the Series 2018 Bonds will be deducted from the Underwriter’s discount.

The Borrower and the Corporation will agree to indemnify the Underwriter against certain civil liabilities, including certain liabilities under federal securities laws. Under existing statutes, regulations, and court decisions, the enforceability of such an agreement to indemnify is uncertain.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“*S&P*”) has assigned the Series 2018 Bonds the long-term rating of “BBB-.” An explanation of the significance of such rating may be obtained from S&P. Such rating reflects only the views of S&P, and an explanation of the significance of the rating may be obtained by contacting S&P Global Ratings, 55 Water Street, New York, New York 10041. Such rating is not a recommendation to buy, sell or hold the Series 2018 Bonds. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2018 Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which in this case may include information and material from the Borrower and the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

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, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2018 Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2018 Bonds will be subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, Bond Counsel, the form of which is included as Appendix I hereto. Certain legal matters will be passed on for the Authority by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, for the Borrower and the Corporation by their counsels, Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee, and for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe, LLP, Los Angeles, California.

None of the legal counsel referenced in this Official Statement has (a) participated in the underwriting of the Series 2018 Bonds, (b) provided any advice regarding the creditworthiness of the Series 2018 Bonds, or (c) assisted in determining the value of the collateral for the Series 2018 Bonds upon the occurrence of an event of default. Legal counsel have solely and exclusively opined to those matters which are expressly set forth in their opinions which are attached hereto or which have been delivered in connection herewith and no holder of a Series 2018 Bond shall be authorized or entitled to infer that such legal counsel have rendered opinions beyond those stated in their written opinions or to rely on the participation of counsel in this transaction. Except for negligent errors in their express written opinions, legal counsel shall have no obligations to holders of the Series 2018 Bonds and holders of the Series 2018 Bonds must not rely either expressly or implicitly upon such counsel in determining whether the Series 2018 Bonds represent suitable investments or otherwise meet their creditworthiness and risk tolerance standards.

FINANCIAL STATEMENTS OF THE DISTRICT

The District's audited financial statements for the fiscal year ending June 30, 2017, attached hereto as Appendix D, are provided for informational purposes to summarize the finances and operations of the District simply as a going concern with respect to the Series 2018 Project. The District will assume limited obligations with respect to the Series 2018 Project under the Ground Lease and the Coordination Agreement but neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds, and neither the District nor the College will be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents. Prospective investors should not infer from the inclusion of the District's and the College's financial and operational information in Appendix A or of the District's audited financial statements in Appendix D that the principal of and interest on the Series 2018 Bonds is payable from the general fund of the District or otherwise from District revenues. The information set forth in Appendix A and Appendix D does not purport to be a summary of the District's financial statements. The District's auditors, CliftonLarsonAllen LLP, Certified Public Accountants, have not reviewed or participated in the preparation of this Official Statement, and have expressed no opinion as to the fairness or accuracy of the financial information included herein (other than the financial statements included as Appendix D attached hereto). The involvement of CliftonLarsonAllen LLP, Certified Public Accountants has been limited to the preparation of the District's audited financial statements included herein as Appendix D as part of its annual audit of the District's financial affairs and to the rendition of the opinions with respect to such audited financial statements as set forth in Appendix D. The District has not requested its auditor to provide any review of the financial statements in connection with their inclusion in this Official Statement.

CONTINUING DISCLOSURE

Borrower Continuing Disclosure Agreement

The Borrower will agree in a Continuing Disclosure Agreement (the "***Borrower Continuing Disclosure Agreement***") dated as of September 1, 2018, between the Borrower and The Bank of New York Mellon Trust Company N.A., as dissemination agent for the benefit of the Owners from time to time of the Series 2018 Bonds, in accordance with Rule 15c2-12 (the "***Rule***") promulgated by the Securities and Exchange Commission, to provide or cause to be provided to the Municipal Securities Rulemaking Board (the "***MSRB***") through its Electronic Municipal Market Access (EMMA) System), such financial information and operating data, audited financial statements, and notices, in such manner, as may be required for purposes of the Rule. See APPENDIX J – "FORM OF BORROWER CONTINUING DISCLOSURE AGREEMENT" in this Official Statement. The Authority does not and will not have any

continuing disclosure obligation with respect to the Series 2018 Bonds. The Borrower has not entered into any previous continuing disclosure undertakings.

District Continuing Disclosure

The District will agree to comply with the provisions of the Continuing Disclosure Certificate, dated September __, 2018. See APPENDIX K – “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE” in this Official Statement. Within the past five years, the District failed to timely file certain notices of rating changes with respect to its General Obligation Bonds, as required by its prior continuing disclosure undertakings. Notices were filed approximately 327 days late.

FORWARD LOOKING STATEMENTS

This Official Statement, including but not limited to the information contained in the Market Study and the Cash Flow, contains statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “projection,” “intend,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. The factors that may cause projected revenues and expenditures to be materially different from those anticipated include (1) the ability of the Borrower to market the Series 2018 Housing Facility, (2) the ability of the Series 2018 Housing Facility to maintain substantial occupancy at projected increased rent levels of the Series 2018 Housing Facility, (3) the ability of the occupants of the Series 2018 Housing Facility to meet their financial obligations, (4) lower than anticipated revenues, (5) higher than anticipated operating expenses, (6) litigation, (7) changes in governmental regulation, (8) loss of federal tax-exempt status of the Corporation, (9) changes in demographic trends, (10) competition from other residential rental projects, (11) changes in the student housing industry, and (12) general economic conditions. No representation or assurances can be made that Revenues will be generated from the operation of the Series 2018 Housing Facility in amounts sufficient to pay maturing principal and interest on the Series 2018 Bonds.

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. NEITHER THE BORROWER NOR THE AUTHORITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof and do not purport to be complete or definitive. Reference is made to such documents and reports for a full and complete statement of the contents thereof. The information set forth herein relating to the Borrower and the Corporation has been furnished by the Borrower. The information set forth herein regarding the District and the College has been furnished by the District. The information set forth herein relating to the Developer and the Series 2018 Project has been furnished by the Developer. The Authority has furnished only the information included herein under the headings “THE AUTHORITY” and “LITIGATION – The Authority.”

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority, the Borrower, the Corporation, the District or the Underwriter and the purchasers or owners of any of the Series 2018 Bonds.

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

**CALIFORNIA COMMUNITY COLLEGE
FINANCING AUTHORITY**

By: _____
Executive Director

**NCCD - ORANGE COAST PROPERTIES
LLC**

By: _____
Charles G. Eden, President

APPENDIX A

**INFORMATION CONCERNING ORANGE COAST COLLEGE
AND COAST COMMUNITY COLLEGE DISTRICT**



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The information in this section concerning the operations of the District, the College and the their respective operations and finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Series 2018 Bonds is payable from the general fund of the District. The District will assume limited obligations with respect to the Series 2018 Project under the Ground Lease and the Coordination Agreement. Neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds, and neither the District nor the College will be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents. The Series 2018 Bonds are payable solely from the Pledged Revenues and proceeds of the Trust Estate. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

COAST COMMUNITY COLLEGE DISTRICT

Introduction

The District was established in 1947 and serves an area of approximately 105 square miles in the County. The District operates three comprehensive community colleges, each providing collegiate-level instruction across a wide spectrum of subjects: Coastline Community College in Fountain Valley (the College as used in this Official Statement), Golden West College in Huntington Beach, and Orange Coast College in Costa Mesa. Each of the colleges are each fully accredited by the Accrediting Commission for Community and Junior Colleges (the “ACCJC”).

Administration

The District is governed by a Board of Trustees, which includes five voting members elected by the voters of the District. The Trustees serve four-year terms. Elections for Trustee positions to the District Board are held every two years, alternating between two and three positions.

Current members of the District Board, together with their offices and the dates their terms expire, are listed on the following page:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mary L. Hornbuckle	President	November 2020
Lorraine Prinsky	Vice President	November 2020
Jim Moreno	Clerk of the Board	November 2018
David A. Grant	Member	November 2018
Jerry Patterson	Member	November 2020

The Chancellor of the District is appointed by the District Board and reports thereto. The Chancellor is responsible for management of the District’s day-to-day operations and supervises the work of other key administrators. Brief biographies of the Chancellor and the Vice Chancellor, Administrative Services follow:

Dr. John Weispenning, Chancellor. Dr. Weispenning was appointed as Chancellor of the District on April 20, 2016. Dr. Weispenning previously served as President of Santiago Canyon College, within the Rancho Santiago Community College District for approximately 2 years. Dr. Weispenning’s other prior appointments include serving as Vice President of Instruction at Orange Coast College, Dean of Instruction at Santiago Canyon College, and as a professor, faculty member and Associate Dean for Academic Affairs at Otterbein University in Westerville Ohio. Dr. Weispenning began his career in higher education in 1992, as an assistant professor at the University of Maine. Dr. Weispenning was awarded his

Doctorate degree in communication from Purdue University, a Master of Science degree in communication from North Dakota State University and a Bachelor of Science degree in mass communication from Minnesota State University, Moorhead.

Dr. Andrew Dunn, Vice Chancellor, Finance & Administrative Services. Dr. Dunn was hired to serve as the Vice Chancellor, Administrative Services of the District in October 2010. Prior to joining the District, Dr. Dunn served as Vice Chancellor of Business Services for the Foothill-DeAnza Community College District. He has over 20 years of experience in higher education. Dr. Dunn received his Doctorate in Education degree in Educational Leadership from California State University, Fullerton, a Master of Arts degree in Public Administration from California State University, San Bernardino, and a Bachelor of Science degree in Architecture from California Polytechnic Institute, Pomona.

Labor Relations

District employees, except management and some part-time employees, are represented by three bargaining units in the following table.

**BARGAINING UNITS
Coast Community College District**

Employees	Bargaining Unit	Expiration Date
1,055	Coast Federation of Educators/AFT Local 1911 (Full-time teachers)	June 30, 2018
727	Coast Federation of Classified Employees/AFT, AFL/CIO, Local 4794	June 30, 2017
676	Community College Association/California Teachers Association/NEA (Part-time teachers)	June 30, 2018

Source: Coast Community College District.

Of these 2,458 District employees, approximately 1,073 are employed at the College. As to the agreements which have a term that concluded before the date of this Official Statement, each bargaining unit continues to function under the terms of its respective agreement as if it had not expired. District employees in the process of negotiations have historically continued to work under the terms of their previous contract with no interruption in services.

ORANGE COAST COLLEGE

About Orange Coast College

Orange Coast College’s 164-acre campus is located in Costa Mesa just minutes from Southern California’s beautiful beaches. Founded in 1947, with classes beginning in 1948, the College has grown into one of the nation’s largest community colleges, enrolling about 22,100 students. The College features exceptional facilities and the latest in technology, and offers more than 135 academic and career programs, including one of the nation’s largest and most acclaimed public nautical programs. Nearly half the students on campus are enrolled in one of the College’s Career and Technical Education programs.

The College ranks first out of Orange County’s community colleges in the number of students it transfers to the University of California and California State University systems. During the past decade, thousands of the College students have transferred to UC and CSU campuses. Additionally, many Orange

Coast College students go on to transfer to private colleges and universities within California and across the nation.

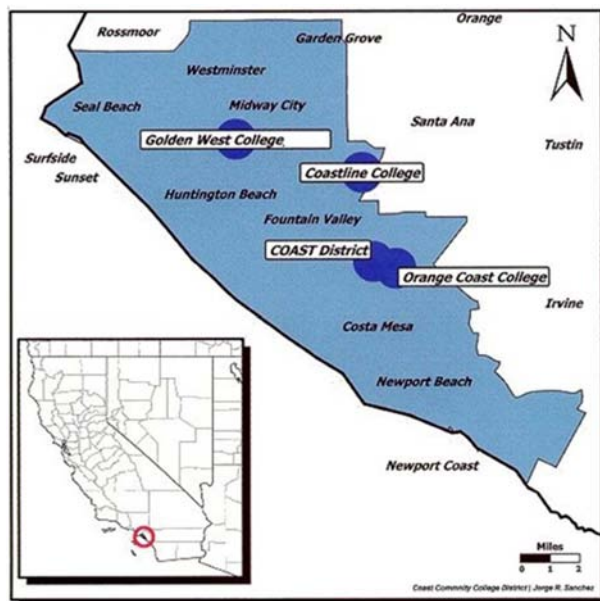
A member of the Coast Community College District, the College offers classes year-round and is fully accredited by the Western Association of Schools and Colleges.

Orange Coast College is committed to providing a unique learning community where freedom of thought and personal and intellectual growth is valued by all. As an outcome of their academic study, graduates of Orange Coast College possess proficiency in four core areas: Communication, Thinking Skills, Global Awareness, and Personal Development and Responsibility. Administrators, faculty, and staff are committed to the development of students as individuals and as citizens of the world. We value teaching and learning relationships, support services, and co-curricular programs that contribute to meaningful personal growth in our students and to their quest for knowledge.

Vision Statement. To be the standard of excellence in transforming lives through education.

Mission Statement. Orange Coast College serves the educational needs of our diverse local and global community. The College empowers students to achieve their educational goals by providing high quality and innovative programs and services leading to academic degrees, college transfers, certificates in career and technical education, basic skills, and workforce development to enable lifelong learning. The College promotes student learning and development through fostering a respectful, supportive, participatory, and equitable campus climate of student engagement and academic inquiry.

Coast Community College District



Orange Coast College is a constituent college of the Coast Community College District in Orange County, California. The Coast Community College District is a multi-college district that includes Coastline Community College, Golden West College, and Orange Coast College. The three colleges offer programs in transfer, general education, occupational/technical education, community services and student support services. Coastline, Golden West and Orange Coast enroll more than 60,000 students each year in more than 300 degree and certificate programs.

Since its founding in 1947, the Coast Community College District has enjoyed a reputation as one of the leading community college districts in the United States. Governed by a locally elected Board of Trustees, the Coast Community College District plays an important role in the community by responding to needs of a changing and increasingly diverse population. The District serves approximately 105 square miles in coastal Orange County, including 10 communities and a population of over 750,000.

The Board of Trustees of the Coast Community College District is a five-member elected board serving 4-year terms, with one student trustee appointed annually in May by the student governments from each campus; as such, the Board of Trustees provides governance to each of its three constituent colleges. The Board of Trustees is committed to assuring that students have the opportunity to achieve their educational goals through a quality education. As a result, the trustees are sincerely interested in the views of students, faculty, staff and citizens on matters affecting community colleges and continuing education in the Coast District.

College Governance

Each constituent college of the District does, however, maintain oversight for the delivery of its chosen curriculum and therein employs a full administrative staff. The lead administrators of Orange Coast College appear in the paragraphs below:

Dr. Dennis Harkins, President. Dr. Dennis Harkins is Orange Coast College's 10th permanent president and has served since his appointment in 2009. Under his tenure, the College facilitated Vision 2020, a comprehensive strategic and facilities plan that guides the institution's academic, infrastructure, and student success efforts. Dennis was instrumental in the passage of the Coast Community College District's \$698 million Measure M construction bond whose funds have allowed for student resources including the construction of the College's Business, Math, and Computing building, as well as other campus upgrades scheduled to take place over the next 10 years.

Dennis is a champion of social enterprise and actively supports the college's entrepreneurial activities. The Orange Coast College Foundation fundraises over \$3 million dollars annually for student scholarships and resources, program and pathway creation, and staff and faculty innovation.

A proponent of internationalization, Dennis serves on the American Association of Community Colleges (AACC) Global Education Commission. In 2013, he was a guest lecturer of the Shanghai Normal, Nanjing Institute of Visual Arts and the Beijing Film Academy. He holds the titles of honorary president at the Nanjing Institute of Visual Arts and Guest Professor of Photography at the Shandong University of Art. Dennis previously served as Director of Government Relations at Georgia Perimeter College in Atlanta, the third largest college in Georgia with a degree enrollment of 24,500 students. He also served for ten years as Provost of the GPC Clarkston campus and as a member of the GPC Executive Team.

He started his teaching career as a photography instructor at the Art Institute of Fort Lauderdale where he became Director of Photography. Prior to his position of Provost of the Clarkston Campus of Georgia Perimeter College, he was Vice President and Dean of Education at the Art Institute of Atlanta, where he was instrumental in the college's initial regional accreditation efforts at the associate and baccalaureate levels.

Education

B.F.A. Ohio University

M.A. Ohio University

Ph.D. Georgia State University

Dr. Rich Pagel, Vice President, Administrative Services. Dr. Pagel is the Vice President of Administrative Services at Orange Coast College in Costa Mesa, California. His responsibilities include leadership of the Administrative Service Wing: Accounting, Bursar's Office, Maintenance and Operations, New Construction, Information Technology, and Public Safety. Over the last 15 years Orange Coast College has modernized the campus with new buildings, infrastructure, classrooms and laboratories, athletic facilities, and an 82,000 square foot Library. Orange Coast College is currently planning another \$500 million plus in new construction and modernization projects through the year 2025. Dr. Pagel is also a part time instructor in the Doctoral Program – Higher Education Leadership at California State University, Long Beach.

Prior to 2004, Dr. Pagel was the Director of Internal Audit for the Coast Community College District and also served as an Internal Auditor in the California State University Chancellor's System. Prior to his higher education roles, he worked 8 years as Examiner for some of the world's largest banks. Dr. Pagel's research interests are in the global collaboration of higher education institutions for the improvement of education and student success.

Education

B.A. San Diego State University

M.B.A. University of Phoenix

Ed.D. California State University, Long Beach

Kevin Ballinger, Vice President, Instruction. Kevin Ballinger is the Vice President of Instruction at Orange Coast College, a public California Community College located in Costa Mesa, California. His tenure at the college began over 34 years ago with teaching part time for three years, full time faculty for eleven years reaching the rank of Professor in the allied health department, and dean of the Consumer & Health Sciences Division for 18 years. He served as Executive Dean of Instruction from August 2014 - December 2014 and had oversight of the office of Instruction. In January 2015 he was appointed Vice President of Instruction. Prior to coming to Orange Coast College Kevin worked as a neurodiagnostic technologists at UCI Medical Center for 5 years, private hospitals for 2 years, and Los Angeles County USC Medical Center for one year.

Education

A.S. Orange Coast College

B.V.E. California State University, Long Beach

M.S. National University

Dr. Madjid Niroumand, Vice President of Student Services. Dr. Madjid Niroumand oversees the Student Services Programs at Orange Coast College. Dr. Niroumand, as a former graduate of Orange Coast College is committed to the critical role Student Services Programs play in the overall success of students. He has been at Orange Coast College as a fulltime employee for 20 years and has served under various roles at the College. He has also worked in Santa Monica College as well as University of California, Irvine - Extension as Associate Dean and Manager of International Education Programs. Dr. Niroumand is passionate about the fundamental role student housing plays in the overall student engagement, student success and retention. He and his team are prepared and committed to helping support a wonderful living and learning community at the College.

Education

A.S. Orange Coast College

B.S. California State University, Long Beach

M.B.A. California State University, Dominguez Hills

D.B.A. Argosy University

Academic Divisions & Departments

The College offers experienced instructors with different teaching methods for different learners, as well as various lectures and labs that are often transferable to other institutions like Universities of California and California State Colleges and Universities. The College offers online classes, honors classes, and more than 50 programs which lead to certificates of achievement and/or the Associate in Arts degree. The academic community at the College is just one more way the college works to contribute to the lives of both its students and to society as a whole. The academic side of the College is organized into the following divisions and departments:

- Business & Computing
 - Accounting
 - Business
 - Computer Information Systems
 - Computer Science
 - Leadership Studies
 - Management
 - Marketing
 - Real Estate
- Consumer & Health Sciences
 - Allied Health Programs
 - Family & Consumer Science
 - Hospitality Programs
 - Instructional Food Service
 - Early Childhood Preschool
- Kinesiology & Athletics
 - Athletics
 - Physical Education
- Literature & Languages
 - Communication Studies
 - English
 - English as a Second Language
 - Special Programs
 - World Languages
- Mathematics & Sciences
 - Astronomy
 - Biological Sciences
 - Chemistry
 - Ecology
 - Engineering
 - Geology
 - Horticulture
 - Marine Science
 - Mathematics
 - Natural Science
 - Physics
- Social & Behavioral Sciences
 - American Studies
 - Anthropology
 - Economics
 - Ethnic Studies
 - Gender Studies
 - Geography
 - History
 - Humanities
 - Philosophy
 - Political Science
 - Psychology
 - Religious Studies
 - Sociology
- Technology
 - Airframe and Powerplant Technology
 - Architectural Technology
 - Aviation Science
 - Construction Technology
 - Electronics Technology
 - Heating and Air Conditioning Technology
 - Manufacturing Technology
 - Welding Technology
- Visual & Performing Arts
 - Art
 - Dance
 - Digital Media Arts & Design
 - Film & Television
 - Music
 - Photography
 - Theatre Arts
 - Doyle Arts Pavilion (Gallery)
 - RMB Theatre
- Career Services (Job Placement, Internships)
- Adult Education Services (ESL, Job Training)
- School of Sailing & Seamanship
 - Professional Mariner Program

Additionally, the College offers more than 150 Certificate and degree programs in 50 robust and exciting career technical education (CTE) fields that give students the education, technical training and work-based learning experiences they need to qualify for and excel in the well-paying career of their choice in two years or less. Many programs offer training that leads to certification or licensure. Students enrolled in CTE classes and programs can choose either a short-term training course to earn a certificate of achievement or specialization in job-specific technical skills, or a two-year program to earn an Associate in Arts or Associate in Science degree. A number of CTE programs offer students options to transfer to four-year colleges and universities after graduation. The following is a list of offered CTE programs:

- Accounting
- Airline & Travel Careers
- Architectural Technology
- Aviation Maintenance Technology
- Aviation Science
- Business Administration
- Business Development Administration
- Cardiovascular Technology
- Commercial Art
- Computer Information Systems
- Computer Programming
- Construction Technology
- Culinary Arts
- Culinary® & Food Science
- Dance
- Dental Assisting – Registered
- Diagnostic Medical Sonography
- Dietetics Technician
- Digital Media Arts and Design
- Early Childhood Education
- Electronics Technology
- Emergency Medical Services
- Fashion
- Film/Video
- Fitness Specialist
- Food Service Management – Commercial
- Food Service Management – Institutional
- Heat Ventilation, Air Conditioning & Refrigeration (HVACR)
- Horticulture
- Hotel Management
- Information & Communication Technologies
- Interior Design
- Management & Leadership Studies
- Manufacturing Technology
- Marketing
- Medical Assisting
- Music
- Neurodiagnostic Technology
- Nutrition Careers
- Photography
- Polysomnography Technology
- Professional Mariner
- Radiologic Technology
- Real Estate
- Respiratory Care
- Spa Management
- Speech-Language Pathology Assistant
- Travel & Tourism
- Welding Technology

Student Life

The College offers a rich and diverse array of clubs, sports teams, and other co-curricular activities relative to other community colleges. This provides for a vibrant and engaging campus experience akin to that found at many four-year institutions. The planned first-time student housing project constitutes a significant next step in expanding campus life at Orange Coast College.

Associated Students. Every Orange Coast College Student who has paid their College Service Charge belongs to the Associated Students of Orange Coast College (ASOCC), which is led by the student government and representatives. ASOCC is composed of the Student Senate, the Executive Board, Fiscal Affairs Council, InterClub Council, the Advocacy Committee, College Life Committee, Volunteer Team and the Orange and Blue Spirit Crew. The Student Senate appoints the head of each wing, excluding the InterClub Council and the Fiscal Affairs wing. All wings operate under the Student Senate’s jurisdiction.

ASOCC owns the Recycling Center. The monies from this enterprise, along with the College Service Charge, funds the ASOCC Program and many other Orange Coast College programs and services that are designed to support student success. The guiding motto of ASOCC is “Students Helping Students.” ASOCC believes that the wise use of its funds will enhance the experience that every student has while attending Orange Coast College.

Athletics. With several decades of winning tradition, Orange Coast College has been regarded as having one of the top athletic departments among all two-year colleges in the state. In 2010, DCC was awarded the Pepsi/ NATYCAA Cup, an honor given to the top community college athletic program in California. This standard has produced one of the highest totals of team and individual state and national championships throughout all California community colleges. The Pirates field 12 men’s athletic teams and 13 women’s teams. Men’s sports include baseball, basketball, crew, cross country, football, golf, soccer, swimming and diving, tennis track and field, volleyball and water polo. Women’s sports include basketball, crew, cross country, golf, sand volleyball, soccer, softball, swimming and diving, tennis, track and field, volleyball and water polo. Cheerleading is a co-ed sport.

In recent years, Measure C funds have drastically improved the athletic facilities at the College. In addition to the new state-of-the-art 49,000 square foot Fitness Complex, the football, baseball, and soccer fields have undergone a dramatic facelift with the implementation of FieldTurf, a synthetic turf approved for use by the NFL, MLB, NCAA, and FIFA.

Clubs and Organizations. Orange Coast College has more than 60 student clubs and organizations that are open to all registered students. These clubs sponsor social events, special activities, speakers, and fundraising and community service events. Many club are academically oriented, such as Radiology, Film, Architecture, and Business, while others are special interest clubs such as Circle K, Amnesty, and Repertory Theatre. Some culture-specific clubs include the Muslim Student Association, Inter-Cultural Club, Film Club, Vietnamese Student Association, Puente and many others. Additionally, the College offers a student-run newspaper, *Coast Report*, allowing students an opportunity to become involved in journalism on campus.

Dining. The College offers several dining options on campus. These options include the Student Center Café, Coast Snack Shack, Game On, The Bbq @ Grove, Quick Corner, OCC Doggs, and a Starbucks location. Additionally, over 55 vending machines can be found on campus. The myriad of options allows the College to provide dining choices ranging from full breakfast, lunch and dinner to street food, snacks, and espresso carts.

Study Abroad. In 2018, Orange Coast College offered study abroad opportunities in Guerrero Negro, Mexico; Florence, Italy; Paris, France; Madrid, Spain; Cambridge, England; and London, England. While these programs are sponsored by Orange Coast College specifically, additional programs are available through the District or Provider Companies, or through additional individual universities. Scholarships are available to students to offset some of the costs of studying abroad.

Recent Capital Improvements

Over the past 5 years, the District has invested approximately \$170 million in capital improvements to enhance the life of students. Included in these investments are the Orange Coast College Math, Business and Computing Center, the Coastline Community College Newport Beach Learning Resource Center, the Golden West College Student Services Center, the Orange Coast College Recycling Center, and the Golden West College Criminal Justice Training Center. These projects received funding in large part through community support and passage of the \$370 million Measure C General Obligation Bond in 2002 and the \$698 million Measure M General Obligation Bond in 2012. Other projects are currently underway for the

campus of the College, such as the new student planetarium (\$23.5 million), a new Olympic-sized swimming pool and kinesiology facility (\$41.2 million), the new student center (\$90 million), a new language and social science academic building (\$68.9 million), and a new Mariners Academy building with classrooms for sailing and seamanship (\$16 million). Additional planned projects include a new chemistry building (\$34.4 million), a new performing arts and dance building (\$17.5 million), and a new technology skills center (\$9 million). These ongoing and planned projects are all to be funded through the aforementioned Measure M General Obligation Bond or California State Funds.

Undergraduate Student Profile

Orange Coast College has demonstrated strong enrollment figures over the previous six academic years. The majority of the student body is comprised of Orange County residents, with a sizeable minority from the rest of California or outside the state. Both the College and the District have seen an increase in international students every year since 2012.

Enrollment Data. Shown below are the College and District headcounts and FTES for the past six years:

	College Headcount	College Full-Time Equivalents	District Headcount	District Full-Time Equivalents
Fall 2012	21,135	17,735	41,609	33,201
Fall 2013	21,749	18,691	43,145	35,218
Fall 2014	21,646	19,114	43,346	36,338
Fall 2015	22,023	19,464	43,613	36,658
Fall 2016	21,658	18,910	42,952	35,245
Fall 2017	22,089	19,241	43,716	35,930

Geographic Origin of Students. The College enrolls students from inside and outside Orange County, as well as from outside the state and country. The following is the breakdown of student residency as of Fall 2017:

Orange County—In District	50.3%
Orange County—Outside District	39.1%
California—Excluding Orange County	9.3%
Outside California	1.3%

International Student Enrollment. In 2017, the top five countries of origin for international students at Orange Coast College were Vietnam, Japan, China, South Korea, and Saudi Arabia. The following table includes international student headcount at both the College and the District:

	Orange Coast College International Headcount	District International Headcount
Fall 2012	602	822
Fall 2013	718	936
Fall 2014	897	1,160
Fall 2015	1,036	1,339
Fall 2016	1,127	1,471
Fall 2017	1,216	1,476

Tuition & Enrollment Fees. The following table includes the resident enrollment fees and non-resident tuition for the past 6 years, assuming a full-time credit load.

	Resident Rate	Non-Resident Rate
FY 2017/2018	\$1,288	\$8,876
FY 2016/2017	1,288	8,456
FY 2015/2016	1,288	7,756
FY 2014/2015	1,288	7,588
FY 2013/2014	1,288	7,280

Retention Rates. Shown below are the College’s first-time student retention rates for the five academic years ending with the Fall 2016 cohort.

	Full-Time Retention	Part-Time Retention
Fall 2012	78%	56%
Fall 2013	77%	62%
Fall 2014	76%	56%
Fall 2015	75%	51%
Fall 2016	73%	52%

Source: IPEDS First-Time Student Cohort Retention Rates, 2012—2016

Student Success Rate. The following table shows the percentage of degree, certificate and/or transfer-seeking students who completed a degree, certificate or transfer-related outcome within six years of matriculation for cohorts entering Orange Coast College in the academic years 2007-08 through 2011-12:

	2007-08	2008-09	2009-10	2010-11	2011-12
Student Success Rate	61.7%	61.1%	60.9%	61.2%	60.9%

Source: CCCC Student Success Scorecard

Faculty Data

The following table shows the breakdown by full- and part-time status of faculty serving the College for the past six years:

	<u>Full-Time Faculty</u>	<u>Part-Time Faculty</u>	<u>Total Faculty</u>
Fall 2012	247	360	607
Fall 2013	242	408	650
Fall 2014	246	468	714
Fall 2015	246	469	715
Fall 2016	261	430	691
Fall 2017	272	517	789

Retirement Programs

The information set forth below regarding the CalSTRS and CalPERS programs (as defined herein), other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

Both the California State Teachers Retirement System (“*CalSTRS*”) and the California Public Employee Retirement System (“*CalPERS*”) have significant unfunded liabilities. This reflects a mismatch between the pension plan’s estimated obligations and its assets. In theory, these plans should be prefunded, meaning regular contributions for each employee are made into the retirement fund during the course of that employee’s career. However, because of underfunding in prior years, employer costs for retirement benefits for both STRS and PERS are projected to nearly double over the next several years. Projections for the District is at an additional \$16.9 million in on-going costs by Fiscal Year 2020-21.

CalSTRS. All full-time certificated employees, as well as certain classified employees, are members of STRS. CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the “*STRS Defined Benefit Program*”). The CalSTRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to Fiscal Year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the CalSTRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the CalSTRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the CalSTRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, CalSTRS projected that the CalSTRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the CalSTRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“*AB 1469*”) into law as a part of the State’s Fiscal Year 2014-15

budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the CalSTRS Defined Benefit Program before July 1, 2014 (the “**2014 Liability**”), within 32 years, by increasing member, K-14 school district and State contributions to CalSTRS. Commencing July 1, 2014, the employee contribution rate will increase over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts’ contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 School Districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for Fiscal Year 2021-22 and each fiscal year thereafter the CalSTRS Teachers’ Retirement Board (the “**STRS Board**”), is required to increase or decrease the K-14 school districts’ contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members’ contributions to the CalSTRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the CalSTRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the CalSTRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District’s contribution to CalSTRS was \$4,863,635 in Fiscal Year 2012-13, \$5,123,308 in Fiscal Year 2013-14, \$6,022,305 in Fiscal Year 2014-15, \$7,618,862 in Fiscal Year 2015-16, and \$9,698,103 in Fiscal Year 2016-17.

The State also contributes to CalSTRS, currently in an amount equal to 6.828% of teacher payroll for Fiscal Year 2017-18 and 7.328 for Fiscal Year 2018-19. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for Fiscal Year 2017-18 and each fiscal year thereafter, the CalSTRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered CalSTRS member payroll to the Supplemental Benefit Protection Account (the "**SBPA**"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("**PERS**"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. CalPERS operates a number of retirement plans including the Public Employees Retirement Fund ("**PERF**"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. CalPERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by CalPERS is for K-14 school districts throughout the State (the "**Schools Pool**").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to CalPERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for Fiscal Year 2017-18 and 18.062% in Fiscal Year 2018-19. Participants enrolled in CalPERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% of their respective salaries for Fiscal Year 2017-18 and 7% in Fiscal Year 2018-19. See "– California Public Employees' Pension Reform Act of 2013" below in this Appendix A.

The District's contribution to CalPERS was \$6,257,505 in Fiscal Year 2012-13, \$6,108,560 in Fiscal Year 2013-14, \$6,678,600 in Fiscal Year 2014-15 and \$7,075,135 in Fiscal Year 2015-16. The District has projected \$8,301,205 as its contribution to CalPERS in Fiscal Year 2016-17.

State Pension Trusts. Each of CalSTRS and CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: www.calstrs.com; (ii) CalPERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both CalSTRS and CalPERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both CalSTRS and CalPERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety

of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
Fiscal Years 2010-11 through 2016-17
STRS (Defined Benefit Program) and CalPERS
(Dollar Amounts in Millions)⁽¹⁾

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)⁽²⁾	Unfunded Liability (MVA)⁽²⁾	Value of Trust Assets (AVA)⁽³⁾	Unfunded Liability (AVA)⁽³⁾
2010-11	\$208,405	\$147,140	\$ 68,365	\$143,930	\$ 64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)⁽²⁾	Unfunded Liability (MVA)⁽²⁾	Value of Trust Assets (AVA)⁽³⁾	Unfunded Liability (AVA)⁽³⁾
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾

(1) Amounts may not add due to rounding.

(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the CalSTRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

(3) Reflects actuarial value of assets.

(4) Effective for the June 30, 2014 actuarial valuation, CalPERS no longer uses an actuarial value of assets.

Source: CalPERS Schools Pool Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

The CalSTRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the CalSTRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the CalSTRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the CalSTRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "**2016 CalSTRS Actuarial Valuation**"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii)

decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 CalSTRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the “**2017 CalSTRS Actuarial Valuation**”), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 CalSTRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

In recent years, the CalPERS Board of Administration (the “**PERS Board**”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the CalPERS Board voted to lower the CalPERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “**PERS Discount Rate**”) from 7.75% to 7.5%. On February 18, 2014, the CalPERS Board voted to keep the CalPERS Discount Rate unchanged at 7.5%. On November 17, 2015, the CalPERS Board approved a new funding risk mitigation policy to incrementally lower the CalPERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing CalPERS Discount Rate by at least four percentage points. On December 21, 2016, the CalPERS Board voted to lower the CalPERS Discount Rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in Fiscal Year 2017-18, 7.25% in Fiscal Year 2018-19 and 7.00% in Fiscal Year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the CalPERS Discount Rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

On April 17, 2013, the CalPERS Board approved new actuarial policies aimed at returning CalPERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect to the State, K-14 school districts and all other public agencies in Fiscal Year 2015-16.

Also, on February 20, 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for Fiscal Year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

On February 14, 2018, the CalPERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date, and (iv) removing the 5-year ramp-down

on investment gains/losses established after the effective date. While CalPERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 18, 2018, the CalPERS Board established the employer contribution rates for 2018-19 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer of 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for Fiscal Year 2025-26.

The District can make no representations regarding the future program liabilities of CalSTRS, or whether the District will be required to make additional contributions to CalSTRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to CalPERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "**Reform Act**"), which makes changes to both CalSTRS and CalPERS, most substantially affecting new employees hired after January 1, 2013 (the "**Implementation Date**"). For CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to CalPERS and CalSTRS, the Reform Act also: (i) requires all new participants enrolled in CalPERS and CalSTRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires CalSTRS and CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for CalSTRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("**Statements**") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs

being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

For information regarding the District's reported obligations as of June 30, 2017, reflecting its proportionate shares of the CalSTRS and CalPERS pension liabilities, see APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2017" and Note 11 – Employee Retirement Plans.

Other Post-Employment Benefits

Benefit Plan. The District currently provides post-employment health care benefits to qualified retired employees (and under certain circumstances, their spouses) who have rendered at least five years of service to the District and who retire at either age 50 (for CalPERS retirees) or age 55 (for CalSTRS retirees). For employees hired after December 31, 1995, benefits are no longer provided for such employee's spouse. Benefit provisions are established by the District in conjunction its bargaining units, and are renegotiated every three years.

Funding Practice. The District currently budgets for the cost of insurance premiums for current retirees, with additional amounts in each year sufficient to fund the District's actuarially-determined ARC (defined herein). The District's expenditures for current retiree premiums were \$6,622,607 in Fiscal Year 2014-15, \$8,445,870 in Fiscal Year 2015-16, and \$10,658,413 in Fiscal Year 2016-17. Amounts allocated to fund the District's ARC are held within an internal insurance fund, and are periodically transferred to the District's OPEB Trust. Prior to any such transfer, amounts on deposit therein may be used by the District for other purposes. The most recent actuarial study was completed for OPEB liability as of June 30, 2017. The District budgeted sufficient funds to meet the annual required contribution for Fiscal Year 2017-18 and Fiscal Year 2018-19.

See APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2017" and Note 10 – Post Employment Healthcare Benefits.

Risk Management

The District is exposed to various risks of loss related to property, general liability, and employee benefits. These risks are addressed through a combination of commercial insurance, self-insurance and participation in certain public entity risk pools. There are a number of claims pending against the District. In the opinion of the District, the related liability, if any, stemming from these claims will not materially affect the financial condition of the District. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage. See also APPENDIX D – "AUDITED FINANCIAL STATEMENTS

OF THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2017” and Note 14 – Joint Powers Agreements therein.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. The Governmental Accounting Standards Board (“**GASB**”) has released (i) Statement No. 34, which is effective for the District and makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted, and (ii) Statement No. 35, which is effective for the District and makes changes in the required content and format of annual financial statements for public colleges and universities. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Pursuant to applicable guidance from GASB, the District’s financial statements present a comprehensive, entity-wide perspective of the District’s assets, liabilities, and cash flows rather than the fund-group perspective previously required. The table below page displays the District’s revenues, expenses and changes in net assets for its primary government funds for fiscal years 2012-13 through 2016-17.

**STATEMENT OF TOTAL REVENUES AND EXPENDITURES AND
CHANGES IN NET ASSETS
Fiscal Years 2012-13 through 2016-17
Coast Community College District**

	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17
OPERATING REVENUES					
Tuition and Fees (Net of Scholarship Discount and Allowance)	\$ 27,176,043	\$ 28,804,140	\$ 30,743,648	\$ 32,448,168	\$ 38,261,422
Grant and Contracts, Non-Capital:					
Federal	55,521,825	53,645,222	60,948,756	57,552,825	52,234,278
State	13,077,676	15,821,773	27,977,977	31,081,838	41,021,073
Local	20,952,400	23,822,606	24,034,218	28,370,372	25,984,695
Auxiliary Enterprises/Sales	4,588,574	4,957,724	3,144,932	3,248,390	3,526,830
TOTAL	121,316,518	127,051,465	146,849,531	152,701,593	161,028,298
OPERATING EXPENSES					
Salaries	127,877,429	130,647,542	137,957,017	145,998,961	154,282,143
Employee Benefits	48,219,919	48,869,730	57,029,154	64,386,174	69,252,887
Supplies, Materials and Other Operating Expenses and Services	37,045,648	24,556,811	37,184,227	42,495,108	41,277,656
Financial Aid	52,366,061	54,218,291	61,711,778	60,166,625	56,592,053
Utilities	4,186,266	4,417,775	4,526,316	3,953,730	3,571,650
Depreciation	17,551,828	21,012,718	18,545,440	17,609,358	21,745,349
TOTAL	287,247,151	283,722,867	316,953,932	334,609,956	346,721,738
OPERATING LOSS	(165,930,633)	(156,671,402)	(170,104,401)	(181,908,363)	(185,693,440)
NON-OPERATING REVENUES (EXPENSES)					
State Apportionments, Non-Capital	38,279,446	45,990,696	46,391,550	48,510,217	40,107,985
Local Property Taxes	110,124,758	98,140,709	105,715,579	114,654,192	120,884,154
State Taxes and Other Revenues	7,107,622	7,324,381	8,619,555	25,800,581	11,280,936
Investment Income, Non-Capital	343,113	172,552	251,855	505,935	619,161
Interest Expense on Capital Related Debt	(22,434,677)	(20,331,606)	(22,055,249)	(17,951,208)	(13,093,169)
Gain (Loss) on Disposal of Fixed Assets	500,222	(4,676,110)	--	(10,269)	--
Other Non-Operating Revenue	470,137	--	--	--	--
TOTAL	134,390,621	126,620,622	138,923,290	171,509,448	159,799,067
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(31,540,012)	(30,050,780)	(31,181,111)	(10,398,915)	(25,894,373)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES					
State Apportionments, Capital	2,346,000	410,731	--	3,727,917	1,229,156
Local Property Taxes and Revenues, Capital	19,756,330	31,300,543	35,507,868	38,132,122	40,647,991
Investment Income – Capital	--	1,013,174	896,221	1,219,971	3,024,319
TOTAL	22,102,330	32,724,448	36,404,089	43,080,010	44,901,466
CHANGE IN NET ASSETS	(9,437,682)	2,673,668	5,222,978	32,681,095	19,007,093
NET ASSETS, BEGINNING OF YEAR	125,406,424	113,066,762	115,740,430	(47,675,135)	(14,994,040)
Cumulative Effect of Change in Accounting Principles (see Note 16)					(51,801,643)
AUDIT RESTATEMENTS	(2,901,980)⁽¹⁾	--	(168,638,543)⁽²⁾	--	(66,795,683)
NET ASSETS, END OF YEAR	\$113,066,762	115,740,430	\$ (47,675,135)	\$(14,994,040)	\$(47,788,590)

(1) Reflects a net audit restatement of \$(2,901,980) to reflect implementation of GASB Statement No. 65, which requires the expensing of bond issuance costs in the year incurred, rather than being amortized over time.

(2) Restatement reflects the cumulative effect of recognizing the beginning balance of the net pension liability and deferred outflows of resources resulting from the implementation of GASB Statements No. 68 and No. 71. See also “– Retirement Programs” above in this Appendix A, and APPENDIX D – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2017” – Note 1 and Note 11.

Source: Coast Community College District.

District Debt Structure

Long-Term Debt. A schedule of changes in general long-term debt for the year ended June 30, 2017 is shown below.

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital leases	\$ 268,295	\$ --	\$ 176,814	\$ 91,481
Compensated absences	6,116,591	668,433	--	6,785,024
Note payable	3,765,000	--	155,000	3,610,000
General Obligation Bonds				
Bonds payable	498,864,504	330,000,000	23,020,000	805,844,504
Accreted interest	38,503,246	6,990,333	--	45,493,579
Bonds premium	45,701,998	30,306,946	3,531,304	72,477,640
Sub totals	<u>583,069,748</u>	<u>367,297,279</u>	<u>26,551,304</u>	<u>923,815,723</u>
Postemployment Healthcare Liabilities	--	31,549,563	--	31,549,563
Net Pension Liability	172,744,626	37,008,699	--	209,753,325
Totals	<u>\$765,964,260</u>	<u>\$436,523,974</u>	<u>\$26,728,118</u>	<u>\$1,175,605,116</u>

Source: Coast Community College District.

See APPENDIX D – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2017” at Notes 6, 7 and 8.

Financial Statements of the District

The District’s audited financial statements for the fiscal year ending June 30, 2017, attached hereto as Appendix D, are provided for informational purposes to summarize the finances and operations of the District simply as a going concern with respect to the Series 2018 Project. The District will assume limited obligations with respect to the Series 2018 Project under the Ground Lease and the Coordination Agreement but neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds, and neither the District nor the College will be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents. Prospective investors should not infer from the inclusion of the District’s and the College’s financial and operational information in this Appendix A or of the District’s audited financial statements in Appendix D that the principal of and interest on the Series 2018 Bonds is payable from the general fund of the District or otherwise from District revenues. The information set forth in this Appendix A and Appendix D does not purport to be a summary of the District’s financial statements. The District’s auditors, CliftonLarsonAllen LLP, Certified Public Accountants, have not reviewed or participated in the preparation of this Official Statement, and have expressed no opinion as to the fairness or accuracy of the financial information included herein (other than the financial statements included as Appendix D attached hereto). The involvement of CliftonLarsonAllen LLP, Certified Public Accountants has been limited to the preparation of the District’s audited financial statements included herein as Appendix D as part of its annual audit of the District’s financial affairs and to the rendition of the opinions with respect to such audited financial statements as set forth in Appendix D. The District has not requested its auditor to provide any review of the financial statements in connection with their inclusion in this Official Statement.

No Liability With Respect to Payment of the Series 2018 Bonds

The District will assume limited obligations with respect to the Series 2018 Project under the Ground Lease and the Coordination Agreement. Neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds, and neither the District nor the College will be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents.

Litigation

The College, like other similar institutions, is subject to a variety of suits and proceedings arising in the ordinary course of business. In the opinion of the College, there is no litigation of any nature pending or threatened wherein an unfavorable decision would have a material adverse impact on the financial condition of the College.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning State funding of community colleges is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Series 2018 Bonds is payable from the general fund of the District or otherwise from State revenues. Neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds, and neither the District nor the College will be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents. The Bonds are payable solely from the Pledged Revenues and proceeds of the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS" herein.

Major Revenues

California community college districts (other than Basic Aid Districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, lottery funds (which generally is less than 3 percent), and other minor sources. State aid is subject to the appropriation of funds in the State's annual budget. As a result, decreases in State revenues may affect appropriations made by the legislature to community college districts.

A bill passed the State's legislature ("**SB 361**"), and signed by the Governor on September 29, 2006, established the present system of funding for community college districts. This system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "**Board of Governors**") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit FTES in each district.

SB 361 also specified that, commencing with the 2006-07 fiscal year the minimum funding per FTES would be: (a) not less than \$4,367 per credit FTES; (b) at a uniform rate of \$2,626 per noncredit FTES; and (c) set at \$3,092 per FTES for a new instructional category of "career development and college preparation" ("**CDCP**") enhanced non-credit rate. Each such minimum funding rate is subject to cost of living adjustments (each, a "**COLA**"), if any, funded through the State budgeting legislation in each fiscal

year. Pursuant to SB 361, the State Chancellor developed criteria for one-time grants for districts that would have received more funding under the prior system or a then-proposed rural college access grant, than under the current system.

One unit of FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

In each fiscal year, the State budget will establish an enrollment cap on the maximum number of FTES, known as the “funded” FTES, for which a community college district will receive a revenue allocation, as determined by the program-based model. A district’s enrollment cap is based on the previous fiscal year’s reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap are considered “unfunded” FTES.

The following table shows the District’s FTES figures for the last five fiscal years, along with the projected figures for Fiscal Year 2016-17:

FULL TIME EQUIVALENT STUDENTS⁽¹⁾
Fiscal Years 2011-12 through 2018-19
Coast Community College District

Fiscal Year	Funded FTES	Unfunded FTES	Actual FTES
2011-12	32,449	1,323	33,772
2012-13	32,449 ⁽²⁾	--	29,884
2013-14	32,623	--	32,623
2014-15	32,623 ⁽²⁾	--	30,924
2015-16 ⁽³⁾	32,623	--	32,623
2016-17	32,623 ⁽²⁾	--	30,292
2017-18	32,623	--	32,625
2018-19 ⁽⁴⁾	32,623	n.a.	n.a.

(1) Reflects resident FTES counts only. Non-resident FTES are excluded from State funding formula calculations and pay full tuition.

(2) Reflects the receipt of “stability” funding. Under California Code Regulations Section 58776, during the initial year of a decline in FTES, community college districts are eligible to receive “stability” funding, in an amount equal to the revenue loss associated with a decline in FTES for that year. Stability funding is available for a one year period. If FTES are not restored to the pre-decline level within a period of two years following the initial decline, a community college district that has received stability funding is subject to a permanent reduction of its funded FTES and an attendant decline in operating revenue.

(3) As part of adopting its budget for Fiscal Year 2016-17, the District allocated certain FTES expected to be generated during its 2016 summer sessions to its reportable FTES for Fiscal Year 2015-16. Also referred to as “borrowing” FTES, this procedure is permitted by the State student attendance accounting regulations.

(4) Projected. Reflects the projected receipt of funding in excess of its actual FTES, which the District expects to capture either through stability funding or the borrowing procedure described in footnote 3 above.

Source: Coast Community College District.

The following table shows the District’s nonresident enrollment for the last five fiscal years, along with the projected figures for Fiscal Year 2016-17. In Fiscal Year 2016-17, the District projects approximately \$12,049,920 from non-resident student tuition.

NONRESIDENT STUDENT ENROLLMENT
Fiscal Years 2011-12 through 2016-17
Coast Community College District

Fiscal Year	Enrollment
2011-12	822
2012-13	936
2013-14	1,160
2014-15	1,339
2015-16	1,445
2016-17 ⁽¹⁾	1,569

⁽¹⁾ Non-resident students tuition for Fiscal Year 2016-17 is set at \$256 per unit.

Source: Coast Community College District.

The major local revenue source is local property taxes that are collected from within District boundaries, with student enrollment fees accounting for the most of the remainder. A small part of a community college district’s budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations, educational foundation contributions and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State, however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

“Basic Aid” community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program based model. Basic aid districts do not receive any general apportionment funding from the State (though they are currently entitled to the minimum amount of funding derived from taxes levied pursuant to Proposition 30, in an amount equal to \$100 per unit of FTES). See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30 and Proposition 55.” The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that the legislatively determined annual COLAs and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not a Basic Aid district.

Budget Procedure

On or before September 15, the District Board is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor’s Office of the California Community Colleges, submits to the Department of Finance (“DOF”) proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals (“BCPs”), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by June 10 a proposed State budget is presented by the governor to the legislature. The Governor’s Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis

and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the statewide governing board of the California community colleges (the *“Board of Governors”*) and the Chancellor’s Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California’s community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district’s financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district’s financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district’s financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district’s financial condition, the Chancellor will pay special attention to each district’s general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor’s Office where financial solutions to the district’s problems will be addressed and implemented.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding “test” to calculate the annual funding guarantee. This third calculation is operative in years in which State general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in California’s per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount under Proposition 98 guarantee (K-14 education aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth and per-capita personal income COLA.

Test 3, established pursuant to Proposition 111, provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in State per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The District can make no representation or guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“**Matosantos**”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California ceased to exist as a matter of law on February 1, 2012.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“**AB 1484**”), which, together with ABx1 26, is referred to herein as the “**Dissolution Act.**” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency

(each, a “*Successor Agency*”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“*Trust Fund*”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“*AB 1290*”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the county auditor-controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of

the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its revenue limit apportionments may be offset by the future receipt of pass-through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

State Assistance

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website, and none of the Authority, the District or the College takes responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during Fiscal Year 2018-19 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

None of the District, the Borrower, the Corporation or the Underwriter guaranty the accuracy or completeness of this information and none of the District, the Borrower, the Corporation, or the Underwriter has independently verified such information. Furthermore, it should not be inferred from the inclusion of or reference to this information herein that the principal of or interest on the Series 2018 Bonds is payable from the general fund of the District or otherwise from State revenues. Neither the District nor the College will have any obligation, express or implied, with respect to the payment of the principal of, or the premium, if any, or interest on, the Series 2018 Note or the Series 2018 Bonds, and neither the District nor the College will be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents. The Bonds are payable solely from the Pledged Revenues and proceeds of the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS" herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A ("*Article XIII A*") of the State Constitution limits the amount of ad valorem taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain

circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the District’s general obligation bonds.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“*unitary property*”). Under the State Constitution, such property is assessed by the State Board of Equalization

(“*SBE*”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is a Community Supported district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State’s school financing formula. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues” above.

Article XIII B of the California Constitution

Article XIII B (“*Article XIII B*”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school districts, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines:

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance (“*ADA*”) of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service for voter-approved general obligation bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” herein.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including community districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% ad valorem property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “**K-14 school districts**”) at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are instead of being returned to taxpayers, is transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the Governor’s Budget.

On June 5, 1990, the voters of California approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“**Proposition 111**”) which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in California per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’

base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("*Test 1*") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("*Test 2*").

Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("*Test 3*"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also referred to as a "maintenance factor") to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "**LAO**") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in Fiscal Year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Proposition 30 and Proposition 55

On November 6, 2012, State voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "**Proposition 30**"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "**Proposition 55**") is a constitutional amendment approved by State voters on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “*EPA*”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Since the District is a Community Supported district, the revenues the District receives from the EPA do not offset State apportionment. The District receives approximately \$388,400 a year from the EPA.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “*Proposition 2*”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s BSA established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in Fiscal Year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “*Annual BSA Transfer*”). Supplemental transfers to the BSA (a “*Supplemental BSA Transfer*”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as

previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “*PSSSA*”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor, (the “*Damaged Property*”), to transfer their existing base year value (the “*Original Base Year Value*”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property shall be reassessed at its full cash value immediately prior to damage or destruction (the “*Original Cash Value*”); however, such property shall retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “*Replacement Base Year Value*”) depends on the relation of the full cash value of the replacement property (the “*Replacement Cash Value*”) to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Implementation of Performance Funding Formula for California Community Colleges

With its passage of the 2018-19 State Budget in June 2018, the California Legislature adopted a new funding formula for California community colleges that the governor ultimately signed into law, which incentivizes student success, joining approximately 35 other states with some form of performance funding formula for allocation of state support to state colleges. Under the new formula, districts will receive revenue apportioned across enrollment, success, and need based factors, the details of which are discussed below. The California Community College System is projecting short-term funding increases for many of the community colleges, some of them substantial.

The District expects to receive an estimated \$200.2 million in State support in Fiscal Year 2018-19 under the new Student Centered Funding formula. This contrasts with the \$177 million in total computation revenue received in Fiscal Year 2016-17, and reflects an increase of approximately 8.2% from the \$184.9 million in total computational state revenue received in Fiscal Year 2017-18. The District, which includes three colleges, would receive a Base Allocation of \$131.8 million, \$27.7 million through the Student Success Allocation, and \$40.7 million through the Supplemental [need based] Allocation. There is no change proposed to the Basic Allocation, the fixed amount of operational funding directed to each approved College or Educational Center. The District estimates receiving \$13 million through the Basic Allocation for Fiscal Year 2018-19.

The formula includes a “hold harmless” provision that ensures no community college will receive less in Fiscal Years 2018-19 through 2020-21 than in Fiscal Year 2017-18, by allocating money to colleges that would see annual funding increases of less than a 2.7 percent cost-of-living adjustment. In addition, the final version includes \$50 million to hire full-time faculty members and another \$50 million for part-time instructors to increase their office hours.

Under the State’s existing approach, all of the State’s roughly \$6.7 billion in general funding for community colleges is based on enrollment numbers. State law reflects a three year transition to the new formula. Beginning in Fiscal Year 2018-19, 70% of funding will be enrollment based, 20% will be need

based, and 10% success based. In Fiscal Year 2019-20, that framework shifts to 65% enrollment, 20% need, and 15% success. By the third year of the transition districts should see 60% enrollment based funding, 20% need based, and 20% success based. Funding also would increase overall funding to \$7.4 billion.

The formula uses several measures to calculate the 20 percent of funding that would be based on how colleges stack up on student success. Those metrics include points for the number of degrees and certificates granted, for those that are completed within three years, and for graduates who earn a “regional living wage” within a year of completion. Colleges also will get funding for students who earn an associate degree for transfer, for completions of transfer-level math and English courses in the first year, and for completions of nine credits of career and technical education courses. Weight also would be given to the number of completions of economically disadvantaged students.

The formula would divvy up another 20 percent of State funding based on the portion of low-income students each college enrolls. Those numbers would be determined by how many students in the previous year received federal Pell Grants or students over the age of 25 who received the State’s College Promise Grant fee waiver, and an additional measure of undocumented students who qualified for resident tuition rates.

Those opposed to the formula include leaders of several community colleges that have projected State funding reductions under the proposed formula. Some could be unfairly penalized because a greater percentage of its student populations attend part-time, and part-time students in nursing or STEM programs (supported by Department of Education initiatives for student proficiency in science, technology, engineering and math) often take longer than three years to graduate. Others could be penalized for the high cost of living and pay inequality in those areas. Rural and urban divides were also asserted. Students in expensive, coastal parts of the State must work, often full-time, while attending college. Some also would not qualify as being low income. As a result, urban community colleges with diverse student populations could be hurt under the funding formula while small rural districts get big funding gains. Potential concerns include unintended consequences such as grade inflation or gaming by colleges to increase their selectivity.

Other than its initial projections for expected short-term funding, the District cannot predict any long-term impact on its operations and financial results which may be due to the implementation of the funding program or future changes in policy or law which may be effected by the State Legislature.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 22, 26, 30, 39, 98, and 55, were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX B

THE SERIES 2018 PROJECT

The Series 2018 Project includes the design and completion of a housing facility containing approximately 814 beds within 323 studio, one, two and four bedroom apartment-style units (including the buildings, furniture, fixtures, and equipment therefor and associated site development and various related amenities and improvements as more particularly described in this Official Statement (the “Series 2018 Housing Facility”). A Market Survey was completed as described in this Official Statement.



The Market Study was one of three market studies that have been undertaken for the Series 2018 Project. The first was completed in 2014 to determine general feasibility and approximate design (appeal, size, scope, amenities, etc.). Once a preliminary design was completed in consultation with the College, the second market study was completed in 2017 by the Developer to confirm the design being advanced.



The Market Study was completed in July 2018 to test the specific room designs and rental rates of the Series 2018 Housing Facility. This study determined that sufficient demand exists among approximately 1,700 full time and 1,300 part-time students at the College alone (no consideration of those students at Coastline Community College or Golden West Community College, both run by the District, or among faculty or staff). The survey described the Series 2018 Housing Facility to survey respondents as being located “on the northwest side of campus” and added that the “proposed apartment buildings would have four stories and the community would have over 800

beds. Amenities would include study and group meeting areas, game rooms, outdoor courtyards, and surface parking.”

The Series 2018 Project will be constructed on a mostly empty site on the northwest corner of the College’s campus. Currently on the site is a surface parking lot, a storage and service facility for various vehicles of the College and a ground water monitoring well, that will be relocated. The site is bordered primarily on the North by Adams Street, on the East by a surface parking lot, on the West by a service road owned by the College and on the South by the College’s horticulture garden lab. A Phase I environmental study has been completed on the site and all primary permitting has been completed. Located on the edge of campus, the site will be conducive for construction access and minimize the impact on current student activities.

This is no student housing currently on campus; and the Market Study found no (what would be considered) purpose-built student housing located in the area.

The Series 2018 Housing Facility

Once completed, the Series 2018 Housing Facility will appear to include a small complex of seven buildings that will be connected through a host of walkways, bridges and breezeways (although the floors above the ground are connected, which results in just two independent buildings). The design is open, to allow for and encourage community inclusion beyond the residents of the building. The site is approximately 5.1947 acres. Planned for the natural spaces between the buildings will be various “themed” courtyards. Some will be “active” courtyards and some will be “quiet” courtyards to encourage various activities among all students. The building will also have spaces for the Property Manager, academic collaboration, hands on programming and relaxation. Other amenities to the building include Community Kitchen and Activity Room, meeting room, four laundry rooms, and four elevators.



The building itself is a 4 story wood framed construction with a stucco and glass exterior and metal accents. In addition, the building is designed to encourage the residents to interact with the community in the various community study and socializing spaces. These spaces are both interior and exterior spaces to ensure year round availability as well as distributed throughout the property to ensure all residents have easy access. The building will be a fully secured building which will require a resident key card to access the buildings entrances and elevators.



As a part of the overall site plan, the Developer has also agreed to enhance the pedestrian promenades that run along the South and East borders of the Series 2018 Project. This is being done to create better access to and visibility around the Series 2018 Project. This space is instrumental to connecting residents to the campus, particularly given the fact that the new Fitness Facility and the proposed Student Life Center and Aquatics Complex sites are located adjacent to the Northwest quadrant of the campus, which contains the Series 2018 Project.

Also, as mentioned previously, the Series 2018 Project will also create and adjacent surface parking lot with 363 spaces and relocate a tennis facility to the eastern side of the campus.

Campus Master Plan

The Series 2018 Project continues the College’s stated objective of enhancing student engagement on campus. Located on the edge of campus, the location of the Series 2018 Housing Facility creates a destination point to initiate, within the Student Services department, a residents’ life function of the College.

ORANGE COAST COLLEGE MASTER PLAN REV.1

Building Identification

- A Recycling Center
- B Student Housing (Phase 1) Pad
- C Student Housing (Phase 2) Pad
- D Solar Covered Parking
- E Parking Structure
- F Adaptive PE / Gymn / Pool / Division Office Complex Pad
- G Future Building Pad
- H Chemistry Replacement Building Pad
- I IDC Phase 2 / Student Success Building / Academic Senate Complex Pad
- J Watson Hall Renovation / Repurpose
- K Skill Center Renovation
- L Planetarium
- M Business Education Building Renovation / Repurpose
- N Dance Building Pad
- O Student Union / Student Services Building Pad
- P Future OCC Village Building Pad

- IDC1 IDC Phase 1
- 2 Theater (Robert B. Moore)
- 5 Photo & Digital Photo Labs
- Science Hall
- 41 Math Lecture Halls 1 & 2
- 42 Lewis Center for Applied Sciences
- 43 Consumer Science & Design
- 44 Allied Health Sciences
- 45 Biological Sciences
- 64 Horticulture
- 81 Forum
- 89 Student Health Center
- 114 Technology Center
- 115 Technology Annex
- 146 Early Childhood Lab School
- 152 Children's Center
- 155 Maintenance & Operations
- 156 Information Technology
- 158 Arts Center
- 171 Technology Center
- 172 Technology Center
- 180 Frank M. Doyle Arts Pavilion
- 181 Starbucks
- 182 Library / Media Center
- 183 Fitness Complex



Unit Program

Within the building, the program calls for units of: four bedrooms, two baths; two bedrooms (single occupancy), two baths; two bedroom (double occupancy), two baths; one bedroom, one bath studios; and one bedroom, one bath efficiencies. As stated previously, this specific program was tested through the analytical methods utilized by the consultant in the Market Study.

There are planned 59 four bedroom, two bath units in the Series 2018 Housing Facility. This results in 236 bedrooms, each with its own bed. Four individuals will rent the unit and live together. The bathrooms will be shared by two people. These units will be approximately 1150 square feet with a common area and separate kitchen upon entrance into the unit.



FOUR-SINGLE-BEDROOM APARTMENT

Designed for four students, one in each bedroom, with two bathrooms and a living area.

Rent per person: \$1,271 per month

There are planned 65 two bedroom, two bath units in the Series 2018 Housing Facility. This results in 130 bedrooms, with two beds in each (260 beds); separator walls will create private living space within each bedroom. Four individuals will rent the unit and live together. The bathrooms will be shared by two people. These units will be approximately 884 square feet with a common area and separate kitchen upon entrance into the unit.



TWO-DOUBLE-BEDROOM APARTMENT

Designed for four students, two in each bedroom, with two shared bathrooms and a living area.

Rent per person: \$1,097 per month

There are planned 117 two bedroom, two bath units in the Series 2018 Housing Facility. This results in 234 bedrooms, each with its own bed. Two individuals will rent the unit and live together. Each bedroom will also have an adjacent, private bathroom. These units will be approximately 772 square feet with a common area and separate kitchen upon entrance into the unit.



TWO-SINGLE-BEDROOM APARTMENT

Designed for two students, one in each bedroom, each with private bathroom, with living area and kitchen.

Rent per person: \$1,617 per month

There are planned 31 one bedroom, one bath studio units in the Series 2018 Housing Facility. This results in 31 bedrooms, each with its own bed. One individuals will rent the unit and live by themselves. Each unit will have an individual bathroom. These units will be approximately 524 square feet with a separate common area and kitchen upon entrance into the unit.



ONE-SINGLE-BEDROOM APARTMENT

Designed for one student, with private bedroom and bathroom, living area, and kitchen.

Rent per person: \$2,079 per month

There are planned 28 one bedroom, one bath efficiency units in the Series 2018 Housing Facility. This results in 28 bedrooms, each with its own bed. One individuals will rent the unit and live by themselves. Each unit will have an individual bathroom. These units will be approximately 387 square feet with a more open floorplan, a blended common area and kitchen upon entrance into the unit.



EFFICIENCY APARTMENT

Designed for one student, with private bedroom/living area, private bathroom, and kitchen.

Rent per person: \$1,848 per month

Also included in the program are 2, two bed, two bath units that are to be rented by the Property Manager for its residents' directors and an additional 21 efficiency-type units that are to be rented by the College, 19 for its residents' assistants and 2 for visitors (visiting professors, rotating administrators and the like). This results in another 23 units with 25 beds.

Rent for all the facilities will include installed furniture, electricity, gas, water & sewer and internet/cable. Each unit will also include a full kitchen with a full sized refrigerator, stove/oven, dishwasher, microwave and sink disposal.

The overall program for the Series 2018 Housing Facility results in some 246,414 square feet of gross rentable area with 76,661 square feet of additional common or administrative space. Also, when completed, some 363 parking spaces will be available to residents.

The Series 2018 Housing Facility is anticipated to be completed in July of 2020 and ready for occupancy for the Fall term of 2018.

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APPENDIX C
MARKET STUDY

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Student Housing Market Study

for

Orange Coast College

July 30, 2018



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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Orange Coast College (OCC) is working with Servitas, LLC (Servitas) to develop student housing on campus in Costa Mesa, California. Servitas retained MGT Consulting Group (MGT) to provide a student housing market analysis. The primary goals of the study are to verify demand for the proposed addition of new housing on the OCC campus and gauge the impact of the changes in the area’s conventional apartment rental market since a previous market study was completed in 2017.

MGT attended a project initiation session with stakeholders, conducted an off-campus market analysis of properties in Costa Mesa, and administered a student survey with more than 1,000 current student responses. At a 95% confidence level this sample size allows a $\pm 3.62\%$ confidence interval, well below the 5% threshold of acceptability. MGT uses the survey to gain direct insight into student demand patterns, with an analysis of the supply of comparable housing in the market serving to validate results. MGT determined that there is substantial demand for the proposed housing—more than 1,700 full-time students would live in the proposed housing if it were available and priced at the rental rates presented in the survey. While there is substantial competition in the off-campus market, its high occupancy rates and tight market support OCC’s plans to develop additional housing on campus.

* * *

About 450,000 housing units in Orange County are occupied by renters. However, MGT found no properties that would be considered purpose-built student housing that appeal to OCC students. Orange County’s overall rental market is tight, with an estimated vacancy rate of 3.4%, and the population has increased at a rate of 0.9% annually since 2010. Rents have increased by at least 23% since 2010, a trend forecast to continue through at least 2019. Most (approaching 60%) of the new construction in the county is in the cities of Irvine and Anaheim, however. While the late recession caused new developments of larger multi-family properties to bottom in 2009, with only 668 new units permitted, the number of permitted units declined 40% from 2016 to 2017, and only 276 units (53 in Costa Mesa) have been permitted in the first quarter of 2018.

None of the properties in the OCC area are purpose-built student housing. The median occupancy rate for conventional apartments polled by MGT for spring 2018 was 97.56%, with a range between 93% and 100%. Most properties offer one- and two-bedroom units; rents range from \$1,320 for a one-bedroom apartment to \$5,199 for a three-bedroom unit. For survey respondents who rent housing, the median per-person housing costs range from \$675 in a homestay to \$1,550 in a one-bedroom apartment. Married students and students with children have a median monthly cost of housing that ranges from \$1,780 per month for a one-bedroom unit to \$2,265 per month for a four-bedroom unit. At the median, single survey respondents who do not share a bedroom are paying less than the conventional market median rents for one- and two-bedroom units. Students who are married and/or have children in one-bedroom units pay a median rent more than single students’ but below the market median, which makes sense as their units that are shared by two or more individuals.

Assuming the survey is representative, about 32% of OCC students rent their housing, while 56% live with their parents, 6% own their home, and 6% participate in a “homestay” arrangement living in a bedroom



EXECUTIVE SUMMARY

ORANGE COAST COLLEGE ■ STUDENT HOUSING MARKET STUDY

with a host family. Most renters live in apartments, whether full- or part-time, but full-time students are more likely to rent only a bedroom as in a homestay arrangement. More renters live in two-bedroom units than any other size; more full-time respondents live in larger units, while more part-time respondents live in studios and one-bedroom units. About 11% of both full- and part-time renters live alone in their unit, but more full-time renters live in groups of four or more and more part-time students live with one or two other persons. Part-time respondents are more likely to live with their spouses and children, while full-time students are more likely to live with roommates or apartment-mates.

About 21% of full-time students who rent their housing share a bedroom with a roommate, more than the 16% of part-time renters; most of those who share a bedroom do so to save money, while for some it was all they could find. Full-time respondents who rent are more likely to share a bathroom with one other person, while part-time respondents are both more likely to share a bathroom with more than one other resident and to have fewer than two residents sharing a bathroom. More renters signed a 12-month lease than signed leases of shorter duration, although many renters have month-to-month leases; academic-year, semester, and six-month, are rare. Most rent an unfurnished unit, although full-time student renters are more likely to rent a furnished or a partially-furnished unit.

Most students drive to class; about a tenth use public transportation. More respondents come three to 10 miles to get to class; very few come more than 30 miles. When looking for housing for the 2017–18 academic year, affordable rent was the top decision-making factor for both full- and part-time respondents, by a wide margin, followed by having a private bedroom, adequate living space, and availability of parking.

The survey asked respondents how itemized housing features would influence their interest in living in their preferred unit. When considering individual unit features and housing policies, high-speed wireless Internet ranked highest as being something students would not live in housing without. A washer/dryer, full kitchen, utilities included in rent, and temperature control in the unit also ranked highly as having a positive influence on a student's decision to live in campus housing. A required meal plan would detract from the appeal of new housing. When considering community amenities, the most influential feature is on-site laundry facilities, followed by convenient parking, being able to walk to class and having no need for a car, and quiet study areas. A community kitchen and live-in staff would have the most negative impact. Most respondents prefer a 12-month lease, although 40% of full-time students would prefer a lease term aligning with their academic year. The amenities OCC students prefer are those that would be provided in the proposed OCC housing and that are typical of purpose-built student housing, although rarely packaged together in conventional market properties; some, such as having utilities included in the rent, are not offered at any properties in the OCC area.

The survey asked respondents how satisfied they were with their current housing; full-time respondents overall show a higher level total satisfaction, although they have a somewhat lower level of being very satisfied. The two groups with the lowest satisfaction are those in rental housing and those who live with their parents and would consider living on campus; they form the primary market for OCC on-campus housing.

The survey tested five apartment options: a two-double-bedroom apartment, a four-single-bedroom apartment, a two-single-bedroom apartment, an efficiency apartment, a one-single-bedroom apartment. When looking only at the units marked preferred, 20% of respondents chose the four-single-bedroom



EXECUTIVE SUMMARY

apartment. About 20% of respondents marked at least one unit as acceptable but did not mark any as preferred. Part-time respondents showed more interest in the two-single-bedroom apartment, despite higher cost.

Respondents were asked their likelihood of living on-campus during the current academic year if their preferred housing choice had been available when they were selecting the housing they live in now. Since the unit descriptions from which they selected their preference included pricing information, this level of interest is associated with that pricing. About 22% of full-time respondents and 17% of part-time respondents definitely would have lived there and another 38% of full-time respondents and 38% of part-time respondents indicated they might have lived there (50/50 chance). Homestay participants are most interested in living in the new housing, while those who rent their housing have somewhat lower interest; those who live with their parents and would consider living on campus have similar interest as homestay respondents. The cost of the proposed housing was the main reason students indicated disinterest in living in the housing, followed by living with parents and having a pet.

MGT's demand methodology determined that for full-time students living off campus, demand would amount to 1,740 beds, the midpoint of a range of 1,512 to 1,969 based on the sample size and the total population. For part-time students, demand would amount to 1,244 beds, the midpoint of a range of 1,089 to 1,399 based on the sample size and the total population. Typically, MGT assumes that part-time students serve as secondary demand. Based on the stated preference among the five options, the demand by full-time students may be distributed as Table 1 shows. For each unit type, demand exceeds the number of proposed units.

Unit Type	Monthly Rent	Interested Full-Time Preference	Potential Full-Time Demand	First Choice Distribution	Proposed Unit Mix
2-Dbl-BR Apt	\$1,097	28%	494	27%	260
4-Sgl-BR Apt	\$1,271	32%	561	29%	240
2-Sgl-BR Apt	\$1,617	23%	393	24%	240
Efficiency Apt	\$1,848	9%	159	11%	30
1-Sgl-BR Apt	\$2,079	8%	134	9%	30
Total		100%	1,740	100%	800

Table 1: Distribution of Demand by Unit Type

About 32% of survey respondents rent their housing; the corresponding assumption is that 7,435, or 32% of total enrollment of 22,338, rent their housing. Currently, survey respondent renters self-report total housing costs over a very wide range, from \$50 to \$2,950 per month. Extrapolating yields about 2,000 students paying over \$1,000 per person per month, and almost 300 of these paying over \$2,000 per month.

MGT constructed a demand curve that shows that for a decrease of 1% in rents, demand will increase by at least 1.75%. We assume the opposite is true, that an increase of 1% in rates would lead to a 1.75% decrease in demand. Rents could increase for each unit type, causing demand to decrease up to a certain point without becoming insufficient to fill the proposed beds. At the extreme, rents could increase across the board above the survey level by 22% without resulting in corresponding decreases in demand below



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ORANGE COAST COLLEGE ■ STUDENT HOUSING MARKET STUDY

the proposed project size. However, MGT would recommend not testing these bounds and to the extent possible, maintaining rents within 5% of the survey rents.

MGT's analysis concludes that there is more than sufficient demand for the proposed new housing. While there is substantial competition in the off-campus market, its high occupancy rates and tight market support OCC's plans to develop additional housing on campus. Students, if given their preference, would live on campus, even if project development realities contrive to raise rents slightly beyond those currently necessary.



INTRODUCTION

INTRODUCTION

Overview

Servitas retained MGT to provide a student housing market study on behalf of OCC to confirm demand for the proposed development of housing on OCC's campus in Costa Mesa. The primary goals of the study are to verify demand at proposed rental rates for the proposed project. The study consisted of an off-campus market analysis and a student survey.

Methodology

Project Initiation

MGT met with members of the project stakeholder team on Monday, February 14th, 2018, including OCC's president and senior administrators and a representative from Servitas, to review goals and objectives for the study, collect background information, and discuss survey logistics.

Off-Campus Market Analysis

MGT collected data from 22 apartment complexes on a list of properties compiled based on Internet research, visual observation, and assistance from Servitas; data included unit types, size, rent, policies, amenities, and occupancy. The sample represents over 1,000 units; 17 are located within two miles of campus. The listing can be found in Attachment 1. MGT also reviewed relevant news articles, researched multi-family permit history, and interviewed property managers about trends in the rental market.

Student Survey

MGT designed a survey with input from OCC and Servitas; OCC's Institutional Review Board (IRB) reviewed and approved the survey instrument and methodology for implementation. The purpose of the survey was to collect students' demographic information, information on students' current housing situation, and information on desired unit types at estimated rents. The Web survey was posted from April 2 to April 9, 2018. To invite students, the university sent an email message to students.

As an incentive to respond to the survey, four Amazon Gift Card prizes totaling \$500 were awarded to randomly-selected survey respondents. With 1,062 valid responses from full-time students and OCC's headcount of 22,338 full-time students, the survey achieved a 4.75% response rate.¹ Survey responses were tabulated by living status: respondents who attend full-time and respondents who attend part-time. Tabulations of survey responses are in Attachment 2.

Demand Analysis

MGT's demand methodology considers demand from students who attend full-time with interested students who attend part-time as back-up demand. The methodology for calculating demand uses the responses to Question 35 on the student survey asking if respondents would have lived in their preferred

¹ It is assumed that all students have equal access to the survey.



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unit if it had been available on campus at OCC at the start of the current academic year. The first step in calculating demand is to determine a capture rate for each cohort using the following equation:

$$\text{Capture Rate} = \frac{\text{Number of Full-time Respondents Definitely Interested in Housing}}{\text{Number of Full-time Respondents}}$$

The capture rate for each cohort reflects the percentage of respondents of each enrollment status (i.e., freshman, sophomore) at two levels of interest (e.g., definitely interested, might be interested). A “closure” rate is necessary to reflect that not all students who express interest in housing will sign a lease. For incremental demand, a 50% closure rate for those who indicated that they “definitely would have lived” in the housing and a 25% closure rate for those who indicated that they “might have lived” in the housing (or 50% of those with 50/50 interest) was used. For part-time students, these closure rates were reduced by 50%. For each cohort, the headcount enrollment is multiplied by the capture rate, and then the closure rate is applied to yield the demand range.² This demand is explicitly based on the description of the units that included the rental rates proposed for the housing.

² The level of response to the survey and the size of OCC’s enrollment result in a confidence interval in the results of plus or minus 3.62% at a 95% confidence level—the plus-or-minus figure seen in many survey or poll results, for example, if the confidence interval is 3.0% and 50% percent of the sample picks an answer; it is 95% certain that if the entire population had been asked the same question, between 47% (50%-3%) and 53% (50%+3%) would have picked that answer. MGT uses the midpoint of the range as an estimate of demand.



OFF-CAMPUS MARKET

Market Overview

About 43% of the housing (or about 450,000 units) in Orange County is occupied by renters. MGT found no properties that would be considered purpose-built student housing that appeal to OCC students. MGT compiled a list of 25 properties eliminating three that were inappropriate for college student renters. For the remaining 22 properties, MGT collected information on their rents, features, amenities, occupancy, and size.

According to the Department of Housing and Urban Development,³ in the county (the Anaheim-Santa Ana-Irvine Metropolitan Division, which comprises Orange County) the overall rental market is tight, with an estimated vacancy rate of 3.4% in March 2017, down from 5.9% in April 2010. While the population has increased at a rate of 0.9% annually since 2010, with strong economic conditions. According to HUD, “the increase of the number of household since 2010 has outpaced the construction of new rental units and the conversion of single-family homes to rental use.” Average monthly apartment asking rents increased 5% from the fourth quarter of 2015 to the fourth quarter of 2016 as well. Most (approaching 60%) of the new construction in the county is in the cities of Irvine and Anaheim, however.

New Development

While the late recession caused new developments of larger multi-family properties to bottom in 2009, with only 668 new units permitted, the number of permitted units declined 40% from 2016 to 2017, and only 276 units (53 in Costa Mesa) have been permitted in the first quarter of 2018. Figure 1 shows the cycles since 1980.

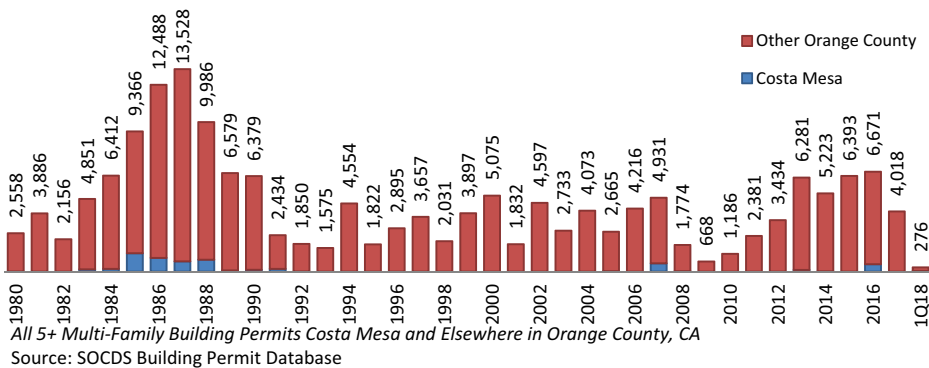


Figure 1: Orange County Building Permits

³ US Department of Housing and Urban Development, PD&R/Economic & Market Analysis Division (EMAD), 4/20/2018, <<https://www.huduser.gov/portal/MCCharts/countyCharts.html?countyID=06059&countyName=Orange%20County%2C%20CA&dt=May%209,%202018>> and <<https://www.huduser.gov/portal/periodicals/USHMC/reg//AnaheimCA-HMP-March17.pdf>>



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Market Trends

Over the past seven years since the late recession, average rents have increased 23% in Orange County; they have risen 3.9%.⁴ In 2017, slower multi-family construction led to a tighter market in Orange County, with increasing rents and decreasing vacancy rates, according to a USC report, which also forecasts decreasing vacancy rates and increasing rents through this year and next year.⁵

Rental Rates and Occupancy

Market Properties

None of the properties in the OCC area are purpose-built student housing. The median occupancy rate for conventional apartments for spring 2018 was 97.56%, with a range between 93% and 100%. Most properties in the sample offer one- and two-bedroom units, although several properties offer three-bedroom units and studios. Figure 2 shows the rent ranges by unit type from the market data collected by MGT, converted to the rate per bed (with no sharing) by dividing the total rent by the number of bedrooms,⁶ with the medians ranging from \$917 for a one-third of a three-bedroom apartment to \$1,795 for a one-bedroom unit; “n” is the number of units in the sample.

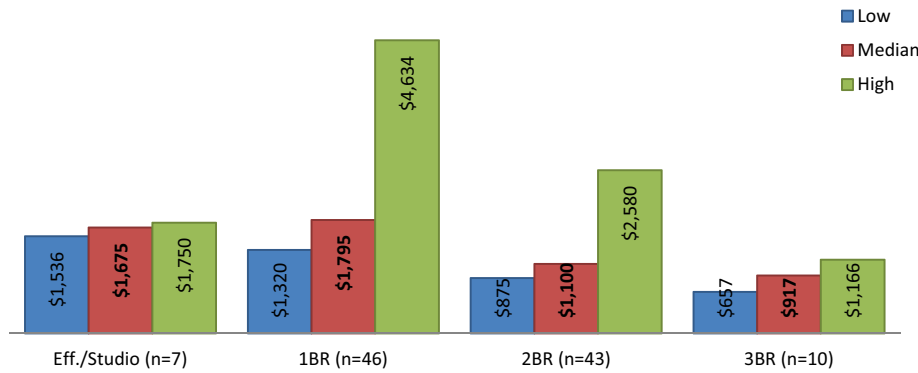


Figure 2: Market Data: Rents Per Bed by Unit Type

For survey respondents who rent housing on their own or with roommates on a 12-month lease, the median per-person housing costs without sharing a bedroom range from \$675 in a homestay to \$1,550 for a private bedroom in a one-bedroom apartment.⁷ Figure 3 shows survey respondents’ median per-person monthly cost of housing where “n” is the number of respondents.

⁴ “Southern Californians scrimp to get by as average rent hits \$1,900,” The Orange County Register, < <https://www.ocregister.com/2018/02/15/southern-californians-scrimp-to-get-by-as-average-rents-hit-1900/> >

⁵ 2017 Multifamily Forecast Report, USC Lusk Casden Real Estate Economics Forecast < <https://lusk.usc.edu/sites/default/files/attachments/2017-USC-Casden-Multifamily-Forecast-Report.pdf> >

⁶ For the purposes of this comparison, we assume no sharing; i.e., an equal number of beds, occupants, and bedrooms.

⁷ Other housing costs include utilities (electricity, gas, water, sewer, trash), local telephone, Internet, and cable television.



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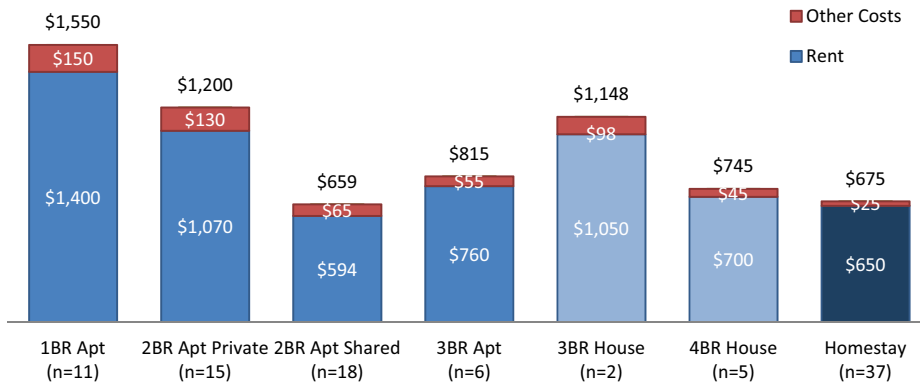


Figure 3: Single Survey Respondents – Median Monthly Housing Cost, Per Person

When married students and students with children were asked to list their housing expenses on the survey, the information was collected “per unit.” For this cohort, total median monthly cost of housing ranges from \$1,780 per month for a one-bedroom unit (\$1,600 rent and \$180 other expenses) to \$2,265 per month for a four-bedroom unit (\$1,950 rent and \$315 other expenses). Figure 4 shows the median monthly cost of survey respondents’ housing where “n” is the number of respondents.

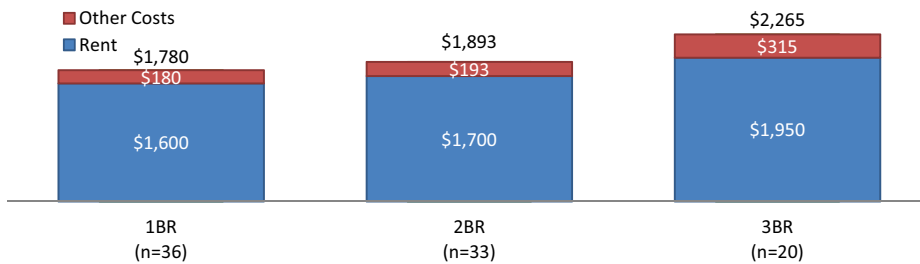


Figure 4: Family Survey Respondents – Total Median Monthly Housing Costs by Unit

Almost half (44% of full-time and 50% of part-time) of student renters have found rental apartments that include at least some utilities. Of these, more include water/sewer and trash services but one-quarter or less include gas, electricity, or air conditioning. See Figure 5.



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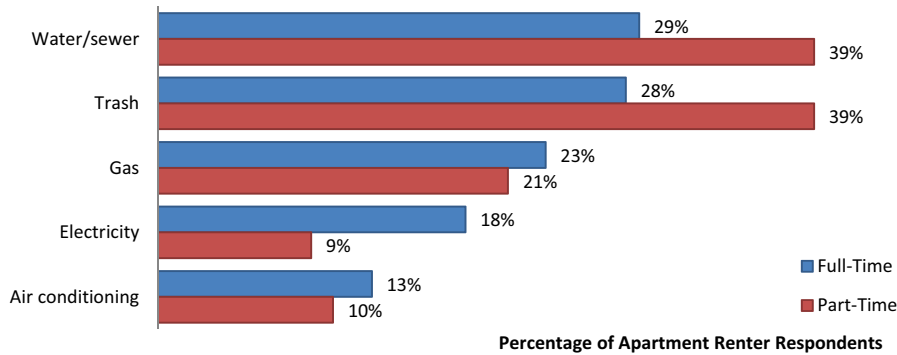


Figure 5: Survey Respondents: Utilities Included in Rent

While most students rent apartments with no additional fees for parking, most must pay for Internet and Cable TV. The least common are local telephone and shuttle services, as seen in Figure 6.

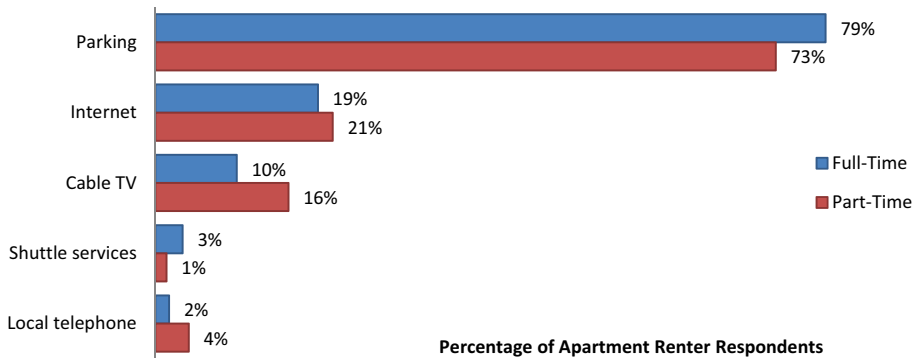


Figure 6: Survey Respondents: Features Included in Rent

At the median, single survey respondents who rent an apartment and do not share a bedroom are paying less than the median rent MGT found at conventional market properties for the smaller unit types. Students who are married and/or have children pay more than single students but below the market median in one-bedroom units, which makes sense as their units that are shared by two or more individuals. Table 2 shows a per-bedroom rent comparison from the various sources excluding utilities or other costs and using median rents based on a 12-month lease.

Market	1BR	2BR	3BR
MGT Research, Conventional	\$1,795	\$1,100	\$917
Survey Respondents—Single Students, Apts, Private BR	\$1,400	\$1,070	\$1,140
Survey Respondents—Families	\$1,600	\$850	\$975

Table 2: Comparison of Median Monthly Housing Costs, Per Bedroom



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Utilities and Other Costs

The survey collected data on the amounts respondents pay for utilities (electricity, gas, water, sewer, trash) and other costs (local telephone, basic cable TV, and Internet). As Figure 7 shows at the far right, overall single students renting apartments paid a median of \$110 in addition to their base rent.

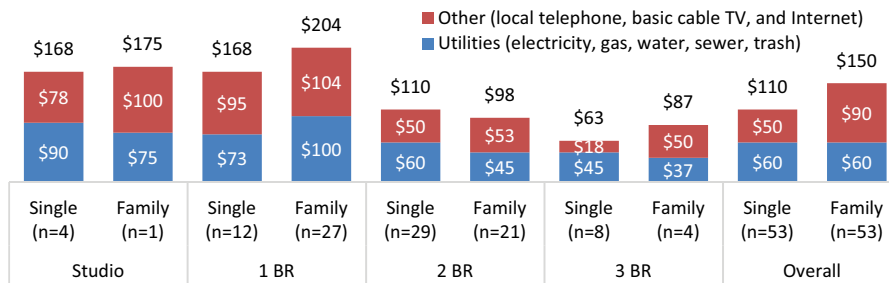


Figure 7: Apartment Renter Utility and Other Costs per Bedroom

While the range of amenities normally associated with purpose-built student housing are highly desirable by those responding to the survey, it is difficult to place an actual value on such items (e.g., new construction, walkability, individual lease, utilities included in rent, security features). To compare the market rents and the rents paid by renters to the rents proposed for OCC housing, the numbers should be adjusted to create comparable figures. Since OCC housing residents will have utilities and other unit costs included in their rent, these costs should be added to the market rents; MGT used the amounts reported by survey respondents. In addition, since the units will be furnished, an allowance should be made for the costs of furnishing; MGT uses the rate of \$100 per month per resident.⁸ As Table 3 shows, the differential between the current rents paid by OCC student apartment renters and the proposed project rents decreases as the units get larger to the point where the four-bedroom unit, if compared to student rental three-bedroom units, only represents a premium of \$144.

	Efficiency 1 Private BR	2 Private BR	2 Shared BR	3 Private BR	4 Private BR
Survey Tested Rents including Utilities/Other Costs	\$1,848	\$2,079	\$1,617	\$1,097	\$1,271
	30 beds	30 beds	240 beds	260 beds	240 beds
MGT Research, Conventional Market					
Rent		\$1,795	\$1,100	\$550	\$917
Utilities (Survey median)		\$60	\$60	\$60	\$60
Other costs (Survey median)		\$50	\$50	\$50	\$50
Furniture		\$100	\$100	\$100	\$100
		\$2,005	\$1,310	\$760	\$1,127
Proposed Rent Differential over Market Rents		\$74	\$307	\$337	\$144 *vs 4 BR

Table 3: Comparison of Market, Actual, and Proposed Rents

⁸ See the paragraph on page 28 following Table 6 for a discussion of the value OCC students place on the amenities of living on campus.



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Where Students Live

Of the 1,019 valid survey responses, most—62%—attend OCC part-time. Of those who attend full-time, 36% rent their housing and 64% live at home, own a home, or have some other living situation. Nevertheless, 63% of non-renters would consider living in campus housing. The distribution of all respondents is shown in Figure 8 with ‘n’ being the number of survey respondents.

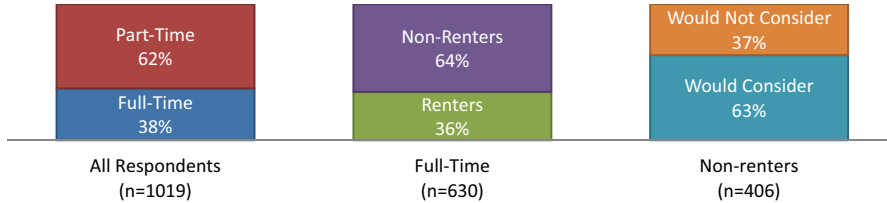


Figure 8: Current Living Situation

MGT considers the primary market for student housing to have two components: those who attend full-time and rent their housing and those who would consider living on campus if they own their home or live with their parents. As Figure 9 shows, these groups comprise 47% of the respondents to the survey.

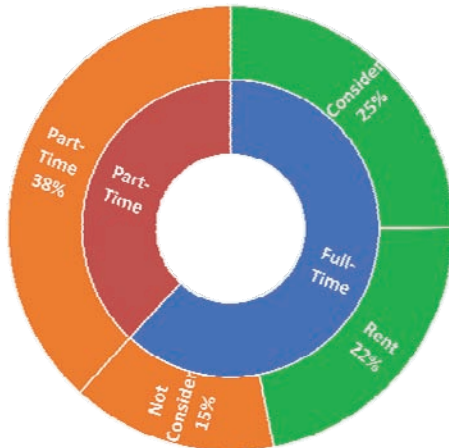


Figure 9: Distribution of Primary Market

As Figure 10 shows, more full-time students than part-time students moved from their prior residence when they began attending classes at OCC.



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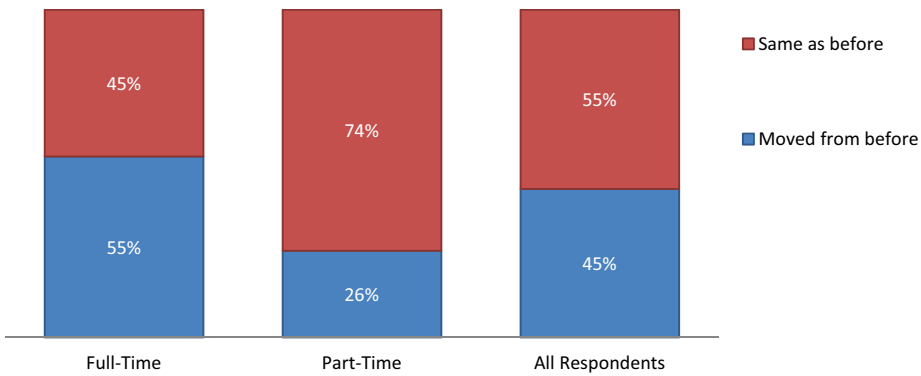


Figure 10: Change of Residence to Attend OCC

More renters live in Costa Mesa ZIP Code 92626 than in any other, by a wide margin. ZIP Codes where ten or more renters live are listed in Figure 11.

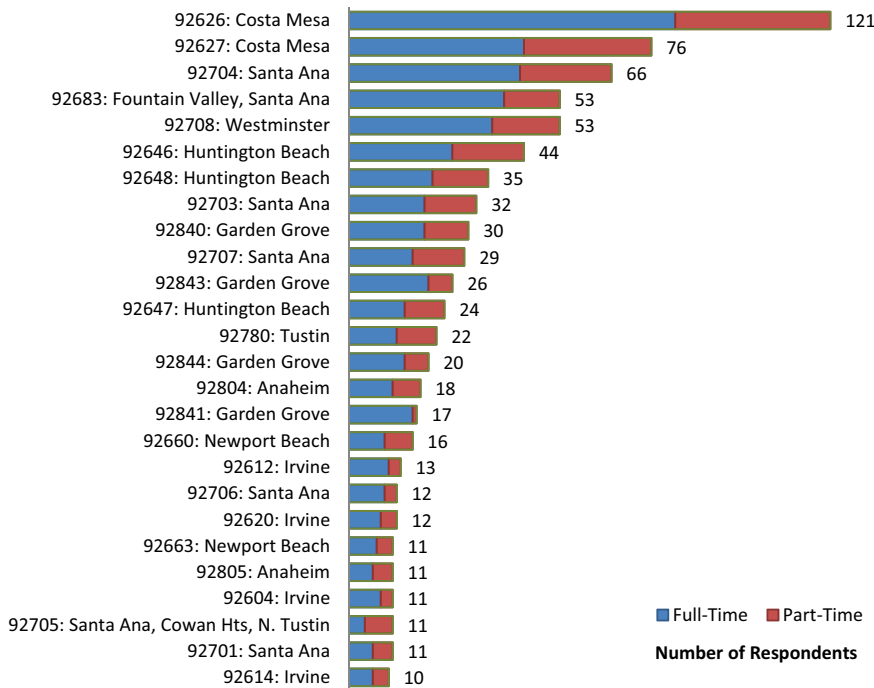


Figure 11: Renter ZIP Codes

Mapped, the ZIP Codes with the most respondents are nearer the campus or to its north and west, as Figure 12 shows, with the height of the column representing the numbers of respondents.



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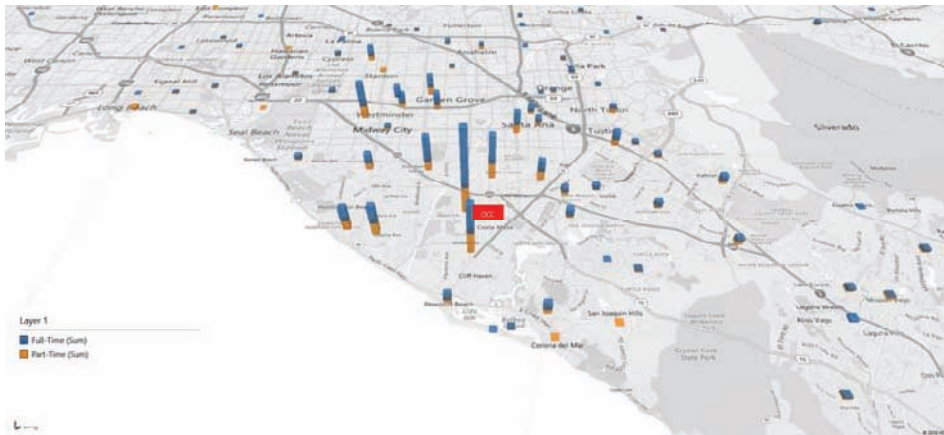


Figure 12: Respondents by ZIP Code

The most renter respondents live in the Camden Martinique property near campus, as Figure 13 shows, but Villa Siena and 27 Seventy Five Mesa Verde also more than five respondents out of the 73 shown. In addition, there were 90 respondents who named properties as the only respondent, suggesting that most apartment-renting students are dispersed around the area at properties with a minority of renters that are OCC students.

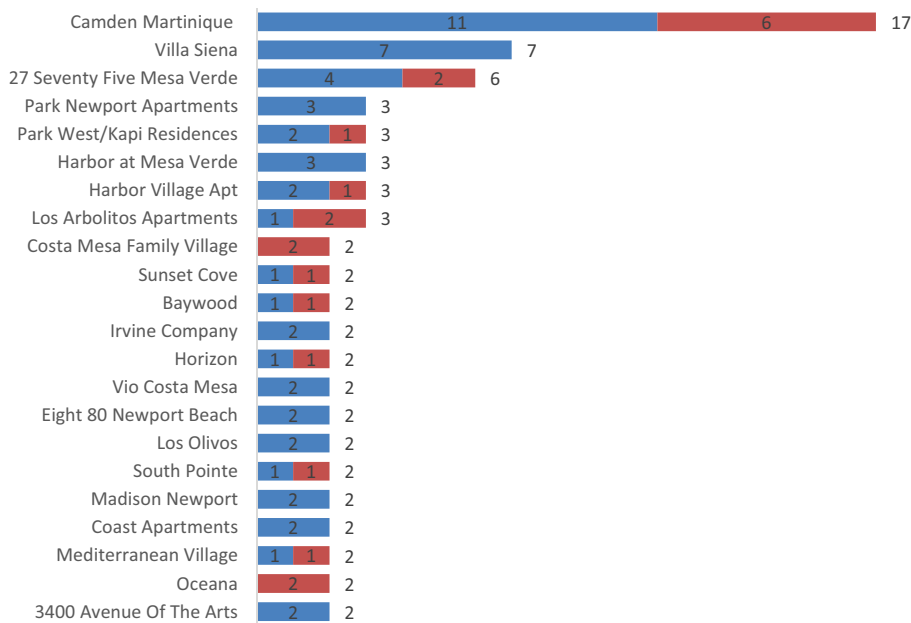


Figure 13: Most Common Survey Respondent Rental Properties



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Type of Housing

Of those who rent housing:

Most renters live in apartments, whether full- or part-time, but full-time students are more likely to rent only a bedroom as in a homestay arrangement, as Figure 14 shows.

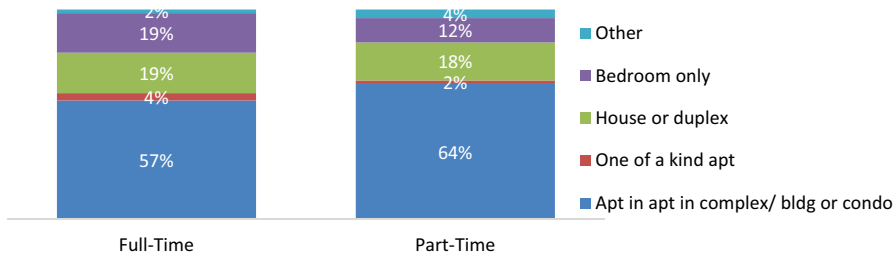


Figure 14: Renters' Type of Housing

More renters live in two-bedroom units than any other size, as Figure 15 shows. More full-time respondents live in larger units, while more part-time respondents live in studios and one-bedroom units.

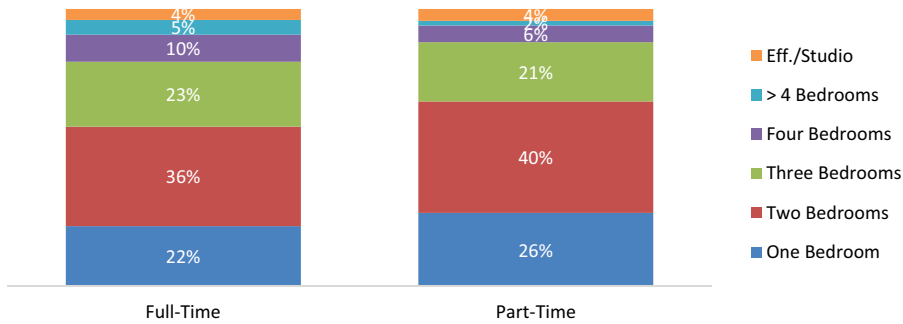


Figure 15: Renters' Number of Bedrooms

As Figure 16 shows, 11% of both full- and part-time renters live alone in their unit, but more full-time renters live in groups of four or more and more part-time students live with one or two other persons.

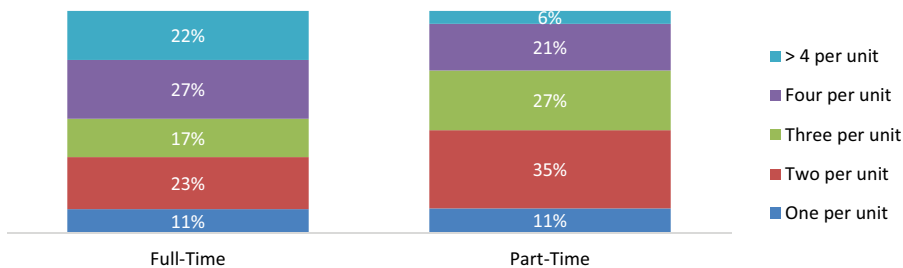


Figure 16: Renters' Number of Residents



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Sharing

Aside from the 11% who live alone, part-time respondents are more likely to live with their spouses and children, while full-time students are more likely to live with roommates or apartment-mates.

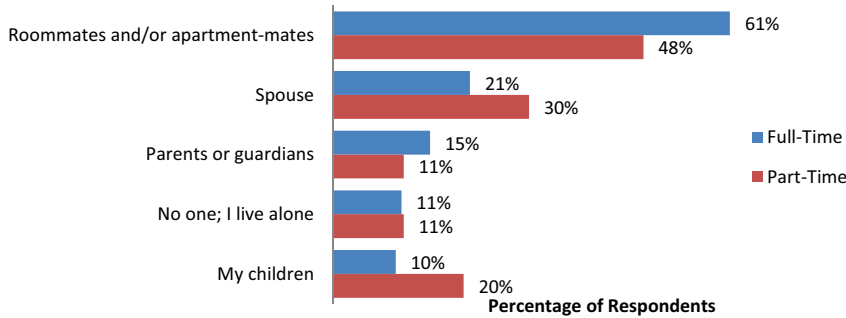


Figure 17: With Whom Renters Live

About 21% of full-time students who rent their housing share a bedroom with a roommate, more than the 16% of part-time renters, as Figure 18 shows. MGT uses the rule of thumb that nationally in our extensive experience, 10% of students share a bedroom, making OCC students' willingness to share a bedroom well above the national norm.

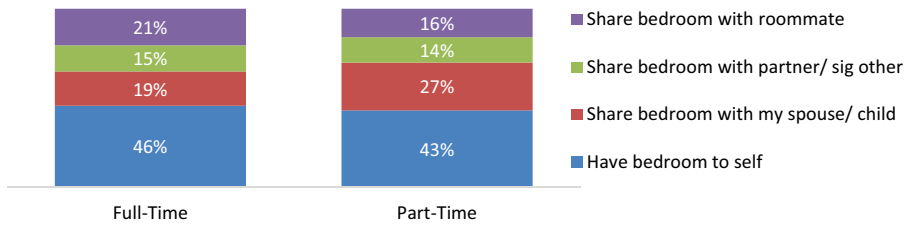


Figure 18: Bedroom Sharing

As Figure 19 shows, most of those who share a bedroom do so to save money, while for some, they wanted to live with friends or it was all they could find.

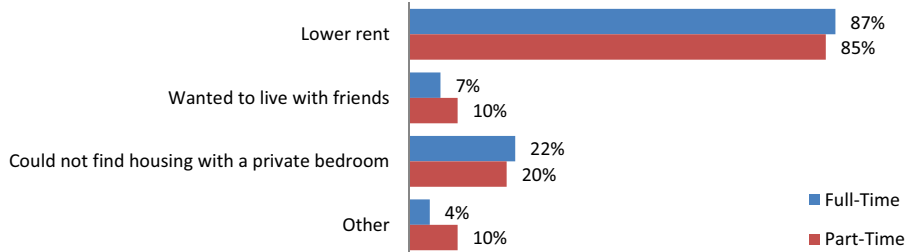
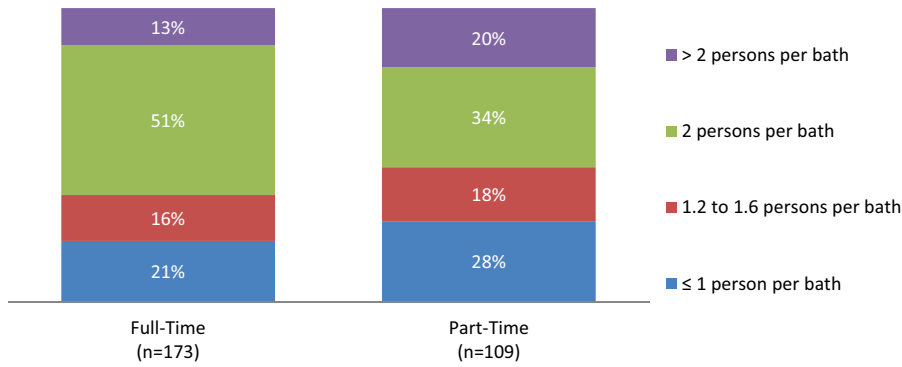


Figure 19: Reasons for Sharing Bedroom with a Roommate



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Full-time respondents who rent are more likely to share a bathroom with one other person, while part-time respondents are both more likely to share a bathroom with more than one other resident and to have fewer than two residents sharing a bathroom.



Policies and Amenities

More renters signed a 12-month lease than signed leases of any shorter duration, although many renters have month-to-month leases, as Figure 20 shows. Leases particularly attractive to college students—academic-year, semester, and six-month, are rare.

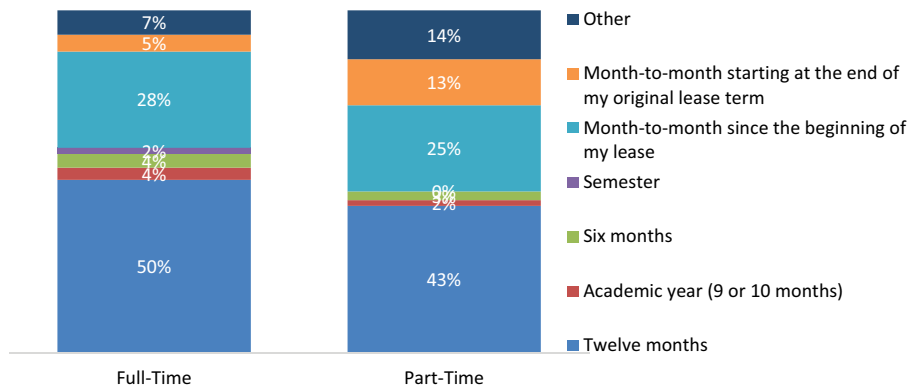


Figure 20: Renters' Lease Terms

Most rent an unfurnished unit, although full-time student renters are more likely to rent a furnished or a partially-furnished unit, as Figure 21 shows.



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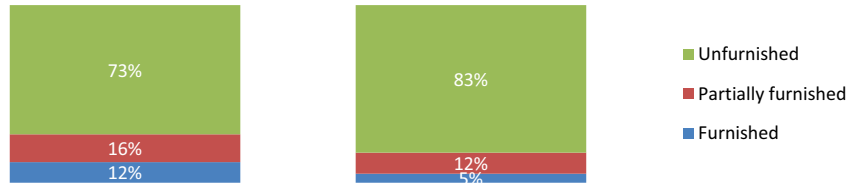


Figure 21: Renters' Unit Furnishings

Getting to Campus

As Figure 22 shows, most students drive to class; about a tenth use public transportation.

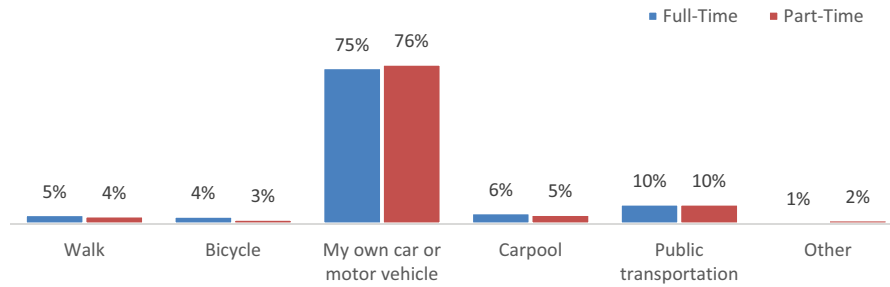


Figure 22: Primary Method of Transportation to Campus

More respondents come three to 10 miles to get to class, as Figure 23 shows. Very few come more than 30 miles.

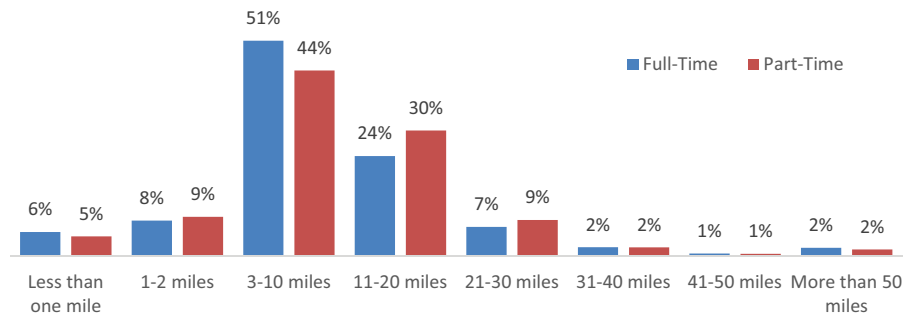


Figure 23: Distance to Classes

Decision-Making Factors

When looking for housing for the 2017-18 academic year, affordable rent is the top decision-making factor for both full- and part-time respondents, by a wide margin. For both, affordable rent is followed by having



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a private bedroom, adequate living space, and availability of parking, albeit in different order. The top 10 responses, from a list of 21, are sorted by full- and part-time survey responses in Figure 24.⁹

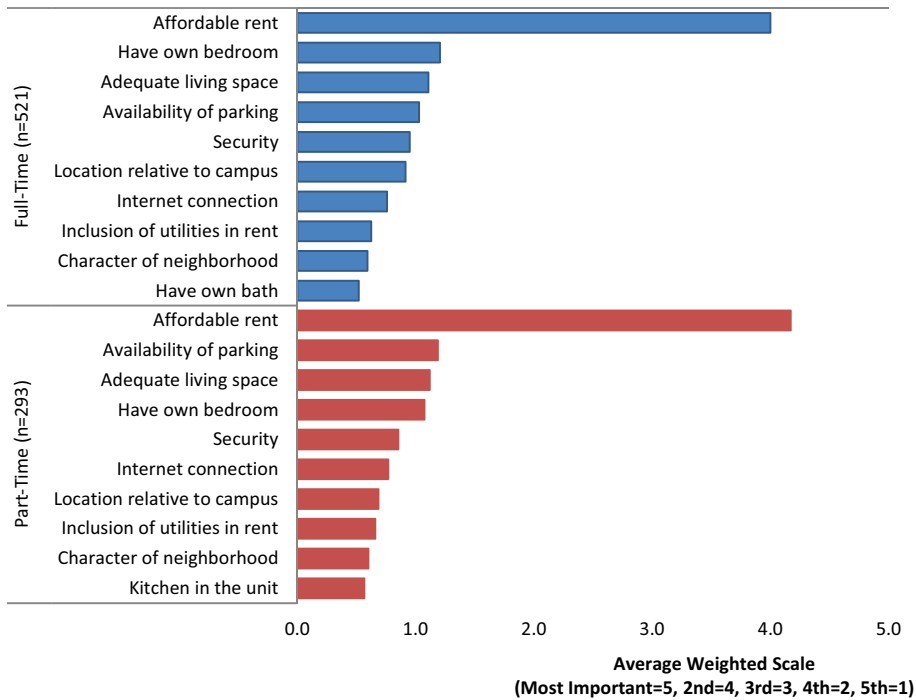


Figure 24: Factors Used in Deciding Where to Live

Policies and Amenities

At the properties MGT polled, security deposits range from \$400 to \$1,750, although most are in the \$500 to \$750 range. Not all properties offer 12-month leases; one requires 15-month leases, one requires three-month leases, and one uses month-to-month leases. Properties generally offer short-term leases at increased monthly rates. None of the properties include electricity in the rent, but two include Internet and basic cable TV. Figure 25 shows the percentages of properties.

⁹ Survey respondents were asked to select the five most important factors in deciding where to live for the 2017-18 academic year. Responses were ranked using a weighted scale.



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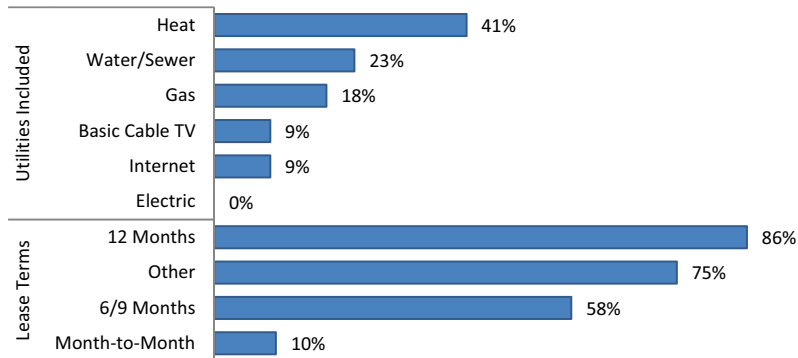


Figure 25: MGT Samples' Utilities and Lease Terms

Swimming pools and community laundries are at most properties as Figure 26 shows. About half of the properties offer garage parking and/or fitness centers; fewer offer clubhouses, tennis courts, or playgrounds and none offer volleyball. Most properties have dishwashers and air conditioning; very few are furnished or have laundry machines or their connections for those that wish to bring their own.

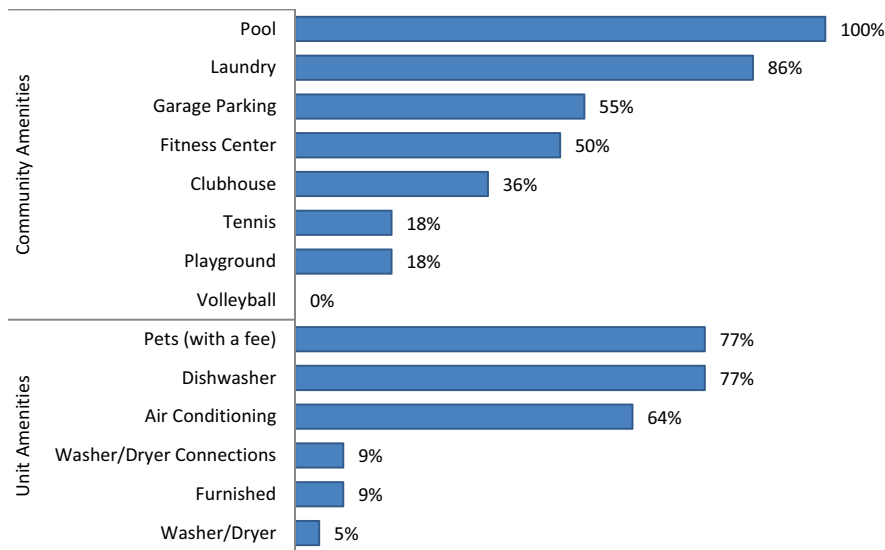


Figure 26: MGT Samples' Unit and Community Amenities

All but five permit pets with restrictions or rules regarding the number, weight, and type of pet (generally up to two pets are allowed per unit; some allow only cats). Refundable pet deposits range from \$0 to \$500. Most require additional rent between \$25 and \$50 per month.



HOUSING PREFERENCES

HOUSING PREFERENCES

Living Preferences

The survey asked respondents how itemized housing features would influence their interest in living in their preferred unit. Four possible responses were offered: (1) Would not live in new housing without it, (2) Would have a positive influence on my decision, (3) Would have no effect on my decision, (4) Would have a negative influence on my decision and (5) Would not live in new housing if it was there.

When considering individual unit features and housing policies, high-speed wireless Internet ranked highest as being something students would not live in housing without. A washer/dryer, full kitchen, utilities included in rent, and temperature control in the unit also ranked highly as having a positive influence on a student’s decision to live there. A required meal plan would detract from the appeal of new housing. All features are ranked in Figure 27.

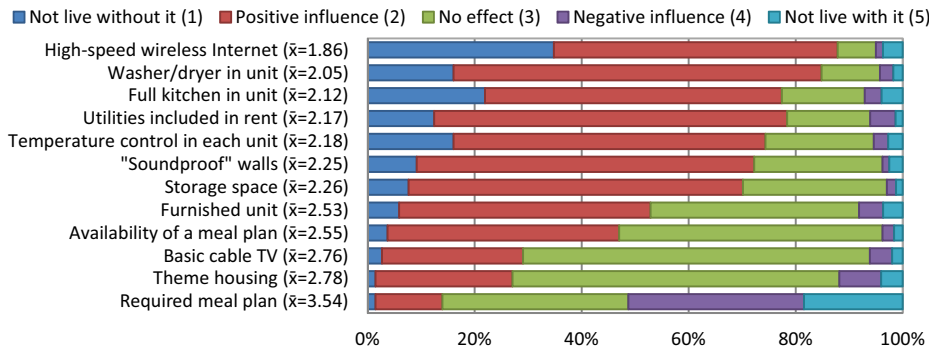


Figure 27: Importance of Unit Features and Housing Policies

When considering community amenities, the most influential feature is on-site laundry facilities, as shown in Figure 28. The other amenities that would have a positive influence on students’ decision to live in campus housing are convenient parking, being able to walk to class and having no need for a car, and quiet study areas. A community kitchen and live-in staff would have the most negative impact.

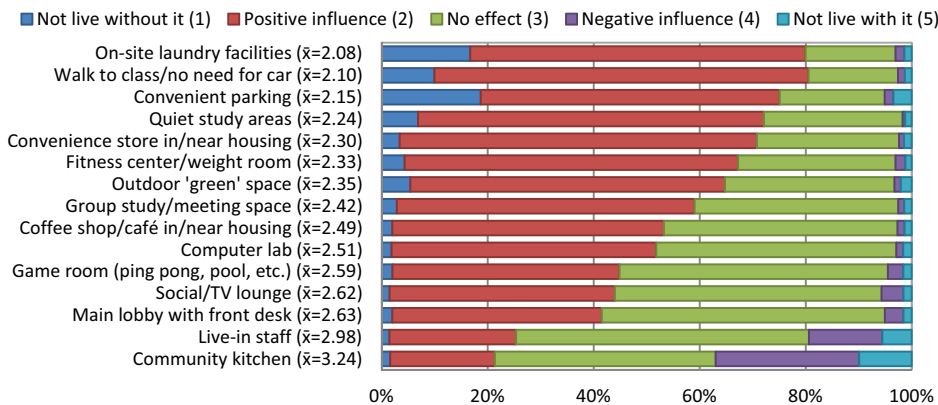


Figure 28: Importance of Community Features



HOUSING PREFERENCES

The survey also presented an opportunity for respondents to indicate the term of their preferred lease from three options. Most respondents prefer a 12-month lease, although 40% of full-time students would prefer a lease term aligning with their academic year.

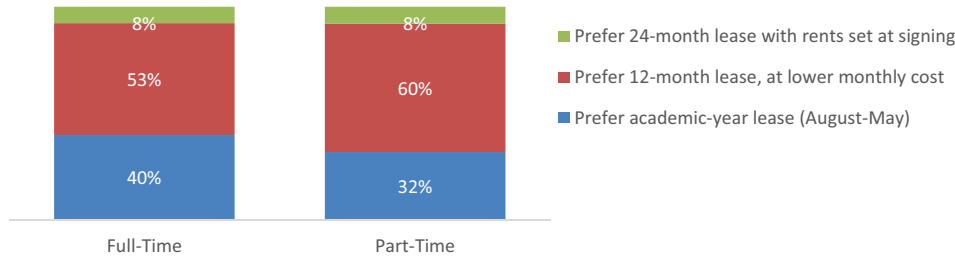


Figure 29: Preferred Lease Term

Housing Satisfaction

The survey asked respondents how satisfied they were with their current housing; Figure 30 shows the results. Full-time respondents overall show a higher level total satisfaction, although they have a somewhat lower level of being very satisfied.

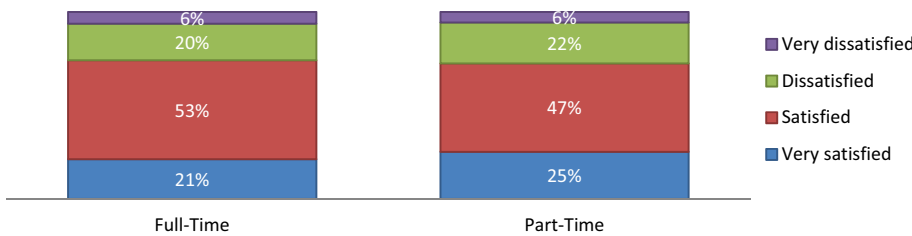


Figure 30: Overall Satisfaction with Current Residence

When the residential situation is plotted versus the satisfaction level, it becomes clear that certain populations have distinctly lower levels of satisfaction, as Figure 31 shows. The two groups with the lowest satisfaction are those in rental housing and those who live with their parents and would consider living on campus; they form the primary market for OCC on-campus housing.

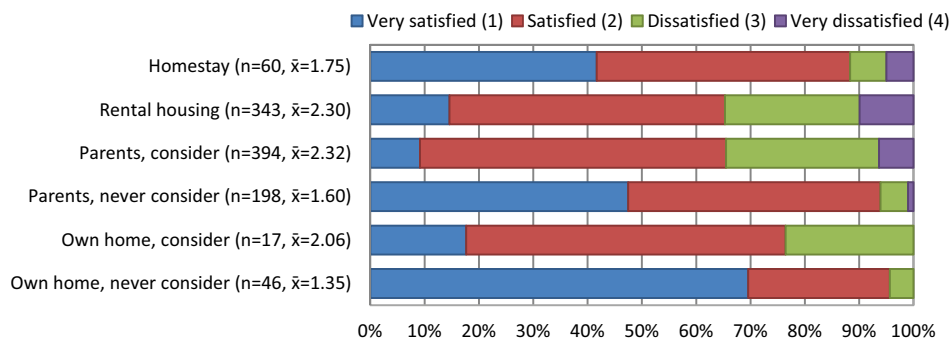


Figure 31: Satisfaction by Residence



HOUSING PREFERENCES

Interest in New Residence Hall

The survey described the proposed housing to survey respondents as being located “on the northwest side of campus” and added that the “proposed apartment buildings would have four stories and the community would have over 800 beds. Amenities would include study and group meeting areas, game rooms, outdoor courtyards, and surface parking.” The image shown below accompanied the description.



The survey tested five apartment options, instructing all respondents to assume that the estimated rents accompanying each are still being finalized and will be set only after official approval. The survey told respondents to assume that the estimated rents include furnishings, utilities, basic cable TV, and Internet, and to assume rents are based on an academic year lease and do not include meal plan charges. Floor plan descriptions and associated rents are in Table 4.



TWO-DOUBLE-BEDROOM APARTMENT

Designed for four students, two in each bedroom, with two shared bathrooms and a living area.

Rent per person: \$1,097 per month



FOUR-SINGLE-BEDROOM APARTMENT

Designed for four students, one in each bedroom, with two bathrooms and a living area.

Rent per person: \$1,271 per month



HOUSING PREFERENCES

	<p>TWO-SINGLE-BEDROOM APARTMENT Designed for two students, one in each bedroom, each with private bathroom, with living area and kitchen.</p> <p>Rent per person: \$1,617 per month</p>
	<p>EFFICIENCY APARTMENT Designed for one student, with private bedroom/living area, private bathroom, and kitchen.</p> <p>Rent per person: \$1,848 per month</p>
	<p>ONE-SINGLE-BEDROOM APARTMENT Designed for one student, with private bedroom and bathroom, living area, and kitchen.</p> <p>Rent per person: \$2,079 per month</p>

Table 4: Tested Floor Plans, Descriptions, and Rents per Person per Month

Results from the unit preference question are shown in Figure 32. The survey instructed respondents to select only one as “Preferred,” select “Acceptable” for any units they would live in if their preferred unit were not available, and to select “Would Not Live There” for units they find unacceptable. About 12% of respondents selected “Would Not Live There” for all units; they are shown by the purple WNLA (Would Not Live in Any) bars below. When looking only at the units marked preferred, 20% of respondents chose the four-single-bedroom apartment. About 20% of respondents marked at least one unit as acceptable but did not mark any as preferred.

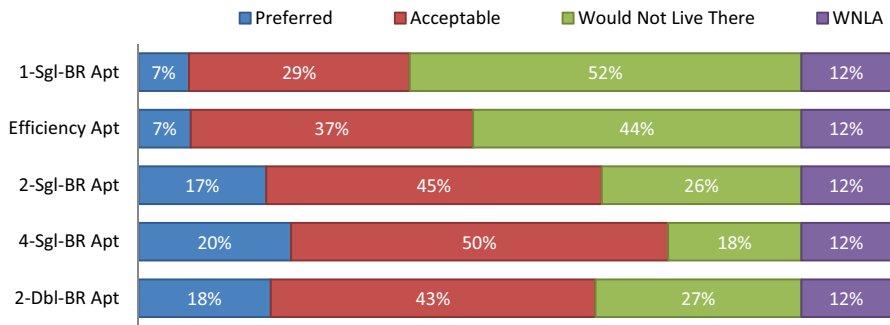


Figure 32: Unit Preference, All Respondents



HOUSING PREFERENCES

Figure 33 sorts unit preference by full-time and part-time respondents. Part-time respondents showed more interest in the two-single-bedroom apartment, despite higher cost, and percentages of “acceptable” ratings are equal or greater with part-time respondents for all unit types.

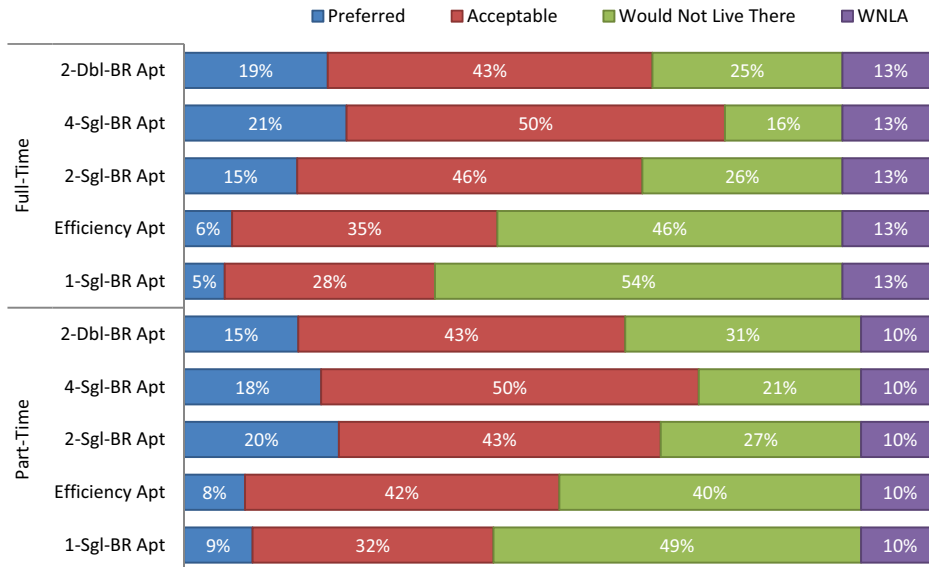


Figure 33: Unit Preference by Status: Full-Time and Part-Time Respondents

Respondents were asked their likelihood of living on-campus during the current academic year if their preferred housing choice had been available when they were selecting the housing they live in now. Since the unit descriptions from which they selected their preference included pricing information, this level of interest is associated with that pricing. About 22% of full-time respondents and 17% of part-time respondents definitely would have lived there and another 38% of full-time respondents and 38% of part-time respondents indicated they might have lived there (50/50 chance). Figure 34 shows results sorted by full-time and part-time survey respondents.

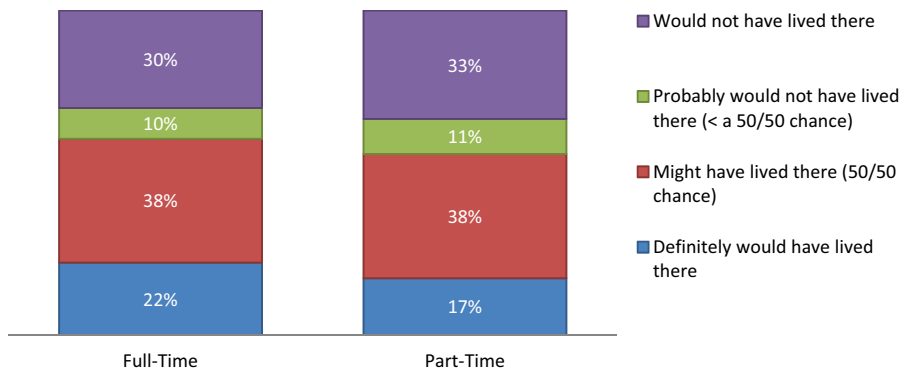


Figure 34: Interest in Proposed Student Housing, Fall 2017



HOUSING PREFERENCES

We would expect that interest in on-campus housing would be higher for students for whom this was their first year in college than for returning students; Figure 35 shows this is true both for full-time and part-time students.

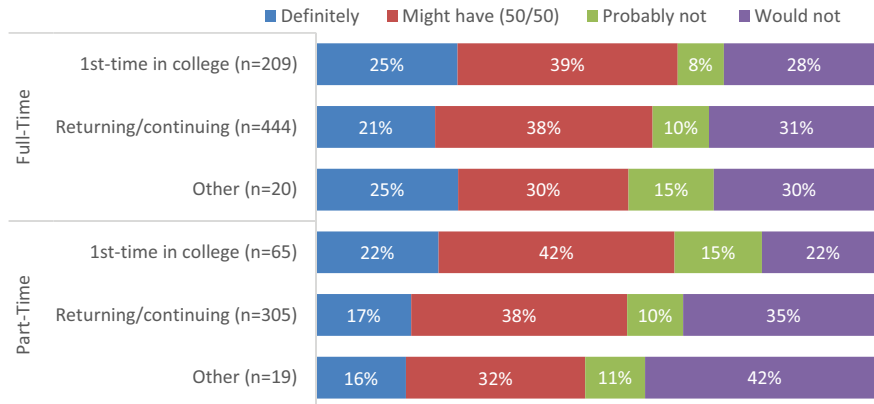


Figure 35: Interest in Proposed On-Campus Housing by Status

Of interest to OCC will be the relative interest of the cohorts comprising the primary market for new housing. Homestay participants are most interested in living in the new housing, as Figure 36 shows. While those who rent their housing have somewhat lower interest, those who live with their parents and would consider living on campus, have the same level of combined definite and 50/50 interest as homestay respondents.

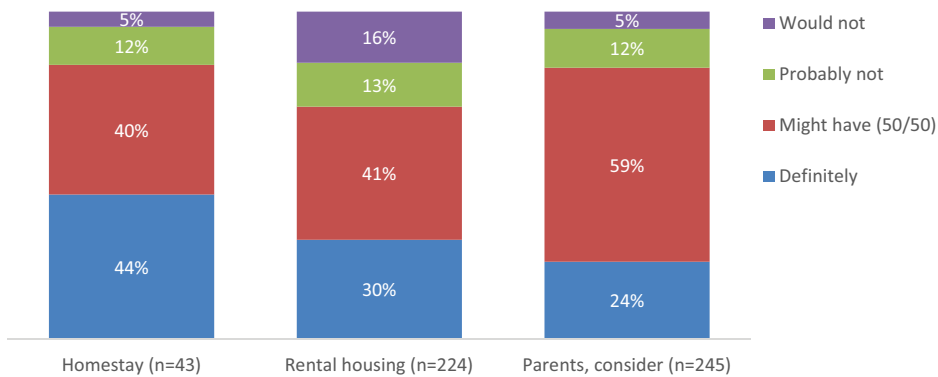


Figure 36: Interest by Residence Type, Selected Cohorts

The cost of the proposed housing was the main reason students indicated disinterest in living in the housing, followed by living with parents and having a pet. Figure 37 depicts all reasons listed in the survey.¹⁰

¹⁰ Survey respondents were permitted to select all reasons that applied. All respondents were able to answer this question, including those who live with their parents or own their home and would not consider living on campus.



HOUSING PREFERENCES

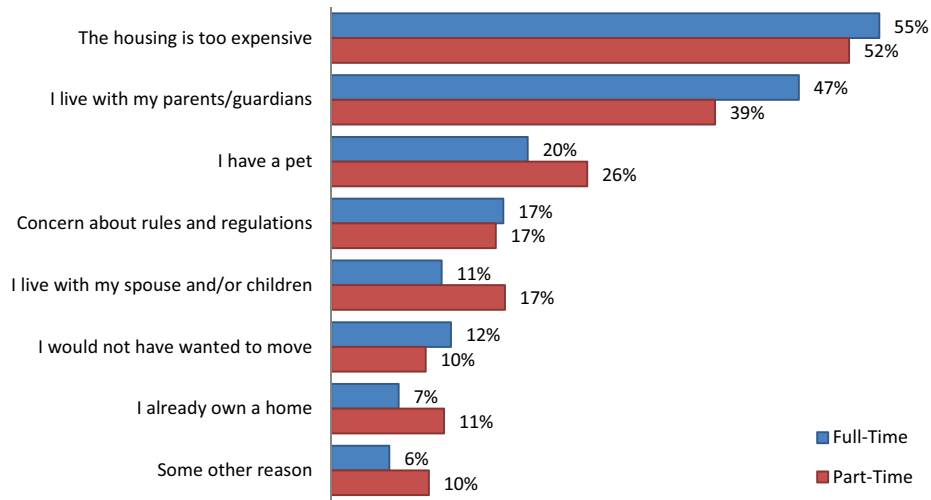


Figure 37: Reasons for Lack of Interest in Proposed Housing



DEMAND ANALYSIS

Overview

The demand analysis takes into consideration survey respondents expressing interest in the proposed housing at the cost level provided. The first step in calculating demand is to determine a capture rate for each cohort at two levels of interest: those indicating they would have “definitely” and those who indicated they “might have” lived in the proposed housing had it been available this year at OCC, using the following equation:

$$\text{Capture Rate} = \frac{\text{Number of Full-time Respondents Definitely Interested in Housing}}{\text{Number of Full-time Respondents}}$$

A “closure” rate is used to reflect that not all students who express interest in housing would actually sign a lease. MGT uses a slightly different approach for full-time students and for part-time students, who comprise back-up demand. For full-time students, the demand calculation uses a 50% closure rate for those who indicated that they “definitely would have lived” in the housing and a 25% closure rate for those who indicated that they “might have lived” in the housing (or 25% of those with 50/50 interest). For part-time students, the closure rates are more conservative, 25% and 12.5%. The product of the headcount enrollment, the capture rate, and the closure rate is the projected demand. This demand is explicitly based on the description of the units that included the rental rates proposed for the housing.

Full-Time Demand

For full-time students, Table 5 shows the mid-point of demand. Demand from those living off campus would amount to 1,740 beds, the midpoint of a range of 1,512 to 1,969 based on the sample size and the total population.

Class	Full-Time Headcount Enrollment	Definitely Interested		Might Be Interested		Potential Incremental Demand	Range	Potential Demand 95% Confidence Interval	
		Capture Rate	50% Closure	Capture Rate	25% Closure			499	to 638
1 st -time in college (F17/S18)	2,570	25%	320	39%	249	569	±70	499	to 638
Returning/continuing student	4,675	21%	490	38%	447	937	±127	810	to 1,064
Other	1,173	25%	147	30%	88	235	±32	203	to 266
	8,418		956		784	1,740	±229	1,512	to 1,969

Table 5: Full-Time Demand, Fall 2017

Part-Time Demand

For part-time students, using the lower closure rates discussed above, Table 6 shows the mid-point of demand. Demand from those attending part-time would amount to 1,244 beds, the midpoint of a range of 1,089 to 1,399 based on the sample size and the total population. Typically, MGT assumes that part-time students serve as secondary demand, as they tend to be less engaged with school. However, MGT has found that in some instances, commuting time detracts significantly from the time a part-time student as available for academics. Should housing be available on campus, it may allow students to change status and undertake a full-time course load with the time saved by not commuting.



DEMAND ANALYSIS

Class	FALL 2017					Potential Incremental Demand	Range	Potential Demand 95% Confidence Interval	
	Part-time	Capture Rate	25% Closure	Might Be Interested Capture Rate	12.5% Closure				
1 st -time in college (F17/S18)	1,846	22%	99	42%	96	195	±21	175	to 216
Returning/continuing student	9,223	17%	386	38%	438	824	±103	721	to 927
Other	2,851	16%	113	32%	113	225	±32	193	to 257
	13,920		597		647	1,244	±155	1,089	to 1,399

Table 6: Part-Time Demand, Fall 2017

On-campus housing will have many amenities: an individual academic-year lease, a single monthly bill, no required security deposit, the convenience of being close to classes, no need to bring a car to school, indoor and outdoor common areas designed for student lifestyles, resident programming, and the social opportunities of living in a community of other college students. Table 3 on page 11 showed the differential between the tested survey rents and the conventional market rents. The level of demand confirms that OCC students value these amenities of living on campus more than the rate differential.

Unit Preference

Based on the stated preference among the five options, the demand by full-time students may be distributed as Table 7 shows. For each unit type, demand exceeds the number of proposed units.

Unit Type	Monthly Rent	Interested Full-Time Preference	Potential Full-Time Demand	First Choice Distribution	Proposed Unit Mix
2-Dbl-BR Apt	\$1,097	28%	494	27%	260
4-Sgl-BR Apt	\$1,271	32%	561	29%	240
2-Sgl-BR Apt	\$1,617	23%	393	24%	240
Efficiency Apt	\$1,848	9%	159	11%	30
1-Sgl-BR Apt	\$2,079	8%	134	9%	30
Total		100%	1,740	100%	800

Table 7: Distribution of Demand by Unit Type

Price Sensitivity and Rents

MGT consulted with Servitas to determine rents that should be tested in the survey. Data suggested that the level of rents appropriate in 2017 was no longer sufficient to keep pace with the off-campus market escalation. MGT therefore set the 2018 baseline 10% above the rates from 2017. To allow the demand sensitivity methodology to capture demand at both higher and lower rates than this baseline, the survey demand questions started with rates 5% above and ended with rates 5% below the baseline 2018 rates, as Table 8 shows.



DEMAND ANALYSIS

	2017 Rents	2018 Baseline (10% Escalation)	Question 31 Survey Rents (2018 baseline plus 5%)	Question 37 1st Follow-Up (2018 Baseline)	Question 38 2nd Follow-Up (2018 Baseline minus 5%)
2-DbI-BR Apt	\$950	\$1,045	\$1,097	\$1,045	\$993
4-Sgl-BR Apt	\$1,100	\$1,210	\$1,271	\$1,210	\$1,150
2-Sgl-BR Apt	\$1,400	\$1,540	\$1,617	\$1,540	\$1,463
Efficiency Apt	\$1,600	\$1,760	\$1,848	\$1,760	\$1,672
1-Sgl-BR Apt	\$1,800	\$1,980	\$2,079	\$1,980	\$1,881

Table 8: Derivation of Survey Rents

Currently, survey respondent renters face total housing costs—rent plus utilities and other costs—from \$50 to \$2,950 per month. About 32% of survey respondents rent their housing; the corresponding assumption is that 7,435, or 32% of total enrollment of 22,338, rent their housing. Figure 38 shows the number paying rent above amounts from \$500 to \$2,750 at \$250 intervals. About 2,000 students pay over \$1,000 per person per month, and almost 300 of these pay over \$2,000 per month.¹¹

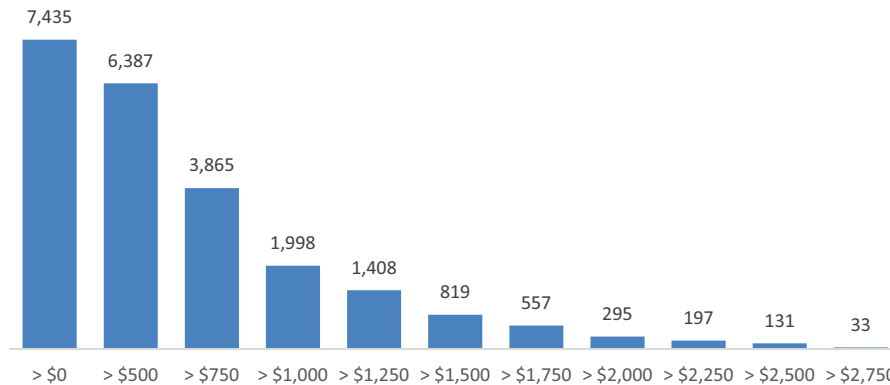


Figure 38: Full-Time Student Renters' Total Housing Expenses, per Person Per Month

As shown above in Figure 34, the survey initially asks respondents for their interest at the “survey rents” level. For respondents who did not express definite interest in living in the proposed housing and selected that the housing was too expensive as one of the reasons why as shown in Figure 35, the survey presented a follow up question that asked for their level of interest at rates about 5% below the original survey rents. For those who still expressed less than definite interest, a second follow-up question asked their interest at rates discounted 10% from the original survey rents. The three questions allow the depiction of a demand curve that shows three price levels and the associated demand levels, Figure 39.

¹¹ Note that this only includes students who currently rent their housing; students who live with their parents and would consider living on campus comprise a slightly higher part of the primary market and their demand for housing is also slightly higher.



DEMAND ANALYSIS

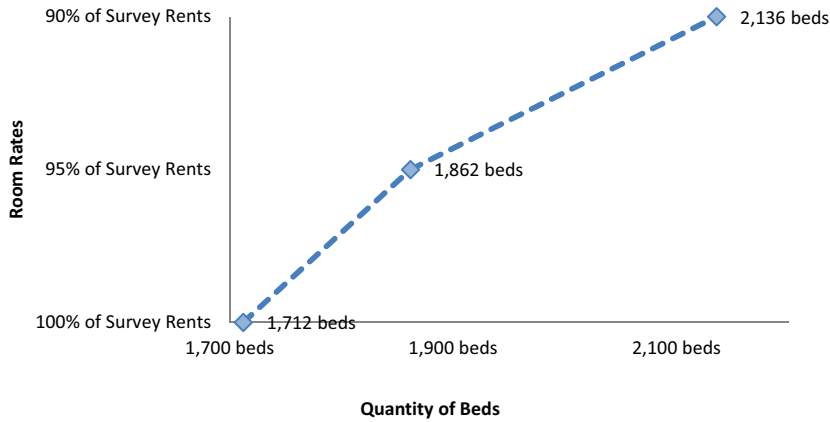


Figure 39: Demand Curve

As the demand curve shows, demand will increase at lower rates. For a decrease of 1% in rents, demand will increase by at least 1.75%. We assume the opposite is true, that an increase of 1% in rates would lead to a 1.75% decrease in demand. Taking this logic to its eventual conclusion, Table 9 shows the results. For each unit type there is a level of extra demand above that necessary to fill the proposed beds. Therefore, for each, rents could increase causing demand to decrease up to a certain point without becoming insufficient to fill the proposed beds. Rents could increase across the board above the survey level by 22% without resulting in corresponding decreases in demand below the proposed project size. However, MGT would recommend not testing these bounds and to the extent possible, maintaining rents within 5% of the survey rents.

Unit Type	Monthly Rent	Potential Full-Time Demand	Proposed Unit Mix	Extra Demand	Maximum Decrease in Demand	Maximum Increase in Rents	Rent Ceiling 22% Increase
2-DbI-BR Apt	\$1,097	494	260	90%	-47%	27%	\$1,341
4-Sgl-BR Apt	\$1,271	561	240	134%	-57%	33%	\$1,554
2-Sgl-BR Apt	\$1,617	393	240	64%	-39%	22%	\$1,977
Efficiency Apt	\$1,848	159	30	430%	-81%	46%	\$2,259
1-Sgl-BR Apt	\$2,079	134	30	346%	-78%	44%	\$2,542
Total		1,740	800				

Table 9: Rent Sensitivity Ceiling



CONCLUSION

ORANGE COAST COLLEGE ■ STUDENT HOUSING MARKET STUDY

CONCLUSION

MGT's analysis concludes that there is more than sufficient demand for the proposed new housing. While there is substantial competition in the off-campus market, its high occupancy rates and tight market support OCC's plans to develop housing on campus. Students, if given their preference, would live on campus, even if project development realities contrive to raise rents slightly beyond those currently necessary.



ATTACHMENTS

ORANGE COAST COLLEGE ■ STUDENT HOUSING MARKET STUDY

ATTACHMENT I: OFF-CAMPUS MARKET DATA



Apartment Complex	Address	Phone	Efficiency			One Bedroom			Two Bedroom				Three Bedroom				Four Bedroom				
			Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths	
27 Seventy Five Mesa Verde	2775 Mesa Verde Drive E	(714) 831-5236	\$1,649	480	\$3.44	\$2,049	600	\$3.42	\$2,299	910	\$2.53	1	\$3,499	1,456	\$2.40	2					
						\$1,914	750	\$2.55	\$2,379	1,037	\$2.29	2									
						\$2,024	800	\$2.53	\$2,527	1,120	\$2.26	2									
						\$4,634	800	\$5.79	\$5,159	1,120	\$4.61	2									
						\$2,097	815	\$2.57	\$2,577	1,235	\$2.09	2									
Ala Moana Apartments	530 W Wilson Street								\$1,750	730	\$2.40	1									
Bay Breeze Apartment Homes	1939 Wallace Avenue					\$1,516	650	\$2.33					\$1,971	1,000	\$1.97	2					
Camden Martinique Apartments	2855 Pinecreek Drive	866-647-3374				\$1,794	495	\$3.62	\$2,289	960	\$2.38	2									
						\$1,854	726	\$2.55	\$2,384	1,007	\$2.37	2									
						\$1,839	748	\$2.46	\$2,989	1,013	\$2.95	2									
						\$1,859	748	\$2.49	\$2,499	1,049	\$2.38	2									
Coast Apartments	400 Merrimac Way					\$1,750	556	\$3.15	\$2,050	888	\$2.31	1									
						\$1,750	634	\$2.76	\$1,995	898	\$2.22	1									
						\$1,750	742	\$2.36	\$2,010	964	\$2.09	1									
									\$2,010	1,002	\$2.01	1									
Eastside Apartments of Costa Mesa	126 E 18th Street	(844) 584-3474	\$1,743	515	\$3.38	\$2,050	700	\$2.93	\$2,335	890	\$2.62	1									
Harbor at Mesa Verde	2700 Peterson Place		\$1,536	441	\$3.48	\$1,799	600	\$3.00	\$2,199	1,032	\$2.13	1	\$2,820	1,645	\$1.71	2					
			\$1,636	441	\$3.71	\$1,879	600	\$3.13	\$2,407	1,163	\$2.07	2	\$2,937	1,645	\$1.79	2					
Mediterranean Village Apartment Homes	2400 Harbor Blvd	(877) 272-5321				\$1,612	673	\$2.40	\$2,074	1,035	\$2.00	2									
						\$1,557	840	\$1.85	\$2,431	1,350	\$1.80	2.5									
						\$1,758	850	\$2.07	\$2,323	1,250	\$1.86	2.5									
						\$1,591	750	\$2.12	\$4,024	1,350	\$2.98	2.5									
						\$1,799	940	\$1.91													
						\$3,697	1,050	\$3.52													
			\$1,821	1,050	\$1.73																

Apartment Complex	Address	Phone	Efficiency			One Bedroom			Two Bedroom				Three Bedroom				Four Bedroom					
			Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths	Rent	SF	Rent/ SF	# baths		
Mesa Pines Apartments	2650 Harla Avenue	(714) 549-2447	\$1,695	405	\$4.19	\$1,795	650	\$2.76	\$2,150													
Olive Tree Apartments	2190 College Avenue	(949) 548-7367							\$1,821	900	\$2.02	1.5										
									\$2,291	900	\$2.55	1.5										
Palm Mesa Apartments	1561 Mesa Drive					\$1,347	517	\$2.61	\$1,851	852	\$2.17	1										
						\$1,915	682	\$2.81	\$2,426	852	\$2.85	1										
Park Center Place Apartment Homes	575 W 19th Street	949-722-7761				\$1,650	700	\$2.36	\$1,960	910	\$2.15	1										
											940		2									
Pine Creek Village Apartments	1300 Adams Avenue	(714) 540-1300				\$1,765	720	\$2.45	\$2,073	1,020	\$2.03	2										
Pinecreek Apartments	2300 Fairview Road					\$1,550	729	\$2.13	\$1,825	956	\$1.91	1.5										
						\$1,600	736	\$2.17	\$1,900	1,034	\$1.84	2										
						\$1,650	753	\$2.19	\$1,900	1,049	\$1.81	2										
South Pointe Apartments	655 Baker Street	(714) 662-3222				\$1,700	717	\$2.37	\$2,070	995	\$2.08	2	\$2,770	1,271	\$2.18	2						
						\$1,875	717	\$2.62	\$2,350	995	\$2.36	2										
Sundance West Apartments	1996 Maple Avenue					\$1,681	604	\$2.78	\$1,846	825	\$2.24	1	\$2,206	1,050	\$2.10	1						
										\$1,976	825	\$2.40	1	\$2,316	1,050	\$2.21	1.5					
Sunset Cove Apartments	425 Merrimac Way	(714) 545-6300				\$1,320	528	\$2.50	\$1,820	1,080	\$1.69	2										
						\$1,630	644	\$2.53														
						\$1,940	644	\$3.01														
						\$1,490	672	\$2.22														
The Cape Apartments	1000 S Coast Drive	(800) 550-4878				\$1,755	717	\$2.45	\$2,170	995	\$2.18	2	\$2,750	1,271	\$2.16	2						
						\$1,870	717	\$2.61	\$2,180	995	\$2.19	2										
The Hamilton Apartments	790 Hamilton Street	(949) 422-7958				\$1,650	710	\$2.32														
The Village at South Coast	845 Paularino Avenue	(714) 754-0081	\$1,675	525	\$3.19	\$1,840	700	\$2.63	\$2,215	900	\$2.46	\$1.00										
Villa Siena Apartments	1250 Adams Avenue	(714) 557-4785				\$1,800	710	\$2.54	\$2,071	978	\$2.12	2	\$2,563	1,159	\$2.21	2						
										\$2,230	979	\$2.28	2	\$2,754	1,159	\$2.38	2					
Wimbleton Glen Apartments	1142 Buckingham Drive	(714) 241-0500	\$1,750	505	\$3.47	\$1,960	784	\$2.50	\$2,620	1,307	\$2.00	2.5										
						\$2,165	985	\$2.20	\$2,275	1,005	\$2.26	1										
			High	\$1,750	525	\$4.19	\$4,634	1,050	\$5.79	\$5,159	1,350	\$4.61		\$3,499	1,645	\$2.40		\$0	0	\$0.00		
			Low	\$1,536	405	\$3.19	\$1,320	495	\$1.73	\$1,750	730	1.69	1.00	\$1,971	1,000	\$1.71	1.00	\$0	0	\$0.00		
			Median	\$1,675	480	\$3.47	\$1,795	717	\$2.53	\$2,199	995	\$2.21	1.00	\$2,752	1,215	\$2.17		#NUM!	#NUM!	#NUM!		

Apartment Complex	Lease Terms				Security Deposit	Utilities Included						Unit Amenities					Community Amenities								
	YR	6/9 Mo.	M-M	Other		Elec	Gas	Heat	W/S	Inter-net	Basic Cable	Furn.	DW	AC	WDC	WD	Pool	Club-house	Play-ground	Fitness Ctr	Garage Parking	Parking	Volley	Tennis	Laundry
27 Seventy Five Mesa Verde	Y	Y	N	3-15 mo	\$500 -750	N	N	N	N	N	N	A	Y	Y	N	Y	Y	Y	N	Y	Y	Y	N	Y	N
Ala Moana Apartments	Y	Y	N	3mo	\$1750 (rent)	N	N	Y	Y	N	N	N	Y	N	N	N	Y	Y	N	N	N	Y	N	N	Y
Bay Breeze Apartment Homes	Y	N	N	4-13 mo	\$500	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	Y	N	N	Y
Camden Martinique Apartments	N	N	N	15 mo	\$400	N	Y	N	N	Y	N	N	S	N	N	N	Y	N	N	Y	Y	Y	N	Y	Y
Coast Apartments	Y	N	N	N	\$500-\$1000	N	N	N	N	N	N	N	Y	Y	N	N	Y	N	N	N	Y	Y	N	N	Y
Eastside Apartments of Costa Mesa	N	N	N	3mo	\$500 \$1000	N	N	N	Y	N	N	N	Y	N	N	N	Y	N	Y	Y	Y	Y	N	N	Y
Harbor at Mesa Verde	Y	Y	N	6-14 mo	\$400-600	N	N	Y	N	N	N	N	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N	N	N
Mediterranean Village Apartment Homes	Y	Y	N	3-12mo	\$600 \$800	N	N	N	N	A	N	N	Y	Y	N	N	Y	N	Y	Y	N	Y	N	N	Y

Apartment Complex	Lease Terms				Security Deposit	Utilities Included						Unit Amenities					Community Amenities									
	YR	6/9 Mo.	M-M	Other		Elec	Gas	Heat	W/S	Inter-net	Basic Cable	Furn.	DW	AC	WDC	WD	Pool	Club-house	Play-ground	Fitness Ctr	Garage Parking	Parking	Volley	Tennis	Laundry	
Mesa Pines Apartments	Y		N		\$500	N	N	N	N	N	N	N	S	Y	N	N	Y	N	N	N	Y	Y	N	N	Y	
Olive Tree Apartments	Y	Y	N	4-13mo	\$525	N	N	N	N	N	N	N	Y	Y	N	N	Y	N	N	N	N	Y	N	N	Y	
Palm Mesa Apartments	Y	Y	N	6-15mo	\$600 \$700	N	Y	N	Y	N	Y	N	N	N	N	Y	N	N	Y	A	Y	N	N	N	Y	
Park Center Place Apartment Homes	Y	N	N	N	\$500	N	N	Y	N	N	N	N	Y	N	N	Y	Y	N	Y	Y	Y	N	N	N	Y	
Pine Creek Village Apartments	Y	Y	Y	3-mo	\$700	N	Y	Y	Y	N	Y	N	Y	Y	N	N	Y	Y	N	Y	N	Y	N	Y	Y	
Pinecreek Apartments	N	N	Y	N	\$650-850	N	Y	Y	Y	N	N	N	Y	Y	N	N	Y	N	N	Y	N	Y	N	N	Y	
South Pointe Apartments	Y	Y	N	3mo		N	N	Y	N	N	N	Y	Y	Y	N	N	Y	Y	N	N	A	Y	N	Y	Y	
Sundance West Apartments	Y	Y	N	8-mo 13-mo	\$525	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	Y	N	N	N	Y
Sunset Cove Apartments	Y	Y	N	3-12mo	500 - rent	N	N	N	N	N	N	N	N	S	N	N	Y	N	Y	Y	N	Y	N	N	Y	
The Cape Apartments	Y				650 (1BR) 750 (2BR) 850 (3BR)	N	N	Y	N	N	N	N	Y	Y	N	N	Y	Y	N	N	N	Y	N	N	Y	
The Hamilton Apartments	Y	N	N	N	\$1650 (rent)	N	N	Y	N	N	N	N	N	N	N	Y	N	N	N	Y	Y	N	N	N	Y	
The Village at South Coast	Y	N	N	N	\$500 - 600	N	N	N	N	N	N	N	Y	Y	N	N	Y	N	N	N	Y	Y	N	N	Y	
Villa Siena Apartments	Y	Y	N	6-12mo	\$400-600	N	N	N	N	N	N	N	Y	Y	N	N	Y	Y	Y	Y	N	Y	N	N	Y	
Wimbleton Glen Apartments	Y				\$600(Studio), \$650(1BR), \$750(2BR)	N	N	Y	N	N	N	N	Y	Y	Y	N	Y	N	N	N	A	Y	N	N	N	

Apartment Complex	Pets	Miles from Campus	March 2018 Occupancy	Year built	# of Units	Notes
27 Seventy Five Mesa Verde	Y (\$)	1.4	94%	1972	964	application fee 47.50 per adult; max 3 pets, dep: \$99, rent \$75/mo; business center
Ala Moana Apartments	N	1.7	98%	1963	60	require you make 2 1/2 times the rent; app fee \$30; must make 2-1/2 times the rent;
Bay Breeze Apartment Homes	Y (\$)	2.9	100%	1974	30	Pets (2max, some restrictions)- dogs: \$55/mo, \$400 dep, cats:\$35/mo,
Camden Martinique Apartments	Y	0.8	98%	1987	714	newly upgraded; patios; parking with apt; pets:2 max, \$300 dep, \$55/mo, breed restrictions; app fee \$35; picnic & bbq area; spin bikes & vitoral traing tech.; on-site dog park
Coast Apartments	Y	0.7	97%	1973	65	pets: \$300 dep, \$30/mo; \$30 app fee; renovated 2005; patios; bbq/grills; firepit; patio/balconies*; some individual garages
Eastside Apartments of Costa Mesa	Y	2.5	97%	1976	98	applicants must have gross income of 2.5x rent, no co-signs; \$50 app fee; pets: \$250 dep, \$50/mo, 50lb max; renovated 2016; private patio/balconies, ceiling fans; smoke free community, picnic areas, mix individual garages & open parking; progressive/modern design;
Harbor at Mesa Verde	Y	1.1	95%	1965	384	Parking: \$20/mo lot, \$150/mo garage; \$47.50 app fee; Pets: 2 max,
Mediterranean Village Apartment Homes	Y	1.4	95%	1969	508	Pets: \$500 dep, \$50/mo rent

Apartment Complex	Pets	Miles from Campus	March 2018 Occupancy	Year built	# of Units	Notes
Mesa Pines Apartments	N	1.3	100%	N/A	42	renovated 2007
Olive Tree Apartments	Y	1.7	93%	1974	43	Pets 2 max, weight & breed restrictions; dogs \$400/dep, \$55/mo; cats: \$200/dep, \$35/mo; patio/yards; storage unites available
Palm Mesa Apartments	N	2	98%	1969	147	apts have patios/balconies; ceiling fans;
Park Center Place Apartment Homes	N	2.5	96%	1985	160	private patios/balconies; subterranean parking; open kitchen with breakfast bars; close to beach
Pine Creek Village Apartments	Y (cats)	0.7	99%	1976	380	free tennis/circuit/yoga training, putting green, digital cable; private patio/balconies; no fee for cats
Pinecreek Apartments	N	0.9	99%	1973	242	carports, patio/balcony with storage, walk-in in closets, covered parking
South Pointe Apartments	Y	2	99%	1988	440	private patios&balconies; Pets: \$500 dep, \$35/mo/pet, allow cats, birds & reptiles; gameroom
Sundance West Apartments	Y	2.4	98%	1965	41	Pets: Cats, max 2, dep \$94-294, \$44-\$88/mo; ceiling fans, balcony/patio*
Sunset Cove Apartments	Y	0.7	99%	1969	123	Pets: max 2, \$350 dep, \$35/mo/pet, domestic animals & indoor cats only; private patios & balconies*; BBQs; mature landscape; price change daily
The Cape Apartments	Y	2	99%	1986	296	fireside lounge, basketball court, gameroom, media center; covered car ports, private balconies & patios; pets: cats, birds & reptiles, max 2, dep \$500, \$35/mo/pet;
The Hamilton Apartments	Y	2.8	93%	1965	40	renovated 2004; Pets: dogs/cats \$500 dep, \$40/mo/pet, 40lb limit; ceiling fans;
The Village at South Coast	Y (cats)	1.7	95%	1977	113	Garage parking \$100; carport; bbq/picnic area; Pets: 2 cats allowed (fish okay) \$400 dep, \$50/mo/cat; private balcony/patio
Villa Siena Apartments	Y	0.5	96%	1972	272	\$45 app fee; Pets: max 2, \$500 dep, dogs \$60/cats\$40 per month, breed restrictions; business center, bbq area, private patio/balconies;
Wimbledon Glen Apartments	Y	1.7	98%	1984	244	enclosed garages available; *townhome 2BR 2.5 bath apt; private balcony/patio; Pets: cats, birds & reptiles, \$500 dep, \$35/mo/pet

ATTACHMENTS

ORANGE COAST COLLEGE ■ STUDENT HOUSING MARKET STUDY

ATTACHMENT 2: STUDENT SURVEY TABULATION



Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
1. What is your academic class level for the 2017-18 academic year?						
1. First-time in college (fall 2017 or spring 2018)	209	31%	65	17%	274	26%
2. Returning/continuing student	444	66%	305	78%	749	71%
3. Other	20	3%	19	5%	39	4%
Grand Total	673	100%	389	100%	1,062	100%
2. What is your status?						
1. Full-time (12 or more credits)	673	100%		0%	673	63%
2. Part-time		0%	389	100%	389	37%
Grand Total	673	100%	389	100%	1,062	100%
3. Where did you live prior to coming to OCC?						
1. Orange County	498	74%	315	81%	813	77%
2. Los Angeles County	31	5%	25	6%	56	5%
3. Riverside County	21	3%	11	3%	32	3%
4. San Bernardino County	12	2%	6	2%	18	2%
5. San Diego County	3	0%	3	1%	6	1%
6. Elsewhere in California	12	2%	10	3%	22	2%
7. Elsewhere in the United States	34	5%	11	3%	45	4%
8. Another country	62	9%	8	2%	70	7%
Grand Total	673	100%	389	100%	1,062	100%
4. What was your age as of September 1, 2017?						
1. Under 21	372	55%	112	29%	484	46%
2. 21-24	160	24%	117	30%	277	26%
3. 25-30	92	14%	72	19%	164	15%
4. 31-40	26	4%	44	11%	70	7%
5. 41-50	14	2%	22	6%	36	3%
6. 51-54	2	0%	10	3%	12	1%
7. Over 55	6	1%	11	3%	17	2%
(blank)	1	0%	1	0%	2	0%
Grand Total	673	100%	389	100%	1,062	100%
5. What is your gender?						
1. Female	382	57%	228	59%	610	57%
2. Male	283	42%	157	40%	440	41%
3. Transgender/Other	6	1%	3	1%	9	1%
(blank)	2	0%	1	0%	3	0%
Grand Total	673	100%	389	100%	1,062	100%
6. Do you participate in intercollegiate athletics?						
1. No	630	94%	380	98%	1,010	95%
2. Yes, as a scholarship athlete	5	1%		0%	5	0%
3. Yes, as a non-scholarship athlete	37	5%	9	2%	46	4%
(blank)	1	0%		0%	1	0%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations

	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
7. Are you an international student?						
1. No	579	86%	379	97%	958	90%
2. Yes	92	14%	9	2%	101	10%
(blank)	2	0%	1	0%	3	0%
Grand Total	673	100%	389	100%	1,062	100%

8. What is your primary method of transportation for getting to campus?						
1. Walk	32	5%	16	4%	48	5%
2. Bicycle	27	4%	10	3%	37	3%
3. My own car or motor vehicle	501	74%	296	76%	797	75%
4. Carpool	38	6%	19	5%	57	5%
5. Public transportation	66	10%	38	10%	104	10%
6. Other	7	1%	9	2%	16	2%
(blank)	2	0%	1	0%	3	0%
Grand Total	673	100%	389	100%	1,062	100%

9. How far is your current housing from your on-campus classes?						
1. Less than one mile	38	6%	18	5%	56	5%
2. 1-2 miles	56	8%	36	9%	92	9%
3. 3-10 miles	340	51%	170	44%	510	48%
4. 11-20 miles	158	23%	115	30%	273	26%
5. 21-30 miles	46	7%	33	8%	79	7%
6. 31-40 miles	14	2%	8	2%	22	2%
7. 41-50 miles	4	1%	2	1%	6	1%
8. More than 50 miles	13	2%	6	2%	19	2%
(blank)	4	1%	1	0%	5	0%
Grand Total	673	100%	389	100%	1,062	100%

10. What is your ZIP Code?						
26464		0%	1	0%	1	0%
29707	1	0%		0%	1	0%
75044		0%	1	0%	1	0%
90021		0%	1	0%	1	0%
90066	1	0%		0%	1	0%
90241		0%	1	0%	1	0%
90242	1	0%		0%	1	0%
90250	1	0%		0%	1	0%
90260	1	0%		0%	1	0%
90265	1	0%		0%	1	0%
90266		0%	1	0%	1	0%
90301	1	0%		0%	1	0%
90620	2	0%		0%	2	0%
90621	1	0%	1	0%	2	0%
90623	3	0%		0%	3	0%
90630	5	1%	1	0%	6	1%
90631	3	0%		0%	3	0%
90638	3	0%	3	1%	6	1%
90670		0%	1	0%	1	0%
90680		0%	4	1%	4	0%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
90706	1	0%		0%	1	0%
90712	1	0%	1	0%	2	0%
90715		0%	1	0%	1	0%
90720	1	0%	1	0%	2	0%
90723		0%	1	0%	1	0%
90731		0%	1	0%	1	0%
90740		0%	1	0%	1	0%
90796	1	0%		0%	1	0%
90802		0%	4	1%	4	0%
90803	1	0%	1	0%	2	0%
90804	1	0%	2	1%	3	0%
90807	1	0%		0%	1	0%
90808	2	0%	1	0%	3	0%
90813	1	0%		0%	1	0%
90815	1	0%	2	1%	3	0%
91505		0%	1	0%	1	0%
91701		0%	1	0%	1	0%
91724	1	0%		0%	1	0%
91739		0%	1	0%	1	0%
91745		0%	1	0%	1	0%
91752	1	0%		0%	1	0%
91786		0%	1	0%	1	0%
91790	1	0%		0%	1	0%
92055	1	0%		0%	1	0%
92056		0%	1	0%	1	0%
92335	1	0%		0%	1	0%
92352		0%	1	0%	1	0%
92376	1	0%		0%	1	0%
92377	1	0%		0%	1	0%
92404	1	0%		0%	1	0%
92501	1	0%		0%	1	0%
92503	1	0%		0%	1	0%
92530	1	0%		0%	1	0%
92532		0%	1	0%	1	0%
92592	1	0%		0%	1	0%
92602	3	0%	3	1%	6	1%
92603	2	0%	2	1%	4	0%
92604	8	1%	3	1%	11	1%
92606	7	1%	1	0%	8	1%
92610	1	0%		0%	1	0%
92612	10	1%	3	1%	13	1%
92614	6	1%	4	1%	10	1%
92617	1	0%		0%	1	0%
92618	5	1%	4	1%	9	1%
92620	8	1%	4	1%	12	1%
92625		0%	1	0%	1	0%
92626	82	12%	39	10%	121	11%
92627	44	7%	32	8%	76	7%
92629	1	0%		0%	1	0%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
92630	4	1%	2	1%	6	1%
92646	26	4%	18	5%	44	4%
92647	14	2%	10	3%	24	2%
92648	21	3%	14	4%	35	3%
92649	5	1%	2	1%	7	1%
92651	1	0%	1	0%	2	0%
92653	4	1%		0%	4	0%
92655	3	0%	2	1%	5	0%
92656	2	0%	2	1%	4	0%
92657		0%	1	0%	1	0%
92660	9	1%	7	2%	16	2%
92661	1	0%		0%	1	0%
92662	1	0%	1	0%	2	0%
92663	7	1%	4	1%	11	1%
92672	2	0%		0%	2	0%
92677	1	0%	5	1%	6	1%
92679	1	0%		0%	1	0%
92683	36	5%	17	4%	53	5%
92688	3	0%	2	1%	5	0%
92691	1	0%	3	1%	4	0%
92692	3	0%	2	1%	5	0%
92694		0%	1	0%	1	0%
92701	6	1%	5	1%	11	1%
92703	19	3%	13	3%	32	3%
92704	43	6%	23	6%	66	6%
92705	4	1%	7	2%	11	1%
92706	9	1%	3	1%	12	1%
92707	16	2%	13	3%	29	3%
92708	39	6%	14	4%	53	5%
92780	12	2%	10	3%	22	2%
92782	4	1%	2	1%	6	1%
92801	6	1%	3	1%	9	1%
92802	3	0%	2	1%	5	0%
92804	11	2%	7	2%	18	2%
92805	6	1%	5	1%	11	1%
92806	4	1%		0%	4	0%
92807	2	0%		0%	2	0%
92808	1	0%	1	0%	2	0%
92821		0%	2	1%	2	0%
92831	2	0%	2	1%	4	0%
92833	2	0%	1	0%	3	0%
92840	19	3%	11	3%	30	3%
92841	16	2%	1	0%	17	2%
92843	20	3%	6	2%	26	2%
92844	14	2%	6	2%	20	2%
92845	4	1%	1	0%	5	0%
92860	1	0%		0%	1	0%
92865	2	0%	2	1%	4	0%
92866	1	0%	2	1%	3	0%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
92867	5	1%	2	1%	7	1%
92868	1	0%	1	0%	2	0%
92869	3	0%	1	0%	4	0%
92870	3	0%		0%	3	0%
92879	2	0%		0%	2	0%
92880		0%	1	0%	1	0%
92882	5	1%	3	1%	8	1%
92886	3	0%	1	0%	4	0%
92887	2	0%	1	0%	3	0%
93561		0%	1	0%	1	0%
(blank)	13	2%	7	2%	20	2%
Grand Total	673	100%	389	100%	1,062	100%
11. How satisfied or dissatisfied are you with your current housing situation?						
1. Very satisfied	142	21%	98	25%	240	23%
2. Satisfied	354	53%	184	47%	538	51%
3. Dissatisfied	131	19%	85	22%	216	20%
4. Very dissatisfied	42	6%	22	6%	64	6%
(blank)	4	1%		0%	4	0%
Grand Total	673	100%	389	100%	1,062	100%
12. Where do you live now?						
1. Homestay	43	6%	18	5%	61	6%
2. Rental housing	224	33%	119	31%	343	32%
3. With parents/relatives, but would consider living on campus	245	36%	151	39%	396	37%
4. With parents/relatives and would never consider living on campus	139	21%	60	15%	199	19%
5. Own my home, but would consider living on campus	9	1%	8	2%	17	2%
6. Own my home and would never consider living on campus	13	2%	33	8%	46	4%
Grand Total	673	100%	389	100%	1,062	100%
13. Did you change your residence to attend OCC?						
1. Yes, I moved from where I lived before	127	19%	32	8%	159	15%
2. No, I live in the same place I lived before I enrolled	103	15%	89	23%	192	18%
(blank)	443	66%	268	69%	711	67%
Grand Total	673	100%	389	100%	1,062	100%
14. What type of housing unit do you live in?						
1. Apartment - in an apartment complex/building or a condominium	129	19%	78	20%	207	19%
2. One-of-a-kind apartment - such as in a house or over a retail business	8	1%	2	1%	10	1%
3. House, duplex - where you (or a group) rent the whole living unit	44	7%	22	6%	66	6%
4. A bedroom only (not a separate unit) - in a private home	43	6%	14	4%	57	5%
5. Other	4	1%	5	1%	9	1%
(blank)	445	66%	268	69%	713	67%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations

	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
15. What is the name of your apartment complex or building, if applicable?						
27 Seventy Five Mesa Verde	4	1%	2	1%	6	1%
3400 Avenue Of The Arts	2	0%		0%	2	0%
Adagio	1	0%		0%	1	0%
Amalfi Apartment	1	0%		0%	1	0%
Amberwood Town Homes	1	0%		0%	1	0%
Arbor Glen Apartments	1	0%		0%	1	0%
Aspen Village	1	0%		0%	1	0%
Avalon Irvine	1	0%		0%	1	0%
Avalon Partnership Rentals	1	0%		0%	1	0%
Avanti	1	0%		0%	1	0%
Avenue of the Arts		0%	1	0%	1	0%
Bay Breeze Apartment	1	0%		0%	1	0%
Baywood	1	0%	1	0%	2	0%
Berkeley Court		0%	1	0%	1	0%
Beverly Plaza	1	0%		0%	1	0%
Camden Martinique	11	2%	6	2%	17	2%
Casa De Oro	1	0%		0%	1	0%
Citron Apartments		0%	1	0%	1	0%
Clark Commons	1	0%		0%	1	0%
Coast Apartments	2	0%		0%	2	0%
Corte Bella	1	0%		0%	1	0%
Costa Mesa Family Village		0%	2	1%	2	0%
Eaves Seal Beach		0%	1	0%	1	0%
Eight 80 Newport Beach	2	0%		0%	2	0%
Espira	1	0%		0%	1	0%
Fairview Green	1	0%		0%	1	0%
Harbor at Mesa Verde	3	0%		0%	3	0%
Harbor Village Apt	2	0%	1	0%	3	0%
Heritage Park		0%	1	0%	1	0%
Horizon	1	0%	1	0%	2	0%
Huntington Continental	1	0%		0%	1	0%
Huntington Vista		0%	1	0%	1	0%
Irvine Company	2	0%		0%	2	0%
Lafayette		0%	1	0%	1	0%
Lincoln Military Housing- Camp Pendleton	1	0%		0%	1	0%
Los Arbolitos Apartments	1	0%	2	1%	3	0%
Los Cab	1	0%		0%	1	0%
Los Olivos	2	0%		0%	2	0%
Madison Newport	2	0%		0%	2	0%
Madison Park	1	0%		0%	1	0%
Maranatha		0%	1	0%	1	0%
Medallion Court Apartments		0%	1	0%	1	0%
Mediterranean Village	1	0%	1	0%	2	0%
Melrose	1	0%		0%	1	0%
Mesa Verde at Harbor	1	0%		0%	1	0%
Montair	1	0%		0%	1	0%
Motel 6		0%	1	0%	1	0%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Newport North Apartments		0%	1	0%	1	0%
Newport Terrace		0%	1	0%	1	0%
Northwood Park	1	0%		0%	1	0%
Ocean Breeze	1	0%		0%	1	0%
Oceana		0%	2	1%	2	0%
Oceanaire	1	0%		0%	1	0%
Orange Bay Apartments		0%	1	0%	1	0%
Palisades Apartments	1	0%		0%	1	0%
Palm	1	0%		0%	1	0%
Palms at South Coast	1	0%		0%	1	0%
Park Grove Apts		0%	1	0%	1	0%
Park Newport Apartments	3	0%		0%	3	0%
Park West/Kapi Residences	2	0%	1	0%	3	0%
Parkland		0%	1	0%	1	0%
Pinecreek Apartments		0%	1	0%	1	0%
Pinecreek Dr	1	0%		0%	1	0%
Pinecreek Village		0%	1	0%	1	0%
Pinnacle at MacArthur	1	0%		0%	1	0%
Portofino Cove	1	0%		0%	1	0%
Quail Hill		0%	1	0%	1	0%
Rain Tree		0%	1	0%	1	0%
Rancho Alisal		0%	1	0%	1	0%
RAW Recovery	1	0%		0%	1	0%
Ray Robert	1	0%		0%	1	0%
San Marcos		0%	1	0%	1	0%
Sandpiper Apts.	1	0%		0%	1	0%
Santa Clara	1	0%		0%	1	0%
Santa Fe Village		0%	1	0%	1	0%
Santa Maria		0%	1	0%	1	0%
Sierra West Apartment		0%	1	0%	1	0%
South Pointe	1	0%	1	0%	2	0%
Spring Lakes Apartment Homes		0%	1	0%	1	0%
Stanford Court	1	0%		0%	1	0%
Sundance West	1	0%		0%	1	0%
Sunset Cove	1	0%	1	0%	2	0%
Surf at 39	1	0%		0%	1	0%
The Alton Apartments	1	0%		0%	1	0%
The Artesian	1	0%		0%	1	0%
The Cape	1	0%		0%	1	0%
The Havens	1	0%		0%	1	0%
The Orchard		0%	1	0%	1	0%
The Palms At South Coast		0%	1	0%	1	0%
The Residences on Jamboree	1	0%		0%	1	0%
The Springdale		0%	1	0%	1	0%
The Watermarke	1	0%		0%	1	0%
Toluca Terrace		0%	1	0%	1	0%
U-Haul Storage of Costa Mesa	1	0%		0%	1	0%
Versailles on the Lake	1	0%		0%	1	0%
Vietnamese Apartment	1	0%		0%	1	0%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Villa d'Or		0%	1	0%	1	0%
Villa Del Sol	1	0%		0%	1	0%
Villa Siena	7	1%		0%	7	1%
Village at Southcoast	1	0%		0%	1	0%
Village Way	1	0%		0%	1	0%
Villasiena	1	0%		0%	1	0%
Villorio		0%	1	0%	1	0%
Vio Costa Mesa	2	0%		0%	2	0%
Wakeham Grand Apartments		0%	1	0%	1	0%
Washington Place		0%	1	0%	1	0%
Wateridge Apartments	1	0%		0%	1	0%
Westpark Apartments		0%	1	0%	1	0%
Wilshire Crest	1	0%		0%	1	0%
Wimbledon Glen	1	0%		0%	1	0%
Woodbridge Apartments - Sheapartments	1	0%		0%	1	0%
Woodbridge Pines		0%	1	0%	1	0%
(blank)	566	84%	333	86%	899	85%
Grand Total	673	100%	389	100%	1,062	100%

16. Do you live alone or with others?

1. I live by myself; I am the only one who lives in my housing unit	24	4%	13	3%	37	3%
2. Other people live with me and share my housing unit	201	30%	107	28%	308	29%
(blank)	448	67%	269	69%	717	68%
Grand Total	673	100%	389	100%	1,062	100%

17. Including yourself, how many people live in the housing unit where you live?

1. Two (myself and one other)	53	8%	42	11%	95	9%
2. Three (myself and two others)	39	6%	32	8%	71	7%
3. Four (myself and three others)	60	9%	25	6%	85	8%
4. More than four (myself and four or more others)	50	7%	7	2%	57	5%
(blank)	471	70%	283	73%	754	71%
Grand Total	673	100%	389	100%	1,062	100%

18. With whom do you live?

a. Roommates and/or apartment-mates	139	21%	57	15%	196	18%
b. My children	22	3%	24	6%	46	4%
c. Parents or guardians	34	5%	13	3%	47	4%
d. Spouse	48	7%	36	9%	84	8%
(blank)	470	70%	283	73%	753	71%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
19. How many bedrooms are in your apartment/unit?						
1. One	49	7%	31	8%	80	8%
2. Two	81	12%	47	12%	128	12%
3. Three	53	8%	25	6%	78	7%
4. Four	22	3%	7	2%	29	3%
5. More than four	12	2%	2	1%	14	1%
6. None - an efficiency/studio	9	1%	5	1%	14	1%
(blank)	447	66%	272	70%	719	68%
Grand Total	673	100%	389	100%	1,062	100%
20. How many bathrooms are in your apartment/unit? (A half bath is a bathroom with no shower or tub.)						
1. One	87	13%	53	14%	140	13%
2. One and a half	16	2%	9	2%	25	2%
3. Two	98	15%	43	11%	141	13%
4. Two and a half	10	1%	6	2%	16	2%
5. Three	8	1%	4	1%	12	1%
6. More than three	5	1%	3	1%	8	1%
(blank)	449	67%	271	70%	720	68%
Grand Total	673	100%	389	100%	1,062	100%
21. Do you share a bedroom?						
1. No, I have a bedroom to myself	102	15%	51	13%	153	14%
2. Yes, I share a bedroom with my spouse and/or children	43	6%	32	8%	75	7%
3. Yes, I share a bedroom with my partner or significant other	33	5%	17	4%	50	5%
4. Yes, I share a bedroom with a roommate	46	7%	19	5%	65	6%
(blank)	449	67%	270	69%	719	68%
Grand Total	673	100%	389	100%	1,062	100%
22. Why do you choose to share a bedroom?						
a. Lower rent	40	6%	17	4%	57	5%
b. Wanted to live with friends	3	0%	2	1%	5	0%
c. Could not find housing with a private bedroom	10	1%	4	1%	14	1%
d. Other:	2	0%	2	1%	4	0%
<i>Close to college</i>	1	0%		0%	1	0%
<i>Companionship</i>		0%	1	0%	1	0%
<i>Looking for a new place</i>		0%	1	0%	1	0%
<i>Too expensive to live alone</i>	1	0%		0%	1	0%
(blank)	627	93%	369	95%	996	94%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
23. What is your lease term?						
1. Twelve months	113	17%	51	13%	164	15%
2. Academic year (9 or 10 months)	8	1%	2	1%	10	1%
3. Six months	9	1%	3	1%	12	1%
4. Semester	4	1%		0%	4	0%
5. Month-to-month since the beginning of my lease	63	9%	30	8%	93	9%
6. Month-to-month starting at the end of my original lease term	11	2%	16	4%	27	3%
7. Other	16	2%	17	4%	33	3%
(blank)	449	67%	270	69%	719	68%
Grand Total	673	100%	389	100%	1,062	100%
24. How do you rent your unit?						
1. Furnished	26	4%	6	2%	32	3%
2. Partially furnished	35	5%	14	4%	49	5%
3. Unfurnished	163	24%	98	25%	261	25%
(blank)	449	67%	271	70%	720	68%
Grand Total	673	100%	389	100%	1,062	100%
25. What is your living situation during this academic year?						
1. I live on my own or with roommates in a rented unit.	145	22%	56	14%	201	19%
2. I live with my parent(s)/guardian in their home and I contribute toward my livir	28	4%	14	4%	42	4%
3. I live with my spouse/partner and/or child(ren) in a rented unit.	50	7%	48	12%	98	9%
(blank)	450	67%	271	70%	721	68%
Grand Total	673	100%	389	100%	1,062	100%
26. What is <u>your share</u> of monthly housing costs? (<i>live on their own, with roommates, or live with parents and contribute</i>) <u>or</u> What is the monthly rental cost for the entire unit? (<i>live with spouse/partner/children</i>)						
			Rent		Total Other Expenses	
			n=	Median	n=	Median
On own or with roommate(s)/apartment-mate(s)	195	\$700	195	\$65		
With parent(s)/guardian(s) and contribute	32	\$400	32	\$115		
			Rent		Total Other Expenses	
			n=	Median	n=	Median
With spouse/partner/child(ren)	94	\$1,700	94	\$200		
27. Does your rent include any utilities?						
1. No	125	19%	59	15%	184	17%
2. Yes	98	15%	58	15%	156	15%
(blank)	450	67%	272	70%	722	68%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
28. Which utilities are included in your rent?						
a. Electricity	72	11%	22	6%	94	9%
b. Gas	74	11%	30	8%	104	10%
c. Air conditioning	45	7%	17	4%	62	6%
d. Water/sewer	84	12%	48	12%	132	12%
e. Trash	80	12%	50	13%	130	12%
(blank)	575	85%	331	85%	906	85%
Grand Total	673	100%	389	100%	1,062	100%
29. What other features or services are included in your rent?						
a. Internet	73	11%	30	8%	103	10%
b. Cable TV	28	4%	20	5%	48	5%
c. Local telephone	6	1%	6	2%	12	1%
d. Shuttle services	5	1%	2	1%	7	1%
e. Parking	155	23%	79	20%	234	22%
(blank)	487	72%	297	76%	784	74%
Grand Total	673	100%	389	100%	1,062	100%
30. What are the most important factors you considered in your decision of where to live this academic year? Please rank the top five.						
Most important						
1. Ability to enter into an academic-year lease	20	3%	5	1%	25	2%
2. Ability to enter into a 12-month lease	7	1%	10	3%	17	2%
3. Ability to meet other students	10	1%	2	1%	12	1%
4. Adequate living space	13	2%	14	4%	27	3%
5. Affordable rent	349	52%	203	52%	552	52%
6. Availability of parking	8	1%	2	1%	10	1%
7. Character of neighborhood	3	0%	9	2%	12	1%
8. Fitness center		0%		0%		0%
9. Have own bath	3	0%		0%	3	0%
10. Have own bedroom	26	4%	16	4%	42	4%
11. Inclusion of utilities in rent	3	0%		0%	3	0%
12. Internet connection	4	1%	3	1%	7	1%
13. Kitchen in the unit	4	1%	2	1%	6	1%
14. Laundry machines in the unit	1	0%	2	1%	3	0%
15. Location relative to campus	23	3%	7	2%	30	3%
16. Management of the property	3	0%	2	1%	5	0%
17. On-site laundry facility	1	0%		0%	1	0%
18. Physical condition of the housing	3	0%	1	0%	4	0%
19. Satisfy parents' wishes	11	2%	3	1%	14	1%
20. Security	27	4%	11	3%	38	4%
21. Theme housing (by academic major or other interest)	2	0%	1	0%	3	0%
(blank)	152	23%	96	25%	248	23%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Second most important						
1. Ability to enter into an academic-year lease	27	4%	10	3%	37	3%
2. Ability to enter into a 12-month lease	12	2%	2	1%	14	1%
3. Ability to meet other students	21	3%	9	2%	30	3%
4. Adequate living space	60	9%	37	10%	97	9%
5. Affordable rent	56	8%	37	10%	93	9%
6. Availability of parking	60	9%	33	8%	93	9%
7. Character of neighborhood	27	4%	14	4%	41	4%
8. Fitness center	4	1%	2	1%	6	1%
9. Have own bath	17	3%	9	2%	26	2%
10. Have own bedroom	62	9%	27	7%	89	8%
11. Inclusion of utilities in rent	34	5%	23	6%	57	5%
12. Internet connection	29	4%	24	6%	53	5%
13. Kitchen in the unit	10	1%	10	3%	20	2%
14. Laundry machines in the unit	11	2%	6	2%	17	2%
15. Location relative to campus	38	6%	13	3%	51	5%
16. Management of the property	1	0%	1	0%	2	0%
17. On-site laundry facility	3	0%	3	1%	6	1%
18. Physical condition of the housing	10	1%	5	1%	15	1%
19. Satisfy parents' wishes	4	1%	2	1%	6	1%
20. Security	31	5%	22	6%	53	5%
21. Theme housing (by academic major or other interest)	1	0%		0%	1	0%
(blank)	155	23%	100	26%	255	24%
Grand Total	673	100%	389	100%	1,062	100%

Third most important						
1. Ability to enter into an academic-year lease	10	1%	4	1%	14	1%
2. Ability to enter into a 12-month lease	7	1%	9	2%	16	2%
3. Ability to meet other students	18	3%	9	2%	27	3%
4. Adequate living space	47	7%	18	5%	65	6%
5. Affordable rent	21	3%	13	3%	34	3%
6. Availability of parking	47	7%	45	12%	92	9%
7. Character of neighborhood	34	5%	12	3%	46	4%
8. Fitness center	10	1%	11	3%	21	2%
9. Have own bath	35	5%	17	4%	52	5%
10. Have own bedroom	46	7%	23	6%	69	6%
11. Inclusion of utilities in rent	30	4%	20	5%	50	5%
12. Internet connection	40	6%	16	4%	56	5%
13. Kitchen in the unit	22	3%	15	4%	37	3%
14. Laundry machines in the unit	19	3%	13	3%	32	3%
15. Location relative to campus	39	6%	19	5%	58	5%
16. Management of the property	5	1%	4	1%	9	1%
17. On-site laundry facility	15	2%	8	2%	23	2%
18. Physical condition of the housing	25	4%	14	4%	39	4%
19. Satisfy parents' wishes	8	1%	3	1%	11	1%
20. Security	40	6%	14	4%	54	5%
21. Theme housing (by academic major or other interest)		0%	2	1%	2	0%
(blank)	155	23%	100	26%	255	24%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Fourth most important						
1. Ability to enter into an academic-year lease	7	1%	3	1%	10	1%
2. Ability to enter into a 12-month lease	6	1%	4	1%	10	1%
3. Ability to meet other students	15	2%	11	3%	26	2%
4. Adequate living space	40	6%	17	4%	57	5%
5. Affordable rent	18	3%	8	2%	26	2%
6. Availability of parking	36	5%	26	7%	62	6%
7. Character of neighborhood	30	4%	13	3%	43	4%
8. Fitness center	15	2%	5	1%	20	2%
9. Have own bath	33	5%	19	5%	52	5%
10. Have own bedroom	40	6%	19	5%	59	6%
11. Inclusion of utilities in rent	32	5%	13	3%	45	4%
12. Internet connection	46	7%	23	6%	69	6%
13. Kitchen in the unit	37	5%	25	6%	62	6%
14. Laundry machines in the unit	19	3%	17	4%	36	3%
15. Location relative to campus	32	5%	23	6%	55	5%
16. Management of the property	5	1%	6	2%	11	1%
17. On-site laundry facility	21	3%	18	5%	39	4%
18. Physical condition of the housing	30	4%	15	4%	45	4%
19. Satisfy parents' wishes	7	1%	3	1%	10	1%
20. Security	39	6%	21	5%	60	6%
21. Theme housing (by academic major or other interest)	6	1%	0%		6	1%
(blank)	159	24%	100	26%	259	24%
Grand Total	673	100%	389	100%	1,062	100%

Fifth most important						
1. Ability to enter into an academic-year lease	6	1%	7	2%	13	1%
2. Ability to enter into a 12-month lease	8	1%	4	1%	12	1%
3. Ability to meet other students	7	1%	8	2%	15	1%
4. Adequate living space	51	8%	22	6%	73	7%
5. Affordable rent	15	2%	4	1%	19	2%
6. Availability of parking	43	6%	19	5%	62	6%
7. Character of neighborhood	24	4%	13	3%	37	3%
8. Fitness center	25	4%	9	2%	34	3%
9. Have own bath	16	2%	11	3%	27	3%
10. Have own bedroom	32	5%	20	5%	52	5%
11. Inclusion of utilities in rent	20	3%	15	4%	35	3%
12. Internet connection	47	7%	20	5%	67	6%
13. Kitchen in the unit	36	5%	21	5%	57	5%
14. Laundry machines in the unit	32	5%	25	6%	57	5%
15. Location relative to campus	28	4%	11	3%	39	4%
16. Management of the property	11	2%	8	2%	19	2%
17. On-site laundry facility	31	5%	21	5%	52	5%
18. Physical condition of the housing	26	4%	19	5%	45	4%
19. Satisfy parents' wishes	12	2%	2	1%	14	1%
20. Security	38	6%	23	6%	61	6%
21. Theme housing (by academic major or other interest)	6	1%	4	1%	10	1%
(blank)	159	24%	103	26%	262	25%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations

Full-Time		Part-Time		Grand Total	
#	%	#	%	#	%

31. OCC is considering building apartments for students on the northwest side of campus. The proposed apartment buildings would have four stories and the community would have over 800 beds. Amenities would include study and group meeting areas, game rooms, outdoor courtyards, and surface parking.

Please provide your feedback on the following unit types and potential rents. Rents are still being finalized and will be set only after official approval. Assume that the estimated rents include furnishings, utilities, basic cable TV, and Internet. Assume rents are based on an academic year lease and DO NOT include meal plan charges.

- Please select no more than one as "preferred."
- Mark as "acceptable" any unit plan you would live in if your preferred choice were not available.
- Select "would not live there" for any unit that you would find unacceptable.

NOTE: Floor plans are to show concepts only, and are not to scale.

TWO-DOUBLE-BEDROOM APARTMENT

Designed for four students, two in each bedroom, with two shared bathrooms and a living area.

Rent per person: \$1,097 per month

1. Preferred	99	15%	45	12%	144	14%
2. Acceptable	224	33%	129	33%	353	33%
3. Would not live there	198	29%	124	32%	322	30%
(blank)	152	23%	91	23%	243	23%
Grand Total	673	100%	389	100%	1,062	100%

FOUR-SINGLE-BEDROOM APARTMENT

Designed for four students, one in each bedroom, with two bathrooms and a living area.

Rent per person: \$1,271 per month

1. Preferred	112	17%	54	14%	166	16%
2. Acceptable	261	39%	149	38%	410	39%
3. Would not live there	148	22%	95	24%	243	23%
(blank)	152	23%	91	23%	243	23%
Grand Total	673	100%	389	100%	1,062	100%

TWO-SINGLE-BEDROOM APARTMENT

Designed for two students, one in each bedroom, each with private bathroom, with living area and kitchen.

Rent per person: \$1,617 per month

1. Preferred	78	12%	61	16%	139	13%
2. Acceptable	238	35%	127	33%	365	34%
3. Would not live there	205	30%	110	28%	315	30%
(blank)	152	23%	91	23%	243	23%
Grand Total	673	100%	389	100%	1,062	100%

EFFICIENCY APARTMENT

Designed for one student, with private bedroom/living area, private bathroom, and kitchen.

Rent per person: \$1,848 per month

1. Preferred	33	5%	24	6%	57	5%
2. Acceptable	183	27%	124	32%	307	29%
3. Would not live there	305	45%	150	39%	455	43%
(blank)	152	23%	91	23%	243	23%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
ONE-SINGLE-BEDROOM APARTMENT						
Designed for one student, with private bedroom and bathroom, living area, and kitchen.						
Rent per person: \$2,079 per month						
1. Preferred	28	4%	27	7%	55	5%
2. Acceptable	145	22%	95	24%	240	23%
3. Would not live there	348	52%	176	45%	524	49%
(blank)	152	23%	91	23%	243	23%
Grand Total	673	100%	389	100%	1,062	100%

32. How influential would each of the following unit features and housing policies be on your interest in living in campus housing?

Availability of a meal plan

1. Would not live in new housing without it	48	7%	21	5%	69	6%
2. Would have a positive influence on my decision	249	37%	152	39%	401	38%
3. Would have no influence on my decision	190	28%	114	29%	304	29%
4. Would have a negative influence on my decision	10	1%		0%	10	1%
5. Would not live in new housing if it was there	5	1%	1	0%	6	1%
(blank)	171	25%	101	26%	272	26%
Grand Total	673	100%	389	100%	1,062	100%

Basic cable TV

1. Would not live in new housing without it	26	4%	28	7%	54	5%
2. Would have a positive influence on my decision	178	26%	88	23%	266	25%
3. Would have no influence on my decision	275	41%	161	41%	436	41%
4. Would have a negative influence on my decision	13	2%	8	2%	21	2%
5. Would not live in new housing if it was there	5	1%	3	1%	8	1%
(blank)	176	26%	101	26%	277	26%
Grand Total	673	100%	389	100%	1,062	100%

Full kitchen in unit

1. Would not live in new housing without it	196	29%	110	28%	306	29%
2. Would have a positive influence on my decision	243	36%	144	37%	387	36%
3. Would have no influence on my decision	46	7%	26	7%	72	7%
4. Would have a negative influence on my decision	8	1%	3	1%	11	1%
5. Would not live in new housing if it was there	7	1%	4	1%	11	1%
(blank)	173	26%	102	26%	275	26%
Grand Total	673	100%	389	100%	1,062	100%

Furnished unit

1. Would not live in new housing without it	74	11%	31	8%	105	10%
2. Would have a positive influence on my decision	275	41%	143	37%	418	39%
3. Would have no influence on my decision	130	19%	101	26%	231	22%
4. Would have a negative influence on my decision	15	2%	5	1%	20	2%
5. Would not live in new housing if it was there	6	1%	7	2%	13	1%
(blank)	173	26%	102	26%	275	26%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
High-speed wireless Internet						
1. Would not live in new housing without it	273	41%	151	39%	424	40%
2. Would have a positive influence on my decision	202	30%	121	31%	323	30%
3. Would have no influence on my decision	17	3%	12	3%	29	3%
4. Would have a negative influence on my decision	3	0%	1	0%	4	0%
5. Would not live in new housing if it was there	7	1%	2	1%	9	1%
(blank)	171	25%	102	26%	273	26%
Grand Total	673	100%	389	100%	1,062	100%
Required meal plan						
1. Would not live in new housing without it	29	4%	8	2%	37	3%
2. Would have a positive influence on my decision	110	16%	48	12%	158	15%
3. Would have no influence on my decision	182	27%	110	28%	292	27%
4. Would have a negative influence on my decision	129	19%	78	20%	207	19%
5. Would not live in new housing if it was there	52	8%	41	11%	93	9%
(blank)	171	25%	104	27%	275	26%
Grand Total	673	100%	389	100%	1,062	100%
"Soundproof" walls						
1. Would not live in new housing without it	90	13%	56	14%	146	14%
2. Would have a positive influence on my decision	318	47%	183	47%	501	47%
3. Would have no influence on my decision	83	12%	44	11%	127	12%
4. Would have a negative influence on my decision	4	1%	1	0%	5	0%
5. Would not live in new housing if it was there	6	1%	2	1%	8	1%
(blank)	172	26%	103	26%	275	26%
Grand Total	673	100%	389	100%	1,062	100%
Storage space						
1. Would not live in new housing without it	76	11%	48	12%	124	12%
2. Would have a positive influence on my decision	324	48%	181	47%	505	48%
3. Would have no influence on my decision	96	14%	49	13%	145	14%
4. Would have a negative influence on my decision	3	0%	4	1%	7	1%
5. Would not live in new housing if it was there	2	0%	2	1%	4	0%
(blank)	172	26%	105	27%	277	26%
Grand Total	673	100%	389	100%	1,062	100%
Temperature control in each unit						
1. Would not live in new housing without it	151	22%	87	22%	238	22%
2. Would have a positive influence on my decision	276	41%	156	40%	432	41%
3. Would have no influence on my decision	65	10%	35	9%	100	9%
4. Would have a negative influence on my decision	5	1%	5	1%	10	1%
5. Would not live in new housing if it was there	4	1%	4	1%	8	1%
(blank)	172	26%	102	26%	274	26%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations

	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Theme housing (such as housing by interest, major, etc.)						
1. Would not live in new housing without it	24	4%	7	2%	31	3%
2. Would have a positive influence on my decision	171	25%	98	25%	269	25%
3. Would have no influence on my decision	270	40%	158	41%	428	40%
4. Would have a negative influence on my decision	26	4%	15	4%	41	4%
5. Would not live in new housing if it was there	9	1%	8	2%	17	2%
(blank)	173	26%	103	26%	276	26%
Grand Total	673	100%	389	100%	1,062	100%

Utilities included in rent						
1. Would not live in new housing without it	125	19%	63	16%	188	18%
2. Would have a positive influence on my decision	316	47%	182	47%	498	47%
3. Would have no influence on my decision	45	7%	33	8%	78	7%
4. Would have a negative influence on my decision	11	2%	7	2%	18	2%
5. Would not live in new housing if it was there	3	0%	1	0%	4	0%
(blank)	173	26%	103	26%	276	26%
Grand Total	673	100%	389	100%	1,062	100%

Washer/dryer in unit						
1. Would not live in new housing without it	146	22%	84	22%	230	22%
2. Would have a positive influence on my decision	309	46%	183	47%	492	46%
3. Would have no influence on my decision	37	5%	15	4%	52	5%
4. Would have a negative influence on my decision	5	1%	4	1%	9	1%
5. Would not live in new housing if it was there	4	1%	1	0%	5	0%
(blank)	172	26%	102	26%	274	26%
Grand Total	673	100%	389	100%	1,062	100%

33. How influential would each of the following community features be on your interest in living in campus housing?

Able to walk to class/no need to have a car at school						
1. Would not live in new housing without it	109	16%	45	12%	154	15%
2. Would have a positive influence on my decision	339	50%	207	53%	546	51%
3. Would have no influence on my decision	56	8%	31	8%	87	8%
4. Would have a negative influence on my decision	2	0%	3	1%	5	0%
5. Would not live in new housing if it was there	2	0%	2	1%	4	0%
(blank)	165	25%	101	26%	266	25%
Grand Total	673	100%	389	100%	1,062	100%

Community kitchen						
1. Would not live in new housing without it	27	4%	11	3%	38	4%
2. Would have a positive influence on my decision	148	22%	81	21%	229	22%
3. Would have no influence on my decision	208	31%	114	29%	322	30%
4. Would have a negative influence on my decision	93	14%	64	16%	157	15%
5. Would not live in new housing if it was there	29	4%	17	4%	46	4%
(blank)	168	25%	102	26%	270	25%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Coffee shop or café in/near housing						
1. Would not live in new housing without it	25	4%	12	3%	37	3%
2. Would have a positive influence on my decision	298	44%	173	44%	471	44%
3. Would have no influence on my decision	176	26%	94	24%	270	25%
4. Would have a negative influence on my decision	3	0%	3	1%	6	1%
5. Would not live in new housing if it was there	2	0%	3	1%	5	0%
(blank)	169	25%	104	27%	273	26%
Grand Total	673	100%	389	100%	1,062	100%
Convenience store in/near housing						
1. Would not live in new housing without it	42	6%	16	4%	58	5%
2. Would have a positive influence on my decision	358	53%	215	55%	573	54%
3. Would have no influence on my decision	101	15%	51	13%	152	14%
4. Would have a negative influence on my decision	3	0%	1	0%	4	0%
5. Would not live in new housing if it was there	2	0%	3	1%	5	0%
(blank)	167	25%	103	26%	270	25%
Grand Total	673	100%	389	100%	1,062	100%
Computer lab						
1. Would not live in new housing without it	22	3%	13	3%	35	3%
2. Would have a positive influence on my decision	293	44%	172	44%	465	44%
3. Would have no influence on my decision	183	27%	98	25%	281	26%
4. Would have a negative influence on my decision	5	1%	1	0%	6	1%
5. Would not live in new housing if it was there	4	1%	2	1%	6	1%
(blank)	166	25%	103	26%	269	25%
Grand Total	673	100%	389	100%	1,062	100%
Convenient parking						
1. Would not live in new housing without it	175	26%	97	25%	272	26%
2. Would have a positive influence on my decision	262	39%	148	38%	410	39%
3. Would have no influence on my decision	62	9%	34	9%	96	9%
4. Would have a negative influence on my decision	4	1%	2	1%	6	1%
5. Would not live in new housing if it was there	5	1%	5	1%	10	1%
(blank)	165	25%	103	26%	268	25%
Grand Total	673	100%	389	100%	1,062	100%
Fitness center/weight room						
1. Would not live in new housing without it	52	8%	22	6%	74	7%
2. Would have a positive influence on my decision	335	50%	202	52%	537	51%
3. Would have no influence on my decision	110	16%	59	15%	169	16%
4. Would have a negative influence on my decision	6	1%	2	1%	8	1%
5. Would not live in new housing if it was there	3	0%	1	0%	4	0%
(blank)	167	25%	103	26%	270	25%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Game room (ping pong, pool, etc.)						
1. Would not live in new housing without it	28	4%	11	3%	39	4%
2. Would have a positive influence on my decision	268	40%	141	36%	409	39%
3. Would have no influence on my decision	195	29%	127	33%	322	30%
4. Would have a negative influence on my decision	10	1%	4	1%	14	1%
5. Would not live in new housing if it was there	4	1%	2	1%	6	1%
(blank)	168	25%	104	27%	272	26%
Grand Total	673	100%	389	100%	1,062	100%
Group study/meeting space						
1. Would not live in new housing without it	36	5%	15	4%	51	5%
2. Would have a positive influence on my decision	315	47%	185	48%	500	47%
3. Would have no influence on my decision	147	22%	81	21%	228	21%
4. Would have a negative influence on my decision	4	1%	1	0%	5	0%
5. Would not live in new housing if it was there	3	0%	2	1%	5	0%
(blank)	168	25%	105	27%	273	26%
Grand Total	673	100%	389	100%	1,062	100%
Live-in staff						
1. Would not live in new housing without it	23	3%	9	2%	32	3%
2. Would have a positive influence on my decision	166	25%	93	24%	259	24%
3. Would have no influence on my decision	256	38%	143	37%	399	38%
4. Would have a negative influence on my decision	47	7%	28	7%	75	7%
5. Would not live in new housing if it was there	13	2%	11	3%	24	2%
(blank)	168	25%	105	27%	273	26%
Grand Total	673	100%	389	100%	1,062	100%
Main lobby with front desk						
1. Would not live in new housing without it	27	4%	12	3%	39	4%
2. Would have a positive influence on my decision	243	36%	140	36%	383	36%
3. Would have no influence on my decision	221	33%	124	32%	345	32%
4. Would have a negative influence on my decision	9	1%	8	2%	17	2%
5. Would not live in new housing if it was there	5	1%	1	0%	6	1%
(blank)	168	25%	104	27%	272	26%
Grand Total	673	100%	389	100%	1,062	100%
On-site laundry facilities						
1. Would not live in new housing without it	154	23%	88	23%	242	23%
2. Would have a positive influence on my decision	288	43%	170	44%	458	43%
3. Would have no influence on my decision	57	8%	25	6%	82	8%
4. Would have a negative influence on my decision	3	0%	3	1%	6	1%
5. Would not live in new housing if it was there	3	0%	1	0%	4	0%
(blank)	168	25%	102	26%	270	25%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
Quiet study areas						
1. Would not live in new housing without it	78	12%	34	9%	112	11%
2. Would have a positive influence on my decision	329	49%	202	52%	531	50%
3. Would have no influence on my decision	93	14%	49	13%	142	13%
4. Would have a negative influence on my decision	1	0%	1	0%	2	0%
5. Would not live in new housing if it was there	3	0%	1	0%	4	0%
(blank)	169	25%	102	26%	271	26%
Grand Total	673	100%	389	100%	1,062	100%
Social/TV lounge						
1. Would not live in new housing without it	21	3%	8	2%	29	3%
2. Would have a positive influence on my decision	264	39%	148	38%	412	39%
3. Would have no influence on my decision	207	31%	118	30%	325	31%
4. Would have a negative influence on my decision	10	1%	10	3%	20	2%
5. Would not live in new housing if it was there	3	0%	3	1%	6	1%
(blank)	168	25%	102	26%	270	25%
Grand Total	673	100%	389	100%	1,062	100%
Outdoor 'green' space						
1. Would not live in new housing without it	65	10%	27	7%	92	9%
2. Would have a positive influence on my decision	319	47%	185	48%	504	47%
3. Would have no influence on my decision	111	16%	70	18%	181	17%
4. Would have a negative influence on my decision	3	0%	2	1%	5	0%
5. Would not live in new housing if it was there	5	1%	2	1%	7	1%
(blank)	170	25%	103	26%	273	26%
Grand Total	673	100%	389	100%	1,062	100%
34. What is your preferred length of lease term?						
1. I would prefer an academic year (August to May) lease option	206	31%	93	24%	299	28%
2. I would prefer a 12-month lease option at a lower monthly cost	272	40%	176	45%	448	42%
3. I would prefer a 24-month lease option with rents that are set when I sign the l	40	6%	23	6%	63	6%
(blank)	155	23%	97	25%	252	24%
Grand Total	673	100%	389	100%	1,062	100%
35. Please think back to when you were selecting the housing you live in now. If your preferred unit had been available on campus for the current academic year (at the estimated rent from Question 31, and with preferred features from Questions 32 and 33), would you have lived in the proposed housing?						
1. I definitely would have lived there.	150	22%	68	17%	218	21%
2. I might have lived there (50/50 chance).	257	38%	149	38%	406	38%
3. I probably would not have lived there (less than 50/50 chance).	64	10%	42	11%	106	10%
4. I would not have lived there.	50	7%	37	10%	87	8%
(blank)	152	23%	93	24%	245	23%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations

	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
36. Why would you not have been interested in living in the proposed housing?						
a. I already own a home	36	5%	37	10%	73	7%
b. I am concerned about the level of rules and regulations	92	14%	54	14%	146	14%
c. I would not have wanted to move	64	10%	31	8%	95	9%
d. I live with my parents/guardians	250	37%	126	32%	376	35%
e. I live with my spouse and/or children	59	9%	57	15%	116	11%
f. The housing is too expensive	293	44%	170	44%	463	44%
g. I have a pet	105	16%	84	22%	189	18%
h. Some other reason (Please specify.)	31	5%	32	8%	63	6%
<i>\$1,000+ is unaffordable for me to pay on my own</i>		0%	1	0%	1	0%
<i>About to move out</i>		0%	1	0%	1	0%
<i>Apartment</i>		0%	1	0%	1	0%
<i>Camden and Villa Siena is also close to OCC I</i>	1	0%		0%	1	0%
<i>Depends on convenience and what I have going on at that time</i>		0%	1	0%	1	0%
<i>Don't want to live among predominantly 20-year-olds.</i>		0%	1	0%	1	0%
<i>Expensive</i>		0%	1	0%	1	0%
<i>Find a better deal</i>		0%	1	0%	1	0%
<i>Finishing My Main Studies at OCC</i>		0%	1	0%	1	0%
<i>FT student need a 2nd income to pay all that rent; need to study</i>	1	0%		0%	1	0%
<i>Having a private garage space is important to me.</i>	1	0%		0%	1	0%
<i>High rent</i>	1	0%		0%	1	0%
<i>Homeless</i>		0%	1	0%	1	0%
<i>Husband is active duty & cannot move</i>	1	0%		0%	1	0%
<i>I already made a decision before by moving into an apartment</i>	1	0%		0%	1	0%
<i>I am a DSPS Student because of a physically limiting disease</i>		0%	1	0%	1	0%
<i>I am an older student.</i>		0%	1	0%	1	0%
<i>I am homeless and prefer to save \$1,000+ a month for school</i>	1	0%		0%	1	0%
<i>I am transferring next semester to a university</i>	1	0%		0%	1	0%
<i>I currently do not have a job to pay the rent.</i>	1	0%		0%	1	0%
<i>I currently work full time and am able to support myself.</i>	1	0%		0%	1	0%
<i>I do not believe in community colleges providing housing</i>		0%	1	0%	1	0%
<i>I don't have enough money to pay for it</i>		0%	1	0%	1	0%
<i>I don't make enough to move out.</i>	1	0%		0%	1	0%
<i>I get to meet/vet potential housemates before committing.</i>	1	0%		0%	1	0%
<i>I have a child</i>		0%	1	0%	1	0%
<i>I have no money</i>	1	0%	1	0%	2	0%
<i>I live close enough that it wouldn't be worth it</i>	1	0%		0%	1	0%
<i>I love living alone</i>	1	0%		0%	1	0%
<i>I love the area I live in</i>		0%	1	0%	1	0%
<i>I take care of my mother</i>		0%	1	0%	1	0%
<i>I want to meet new people</i>	1	0%		0%	1	0%
<i>I won't be attending OCC by the time it's built</i>		0%	1	0%	1	0%
<i>I would feel out of place living with younger tenants</i>		0%	1	0%	1	0%
<i>I'm satisfied with where I live now</i>		0%	1	0%	1	0%
<i>If rent is 1,200 with 4 students then we could all split it</i>	1	0%		0%	1	0%
<i>I'm already so close to campus as it is</i>	1	0%		0%	1	0%
<i>I'm not aware of what the housing actually looks like yet</i>		0%	1	0%	1	0%
<i>It doesn't fit my lifestyle</i>		0%	1	0%	1	0%
<i>It's not college responsibility to provide housing.</i>		0%	1	0%	1	0%

Survey Response Tabulations	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
<i>It's not necessary since I already live fairly close to OCC</i>	1	0%		0%	1	0%
<i>I've rented my home for 20 years</i>	1	0%		0%	1	0%
<i>Just got evicted</i>	1	0%		0%	1	0%
<i>Live 3-10 miles from campus</i>	1	0%		0%	1	0%
<i>Live-in mother-in-law</i>		0%	1	0%	1	0%
<i>Location relative to my work.</i>		0%	1	0%	1	0%
<i>Need more affordable housing: be realistic</i>	1	0%		0%	1	0%
<i>P/T caretaker</i>	1	0%		0%	1	0%
<i>Price</i>	1	0%		0%	1	0%
<i>Rent is pretty high at 1,200 per person for shared bathroom</i>	1	0%		0%	1	0%
<i>Rent is too high</i>	1	0%		0%	1	0%
<i>Rent prices are ridiculously high for broke college students</i>		0%	1	0%	1	0%
<i>Returning student only for one semester</i>		0%	1	0%	1	0%
<i>Still pretty expensive</i>		0%	1	0%	1	0%
<i>The rent you are asking per person for each room is insane.</i>	1	0%		0%	1	0%
<i>Too expensive</i>	1	0%		0%	1	0%
<i>Unsure about the room mates and age range, also unit sq ft</i>		0%	1	0%	1	0%
<i>Want to save money</i>		0%	1	0%	1	0%
<i>Way too expensive for college students</i>	1	0%		0%	1	0%
<i>Work full time far from campus</i>		0%	1	0%	1	0%
(blank)	142	21%	63	16%	205	19%
Grand Total	673	100%	389	100%	1,062	100%

37. If you would not have considered living in the proposed housing because the rent is too high for your housing budget, what would be your level of interest in the same units at lower rates, as follows?

Two-Double-Bedroom Apartment: \$1,045 per person per month

Four-Single-Bedroom Apartment: \$1,210 per person per month

Two-Single-Bedroom Apartment: \$1,540 per person per month

Efficiency Apartment: \$1,760 per person per month

One-Single-Bedroom Apartment: \$1,980 per person per month

1. I definitely would have lived there.	21	3%	13	3%	34	3%
2. I might have lived there (50/50 chance).	107	16%	69	18%	176	17%
3. I probably would not have lived there (less than 50/50 chance).	86	13%	37	10%	123	12%
4. I would not have lived there	79	12%	49	13%	128	12%
(blank)	380	56%	221	57%	601	57%
Grand Total	673	100%	389	100%	1,062	100%

Survey Response Tabulations

	Full-Time		Part-Time		Grand Total	
	#	%	#	%	#	%
38. Still too expensive? What would be your level of interest at the following rates?						
Two-Double-Bedroom Apartment: \$993 per person per month						
Four-Single-Bedroom Apartment: \$1,150 per person per month						
Two-Single-Bedroom Apartment: \$1,463 per person per month						
Efficiency Apartment: \$1,672 per person per month						
One-Single-Bedroom Apartment: \$1,881 per person per month						
1. I definitely would have lived there.	48	7%	29	7%	77	7%
2. I might have lived there (50/50 chance).	123	18%	65	17%	188	18%
3. I probably would not have lived there (less than 50/50 chance).	44	7%	28	7%	72	7%
4. I would not have lived there	58	9%	33	8%	91	9%
(blank)	400	59%	234	60%	634	60%
Grand Total	673	100%	389	100%	1,062	100%

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APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR
THE FISCAL YEAR ENDING JUNE 30, 2017**

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**COAST COMMUNITY COLLEGE DISTRICT
ORANGE COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2017**



COAST COMMUNITY COLLEGE DISTRICT

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COAST COMMUNITY COLLEGE DISTRICT

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Coast Community College District
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Coast Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Coast Community College District
Costa Mesa, California

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the District as of June 30, 2017, and the results of its operations, changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 16). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The supplementary schedules, and the continuing disclosure information

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Coast Community College District
Costa Mesa, California

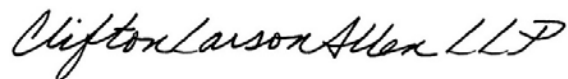
are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
November 30, 2017

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Coast Community College District (the "District") for the year ended June 30, 2017. This discussion has been prepared by management, and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board Statements (GASB) No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office, through its Fiscal Accountability Standards Committee, recommended that all community college districts use the reporting standards under the BTA model.

The District includes three comprehensive community colleges. The mission of the District is to respond to the educational needs of an ever-changing community and to provide programs and services that reflect academic excellence. The District's three colleges promote open access and celebrate the diversity of its students and staff, as well as the community. Coastline Community College, Golden West College, and Orange Coast College offer associate degrees, vocational certificates and transfer education, as well as developmental instruction and a broad array of specialized training. Specific activities in the colleges and the continuing education programs are directed toward economic development within the community.

The annual report includes three basic financial statements that provide information on the District as a whole:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

Financial and Enrollment Highlights

Although the District ended the year with a strong fund balance, it represented an approximate \$7-million-dollar decline from the previous year. The ability to maintain a prudent reserve has continued to provide cash flow stability for the District without external borrowing. Health and welfare benefit costs continue to rise and are being monitored. Additional funds were set aside to fund the future retiree benefits liability. While Coast was a founding member of the CCLC retiree health benefit trust, based on a recommendation from the Retirement Board, the Board of Trustees took action to bifurcate the retiree health benefit trust between Keenan and the CCLC programs. At June 30, 2017, between the two programs, \$71.6 million is held in an irrevocable trust to meet

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

the District's liability of approximately \$103.2 million. Although the new Governmental Accounting Standards Board (GASB) requirements no longer use the Annual Required Contribution (ARC) as a measure, this in no way changes the District's contractual obligations and we will continue to budget both pay-as-you-go costs as well as an amount to mitigate the unfunded liability in the next 15-20 years.

The District runs the Banner financial software which is integrated with the human resources and student systems. The District uses the position budgeting feature to build the budgets and allows on-line budget transfers for faster, more accurate processing. The Banner financial software is also used for the student system. The student financials feed into the Banner financial system which uses an accrual method of accounting. The District is moving forward implementing Financial Aid management and reporting into the Banner system.

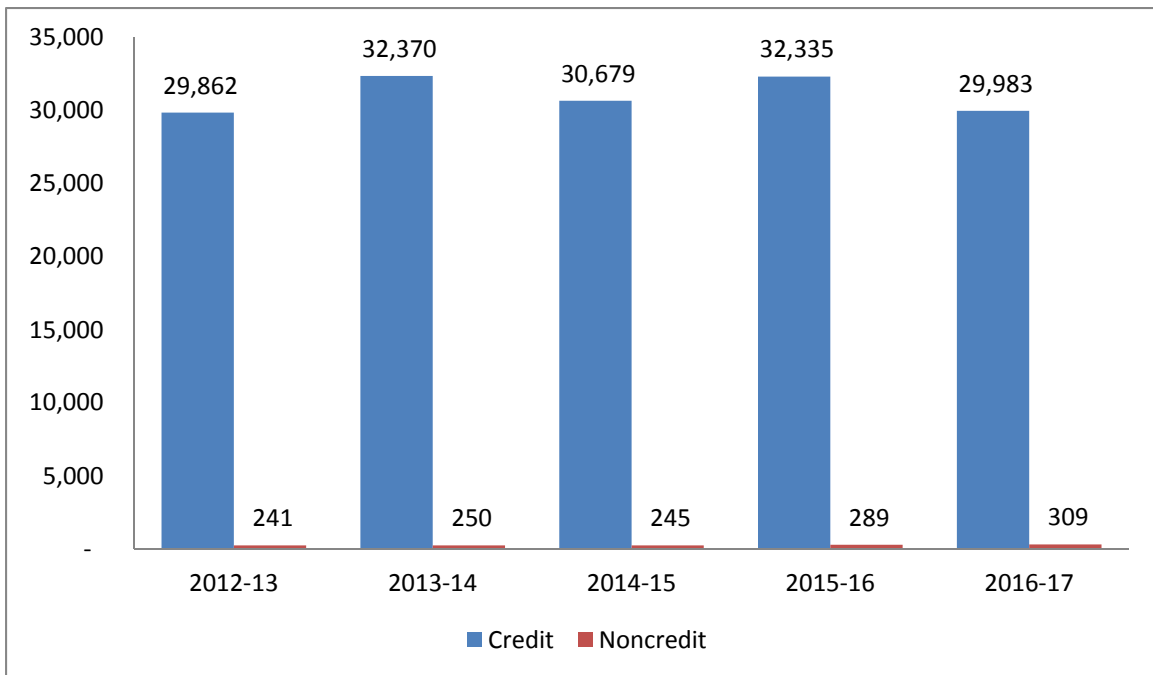
In November 2002, the District's citizens passed Measure C, a general obligation bond for facilities. Measure C was fully expended and closed out as of June 30, 2013. On November 6, 2012, the District voters approved and authorized the issuance and sale of \$698 million principal amount of Measure M general obligation bonds of the District. During the fiscal year ending June 30, 2017, three series of Measure M bonds were issued including 2016C in the amount of \$30 million, 2017D in the amount of \$280 million, and 2017E in the amount of \$20 million.

Because of the magnitude of the proposed 2017D & E issuances, early in calendar year 2017, Coast sought a bond rating review from Moody's and Standard & Poor's (S&P). Moody's maintained an "Aa1" rating reflecting the District's very large and growing coastal California tax base that is among the largest of Moody's-rated community college districts. The rating also includes the district's strong financial position that benefits from healthy liquidity available outside of General Fund operations. S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'AA+' from 'AA.'" This action reflected the district's strong local economy situated in Orange County, the district's very strong general fund reserves, the flexibility of community college districts in general to manage their enrollment and programs in response to funding levels, and the district's low to moderate debt burden.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

The 2016-17 FY Adopted Budget was based on the revenue associated with serving 32,623 resident Full-Time Equivalent Students (FTES). However, at the P-1 Enrollment report in January 2017, earnings were nearly 2,000 FTES below base. This softening in enrollment continued through P-2 in April when enrollments were reported more than 2,200 FTES below base, and again with the annual enrollment report in July when enrollment was reported more than 2,300, or 7.15%, below base. The District reported actual FTES earnings for this year, triggering Stabilization but ensuring base revenue would be received for the 2016-17 FY. The District is on track to report at least base FTES at the close of the 2017-18 FY. The chart below reflects actual earned FTE’s for each year, irrespective of Borrowing or Stabilization.

Annual Enrollment
Full-Time Equivalent Students (FTES)



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, are one way to measure the financial health of the District.

	(in thousands)		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 110,840	\$ 121,365	-9%
Investments	43,638	12,363	253%
Account receivables	19,968	21,196	-6%
Notes receivable - current portion	750	750	0%
Inventories	59	57	4%
Prepaid expenses	39	649	-94%
Total current assets	<u>175,294</u>	<u>156,380</u>	12%
Non-current assets			
Restricted cash and cash equivalents	416,823	127,555	227%
Restricted student loans receivable, net	2,654	2,851	-7%
Notes receivable	12,188	12,937	-6%
Other post-employment benefit asset	-	18,454	-100%
Capital assets, net of depreciation	512,117	459,625	11%
Total non-current assets	<u>943,782</u>	<u>621,422</u>	52%
TOTAL ASSETS	<u>1,119,076</u>	<u>777,802</u>	44%
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	26,623	28,645	-7%
Deferred outflows - pension	51,304	25,053	105%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>77,927</u>	<u>53,698</u>	45%
LIABILITIES			
Current liabilities			
Current liabilities	82,573	85,603	-4%
Non-current liabilities			
Non-current liabilities	1,149,937	741,871	55%
TOTAL LIABILITIES	<u>1,232,510</u>	<u>827,474</u>	49%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	12,282	19,020	-35%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>12,282</u>	<u>19,020</u>	-35%
NET POSITION			
Invested in capital assets, net of related debt	46,243	33,735	37%
Restricted	45,675	39,578	15%
Unrestricted	<u>(139,707)</u>	<u>(88,307)</u>	58%
TOTAL NET POSITION	<u>\$ (47,789)</u>	<u>\$ (14,994)</u>	-219%

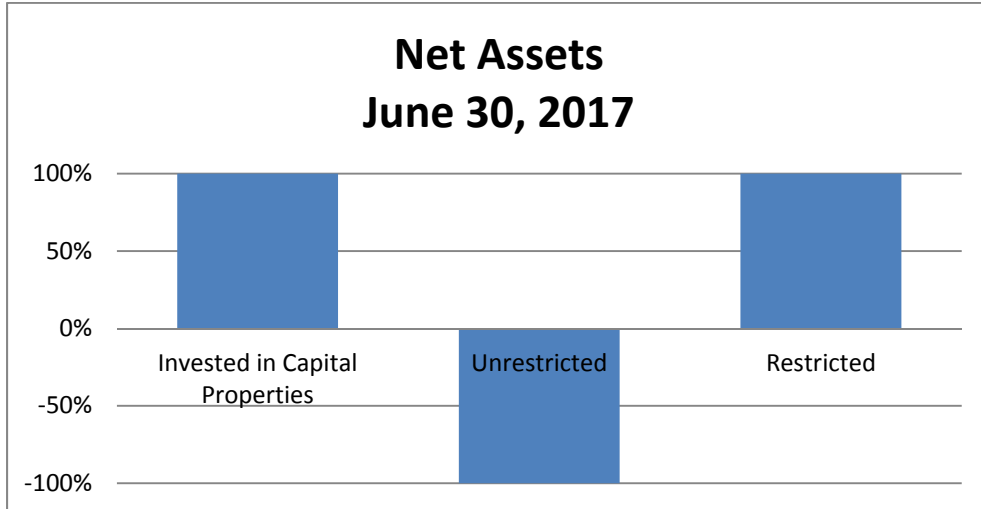
COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2017

- Cash and cash equivalents consist mainly of cash held in the county treasury (\$507.7 million) and ancillary funds maintained at local banks. Cash increased from the prior year due primarily to the issuance of three Measure M bond series: (1) 2016C in the amount of \$30 million, (2) 2017D in the amount of \$280 million and, (3) 2017E in the amount of \$20 million. At June 30, 2017, the building fund had a cash balance of approximately \$369 million.
- Accounts Receivable decreased due to a receipt of \$1.6 million receivable of a one-time construction settlement.
- In the current fiscal year, Governmental Accounting Standards Board (GASB) statements 74 and 75 were implemented. As a result of this implementation, the Other Post-Employment Benefits (OPEB) changed from an asset balance to a recognition of \$31.5 million in liability. The District has a funding plan to mitigate the unfunded actuarial accrued liability in the next 15 to 20 years.
- The total assets showed an increase of, mostly due to the issuance of three Measure M bonds in the amount of \$330 million and the establishment of the Pension Trust \$2.5 million. The total liabilities showed an increase of 49%. This is due to the recording of the new GO Bond payables, OPEB and pension liabilities.
- Governmental Accounting Standards Board (GASB) statements 67 and 68 established a definition of a pension plan that reflects the primary activities associated with the pension arrangement, determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members. The District's outstanding pension liability for both STRS and PERS is \$209.7 million as of FY 2016-17.
- Net position showed it decreased by 219% from the prior year. Total operating expenses increased by \$12 million, or 4%, while total operating revenues increased by \$8.3 million or 5%.
- The net Other post-employment benefits (OPEB) liability decreased from \$116 million at the close of the 2015-16 FY, to \$103 million at the close of the 2016-17 FY. This change was driven largely by changes in the retirement program for new hires hired on or after January 1, 2018, and the introduction of a new health plan for post-age 70 retirees.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the District, as well as the non-operating revenues and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenues by generally accepted accounting principles.

	(in thousands)		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 38,262	\$ 32,448	18%
Grants and contracts, non-capital	119,240	117,006	2%
Auxiliary sales and charges	<u>3,527</u>	<u>3,248</u>	9%
Total operating revenues	<u>161,029</u>	<u>152,702</u>	5%
Operating Expenses			
Salaries and benefits	223,535	210,385	6%
Supplies, materials and other operating expenses and services	41,278	42,495	-3%
Financial aid	56,592	60,167	-6%
Utilities	3,572	3,954	-10%
Depreciation	<u>21,745</u>	<u>17,609</u>	23%
Total operating expenses	<u>346,722</u>	<u>334,610</u>	4%
Operating loss	<u>(185,693)</u>	<u>(181,908)</u>	2%
Non-operating revenues (expenses)			
State apportionments, non-capital	40,108	48,510	-17%
Local property taxes	120,884	114,654	5%
State taxes and other revenues	11,281	25,801	-56%
Investment income, non-capital	619	505	23%
Interest expense	(13,093)	(17,951)	-27%
Loss on disposal of capital assets	<u>(10)</u>	<u>(10)</u>	0%
Total non-operating revenues (expenses)	<u>159,799</u>	<u>171,509</u>	-7%
Other revenues, expenses, gains or losses			
State apportionments, capital	1,229	3,728	0%
Local property taxes and revenues, capital	40,648	38,132	7%
Investment income, capital	<u>3,024</u>	<u>1,220</u>	148%
Total other revenues, expenses, gains or losses	<u>44,901</u>	<u>43,080</u>	4%
Change in net position	<u>19,007</u>	<u>32,681</u>	-42%
Net position, beginning of year	(14,994)	(47,675)	-69%
Cumulative effect of change in accounting principles	<u>(51,802)</u>	<u> </u>	100%
Net position, end of year	<u>\$ (47,789)</u>	<u>\$ (14,994)</u>	-219%

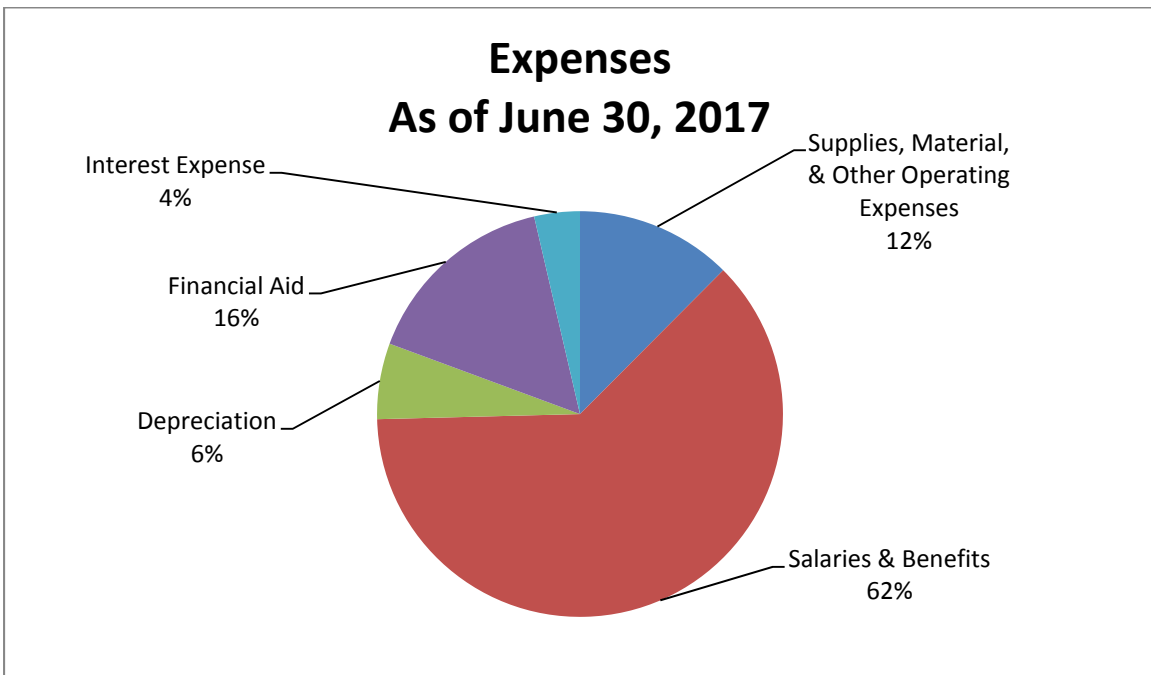
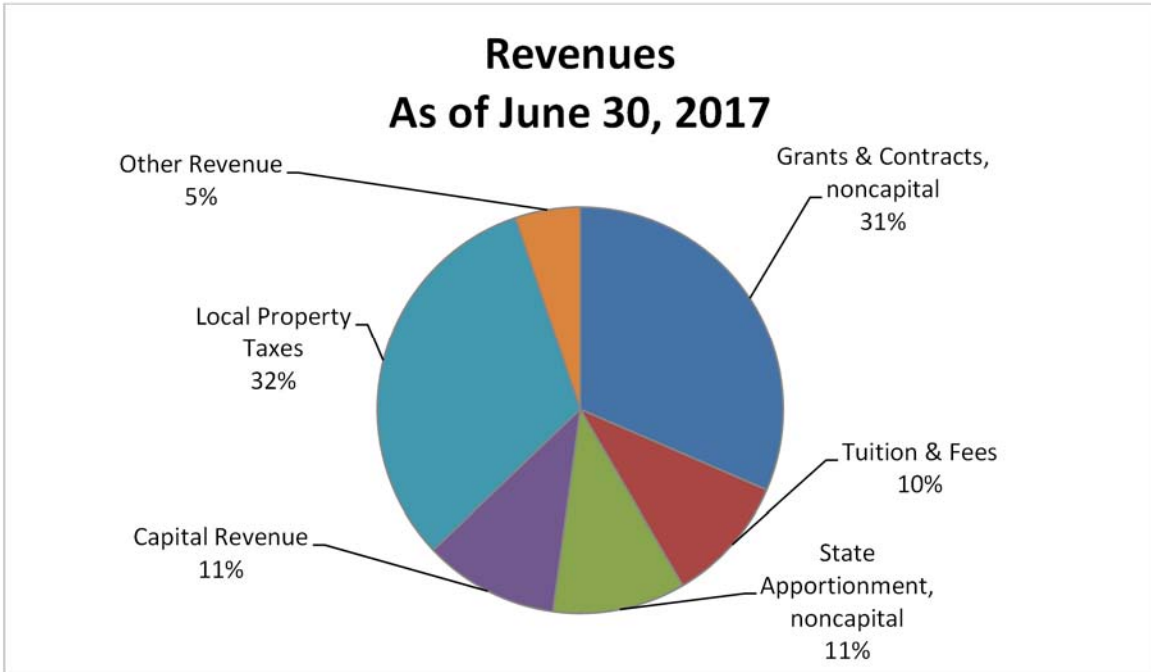
COAST COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2017

- Net tuition and fees consists of enrollment fees (\$41.5 million), non-resident tuition (\$12.0 million), and other fees (\$6.6 million) less scholarships, discounts and allowances (\$21.9 million). Regular enrollment fees (\$46 per unit) are set by the State for all community colleges reflecting no change from the prior year.
- Revenue from grants and contracts is composed of federal grants (\$52.2 million), state grants (\$41 million), and local contracts (\$25.9 million). The increase in federal funding is due mainly to the increase in federal financial aid provided for students and is also reflected in the increased financial aid operating expenses. The increase in state revenue is primarily due to increased allocations in various student success and support programs.
- The annual 320 enrollment report for 2016-17 reflected 30,292.35 resident Full Time Equivalent Students (FTES), or approximately 7.15% below our base FTES of 32,623.80. Apportionment based revenue for the 2016-17 FY was uninterrupted as the District received Stabilization funding for the difference of 2,331.45 FTES between the actual reported FTES and base. The District has continued its efforts geared toward maximizing enrollment and service to students and the community, and Coast will report at least based FTES for the year ending June 30, 2018.
- Depreciation expenses increased due to the construction in progress and projects completed in this fiscal year.
- Salaries and benefits expenses increased \$8.2 million or 6% due mainly to hiring of 25 new full-time faculty, implementation of the classification and compensation study, and the increasing pension and health benefit cost.
- Robust property tax receipt, along with the EPA funding, has resulted in a smaller proportion of state apportionment in our total computational apportionment revenue. SB 361 states that for each district the State shall subtract from the computed revenue apportionment a district's local property tax revenue and 98% of the enrollment fees collected by the district.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017



COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	(in thousands)		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (167,623)	\$ (156,378)	-7%
Noncapital financing activities	174,605	187,812	-7%
Capital and related financing activities	273,643	(43,035)	736%
Investing activities	<u>(1,881)</u>	<u>(1,675)</u>	12%
Net change in cash and cash equivalents	278,744	(13,276)	-2200%
Cash balance, beginning of year	248,919	262,195	-5%
Cash balance, end of year	<u>\$ 527,663</u>	<u>\$ 248,919</u>	112%

- The primary cash receipts from operating activities consist of grants, contracts, tuition and fees; while, the outlays include payment of wages, benefits, supplies, services, contracts, scholarships and financial aid.
- General apportionment is the main source of noncapital financing activities and consists of state apportionment, local property taxes, and student fees.
- Cash provided by and used for capital and related financing activities reflects local capital outlay resources.
- Cash from investing activities is interest and gains on investments.

The overall cash balance has increased from prior year because of the proceeds received from the new bonds issuance, base augmentation, one-time mandate reimbursement funding,

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the District had over \$512 million invested in net capital assets. Total capital assets of \$823 million consist of land, buildings and building improvements, vehicles, data processing equipment and other office equipment; these assets have accumulated depreciation of \$311 million. New additions for construction and equipment of \$61.0 million occurred during 2016-17, and depreciation expense of \$21.7 million was recorded for the fiscal year. Construction in progress of \$16.7 million was completed and placed into service as buildings and site improvements. Note 5 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation is presented below.

	<u>Balance June 30, 2017</u>
Land	\$ 24,141,969
Buildings and site improvements	677,747,797
Equipment	46,659,314
Construction in progress	<u>74,807,149</u>
Totals at historical cost	<u>823,356,229</u>
Less accumulated depreciation for:	
Buildings and site improvements	(276,032,252)
Equipment	<u>(35,206,715)</u>
Total accumulated depreciation	<u>(311,238,967)</u>
Governmental capital assets, net	<u><u>\$ 512,117,262</u></u>

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Debt

At June 30, 2017, the District had \$923.8 million in debt for the General Obligation bonds. The payments for general obligation bond debt are funded through property tax assessments. Notes 6 and 9 to the financial statements provide additional information on long-term liabilities.

Economic Factors That May Affect the Future

State Economy

On January 10, 2017, the Governor released his budget proposal for the 2017-18 fiscal year. In three of the past four years, actual revenue collections exceeded the Administration's forecasts by a substantial amount. However, even after the state lowered its revenue forecast for 2016-17, revenues are coming in below even the lowered estimates. As a result, the Governor has lowered revenue projections even more substantially.

The theme for the Budget proposal is a broad recognition of the increased risk in the out years. The Governor referred to the fact that California has the most progressive tax structure and, therefore, the most unreliable revenues, in the nation. California's heavy reliance on the Personal Income Tax (PIT), and in particular the top 1% of taxpayers, gives us tremendous revenue volatility, both up and down.

For California Community Colleges (CCCs), the Budget Proposal provides approximately \$400 million in additional funding. When netted against unabsorbed growth funding and increasing property taxes across the system, the proposed augmentations actually result in a decrease of \$27.1 million in general state apportionments. No one-time discretionary funds are proposed. In the past, these resources have been counted toward paying down outstanding state mandate claims.

The Governor's 2017-18 State Budget proposal provides a 10.87% share of Proposition 98 funding, lower than the traditional 10.93%. The CCCs would be receiving about \$45 million more if the system were funded at the 10.93% level. However, it is important to recognize that community college apportionments are not threatened with a deferral like K-12 district apportionments.

The May Revision presents the last statutory opportunity for the Governor to shape his economic proposal before legislative budget committees complete their work and move into Conference committee. The May Revision was released on May 11, 2017, and during the release, the Governor took the opportunity to emphasize his theme of fiscal prudence. It presents a moderately more optimistic picture than did the January Proposal. The assumptions underpinning the May Revision reflect economic insecurity based on a mild drop in state revenue coupled with uncertainty at the federal level.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

On June 27, 2017, the 2017-18 FY State Budget Bill was signed into law by Governor Brown. It includes a total investment in Proposition 98 of \$74.5 billion, an increase of \$2.6 billion over last year's Budget Act level. Some of the new features of the California Community College (CCC) budget include \$150 million in one-time funding for community colleges to develop and implement "Guided Pathway" Programs, \$25 million for a new CCC Completion Grant Program to provide grants of up to \$2,000 to community college students who meet specified criteria, \$10 million to provide all colleges with access to the Online Education Initiative's learning management system, and an increase of \$6 million in one-time funding to facilitate the development of an integrated library system for the community colleges.

The 2017-18 FY CCCD Budget

- Estimated State Revenue reflected a 1.56% COLA, no growth and a \$141 per FTES Unrestricted Lottery Revenue allocation. Available Statewide Growth/Access funding is identified at 1.0% but the District does not budget these funds until the year following the one in which they were earned.
- Statewide Categorical program funding for the 2017-18 FY stands at nearly \$978.9 million, providing a significant increase in programmatic funding. The total categorical funding for Coast is nearly \$52.7 million.
- For the 2017-18 FY, following Board Policy 6200, the Adopted Budget reflects a General Reserve of 5% and a Reserve for Contingency of 5%, for a total of \$21.5 million, or 10% of the prior year unrestricted general fund expense.
- Salaries and benefits continue to comprise the largest portion of the District's expenses. Historically, Coast's budgeting norms do not include estimates of part-time faculty, overload, or short-term employees. When looking only at contract positions for 2017-18, 73.2% of the unrestricted funds are budgeted for salaries and benefits.
- Volatility continues in our Health and welfare benefit programs. The budget for benefits in the 2017-18 FY is \$17,900 Per Employee Per Year (PEPY) as compared with prior year actual of \$15,706 PEPY.
- The employer contributions for the PERS will increase from 13.89% to 15.531% of payroll, or 1.641% increase. The STRS employer rate will increase by 1.85%, from 12.58% to 14.43%. These increases in pension contributions commenced with the fiscal year beginning July 1, 2017. For the current fiscal year, the combined increase of these pension system match requirements are estimated at \$2.5million.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Significant Future Events

California continues to rely heavily on the Personal Income Tax (PIT) for education funding creating a significant degree of funding volatility. Further, the current economic recovery is among the longest in the post-war period and history suggests the state is ripe for a downturn. Adding to budgetary uncertainty are events at the federal level. While offering no specifics, the Governor noted that if the American Health Care Act (“Trumpcare”), or a similar bill were to become law, it would cost California billions of dollars. Staff will continue tracking events at the federal level in an effort to better understand the potential impact to California and local college districts.

Although budgetary modeling does not indicate the District will grow, the 2017-18 Advance Principal Apportionment Report reflects a growth cap of 1.17% for the District. System-wide, Growth (Access) is funded at 1.0% for the 2017-18 FY.

Not unlike the District’s retiree health benefit plan, both the California State Teachers Retirement System (STRS) and the California Public Employee Retirement System (PERS) have significant unfunded liabilities. This phenomenon reflects a mismatch between the pension plan’s estimated obligations and its assets. In theory, these plans should be prefunded, meaning regular contributions for each employee are made into the retirement fund during the course of that employee’s career. However, because of underfunding in prior years, employer costs for retirement benefits for both STRS and PERS are projected to nearly double over the next several years. Projections for Coast is at an additional \$16.9 million in on-going costs by 2020-21 FY.

The most recent actuarial study was completed for OPEB liability as of June 30, 2017. The District has budgeted sufficient funds to meet the annual required contribution for fiscal year 2017-18.

The Governmental Accounting Standards Board (GASB). Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of Statement No. 27, establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members. Districts’ financial reports must begin to show the full effect of pension liabilities. The PERS program involves an employer and an employee contribution. In contrast, the STRS program includes both an employer and an employee contribution, along with a state contribution. In practice, most Local Education Agencies (LEA’s) did not recognize the states “on-behalf” contributions to CalSTRS, primarily based on 1996 guidance from the California Department of Education. More recently, GASB 68 now requires districts to recognize the “on-behalf” contribution by the state by debiting pension contribution expenditures and crediting revenues. For Coast, this amount is estimated at \$3.9 million.

COAST COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Looking ahead to the 2018-19 FY, tax reform at the federal level is a definite wild card. No one knows the final result, but by January we should have a much better read. California's high dependency on affluent taxpayers could be dramatically affected by federal tax reform and resultant changes in economic activity.

Further, recasting the minimum guarantee under Proposition 98 would likely provide opportunities for Governor Brown to put the finishing touches on his vision of reshaping California's education systems to both reduce the achievement gap and provide a greater measure of social justice.

In conclusion, the 2018-19 FY Budget will be the final chapter in Governor Brown's life-long commitment to California.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Office of Fiscal Affairs at Coast Community College District, 1370 Adams Avenue, Costa Mesa, California 92626, or e-mail Daniela Thompson at DThompson@mail.cccd.edu.

BASIC FINANCIAL STATEMENTS

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government	Component Units
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 110,840,112	\$ 5,846,862
Investments	43,638,008	27,772,642
Accounts receivable, net	19,967,951	132,176
Deferred tax asset		21,800
Pledges receivable, net		271,550
Beneficial interest in charitable gift annuity		7,209
Inventories	59,803	
Notes receivable- current portion	750,000	
Prepaid expenses and other current assets	39,371	75,707
Total Current Assets	175,295,245	34,127,946
Non-Current Assets:		
Restricted cash and cash equivalents	416,823,033	
Restricted student loans receivable, net	2,653,878	
Contribution receivable from split-interest agreements		479,361
Notes receivable	12,187,500	41,481
Capital assets, net of accumulated depreciation	512,117,262	8,006,444
Total Non-Current Assets	943,781,673	8,527,286
Total Assets	1,119,076,918	42,655,232
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	26,623,438	
Deferred outflows- pension	51,303,554	
Total Deferred Outflows of Resources	77,926,992	-
Total Assets and Deferred Outflows of Resources	\$ 1,197,003,910	\$ 42,655,232

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government	Component Units
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 21,841,525	\$ 505,924
Accrued liabilities	9,320,240	8,390
Unearned revenue	25,511,272	736,629
Amounts held in trust	232,305	
Long-term liabilities-current portion	25,667,938	
Current Liabilities	82,573,280	1,250,943
Non-Current Liabilities		
Compensated absences	6,043,567	
Notes payable	3,285,000	
Postemployment healthcare liabilities	31,549,563	
Net pension liabilities	209,753,325	
General obligation bonds payable	899,305,723	
Non-Current Liabilities	1,149,937,178	
Total Liabilities	1,232,510,458	1,250,943
<u>Deferred Inflows of Resources</u>		
Deferred inflows- pension	12,282,042	
Total Deferred Inflows of Resources	12,282,042	-
<u>Net Position</u>		
Net investment in capital assets	46,243,259	
Permanently restricted		7,517,979
Temporarily restricted		30,931,374
Restricted for:		
Capital projects	30,551,535	
Debt service	12,253,300	
Scholarship and loans	2,869,828	
Unrestricted	(139,706,512)	2,377,811
Common stock		158
Retained earnings		576,967
Total Net Position	(47,788,590)	41,404,289
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,197,003,910	\$ 42,655,232

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017**

	Primary Government	Component Units
Operating Revenues		
Tuition and fees (gross)	\$ 60,232,611	\$
Less: Scholarship discounts and allowances	(21,971,189)	_____
Net tuition and fees	38,261,422	-
Grants and contracts, non-capital:		
Federal	52,234,278	
State	41,021,073	
Local	25,984,695	17,956,601
Sales	3,526,830	_____
Total Operating Revenues	<u>161,028,298</u>	<u>17,956,601</u>
Operating Expenses		
Salaries	154,282,143	1,513,111
Employee benefits	69,252,887	346,544
Supplies, materials, and other operating expenses and services	41,277,656	10,320,206
Financial aid	56,592,053	
Utilities	3,571,650	
Depreciation	21,745,349	1,857,432
Total Operating Expenses	<u>346,721,738</u>	<u>14,037,293</u>
Operating Income (Loss)	<u>(185,693,440)</u>	<u>3,919,308</u>
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	40,107,985	
Local property taxes	120,884,154	
States taxes and other revenue	11,280,936	4,900
Interest and investment income, non-capital	619,161	1,574,138
Interest expense	(13,093,169)	_____
Total Non-Operating Revenues (Expenses)	<u>159,799,067</u>	<u>1,579,038</u>
(Loss) Income/Gain Before Other Revenues, Expenses, Gains and Losses	<u>(25,894,373)</u>	<u>5,498,346</u>
Other Revenues, Expenses, Gains and Losses		
Local property taxes and revenues, capital	40,647,991	
State apportionments, capital	1,229,156	
Interest and investment income, capital	3,024,319	_____
Total Other Revenues, Expenses, Gains and Losses	<u>44,901,466</u>	-
Changes in Net Position	<u>19,007,093</u>	<u>5,498,346</u>
Net Position, Beginning of Year	(14,994,040)	35,905,943
Cumulative effect of change in accounting principles (see Note 16)	(51,801,643)	_____
Net Position, Beginning of Year After Restatement	<u>(66,795,683)</u>	<u>35,905,943</u>
Net Position, End of Year	<u>\$ (47,788,590)</u>	<u>\$ 41,404,289</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS For the Fiscal Year Ended June 30, 2017

	<u>Primary</u>	<u>Component Units</u>
	<u>Government</u>	
Cash Flows From Operating Activities		
Tuition and fees	\$ 36,747,757	\$
Federal grants and contracts	51,105,985	
State grants and contracts	42,543,791	
Local grants and contracts	24,583,080	
Sales	3,526,830	
Auxiliary enterprise sales and charges		5,998,732
Administrative fees and interest		1,867,144
Donations		4,757,673
VLFAA Settlement	(9,739,052)	
Payments to suppliers	(34,979,259)	(8,879,395)
Payments to/on-behalf of employees	(222,775,170)	(59,891)
Payments to/on-behalf of students	(56,926,563)	(1,711,268)
Other (payments) receipts	(1,710,069)	3,300
Net cash provided (used) by operating activities	<u>(167,622,670)</u>	<u>1,976,295</u>
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	41,054,681	
Property taxes	120,884,154	
State tax and other revenues	11,719,073	
Principal collections on loans receivable	196,953	
Principal collections on notes receivable	750,000	
Net cash provided (used) by non-capital financing activities	<u>174,604,861</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Interest on capital investments	1,521,563	
Property taxes for capital purposes	40,647,991	
Local revenue, grants and gifts for capital purposes	4,253,475	
Net purchase and sale of capital assets	(64,434,333)	(49,311)
Proceeds from long-term debt	360,306,946	
Purchase investments from proceeds from long-term debt	(28,775,156)	
Principal paid on long-term debt	(23,351,814)	
Interest paid on long-term debt	(16,526,345)	
Net cash provided (used) by capital and financing activities	<u>273,642,327</u>	<u>(49,311)</u>
Cash Flows from Investing Activities		
Purchase of investments	(2,500,000)	(3,300,116)
Interest on investments	619,161	129,822
Net cash provided (used) by investing activities	<u>(1,880,839)</u>	<u>(3,170,294)</u>
Net Change in Cash and Cash Equivalents	278,743,679	(1,243,310)
Cash Balance - Beginning of Year	<u>248,919,466</u>	<u>7,090,172</u>
Cash Balance - End of Year	<u>\$ 527,663,145</u>	<u>\$ 5,846,862</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<u>Primary Government</u>	<u>Component units</u>
Operating income (loss)	\$ (185,693,440)	\$ 3,919,308
Net non-cash contributions		(2,564,140)
Realized and unrealized gains on investments, net		(1,628,894)
Loss on sale of fixed asset		(50,425)
Change in value of split-interest agreement		(1,153)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	21,745,349	1,857,432
Changes in assets and liabilities:		
Receivables, net	(207,783)	(98,720)
Pledge receivable		27,247
Contribution receivable from split-interest agreements		147,505
Inventory	(2,680)	
Prepaid expense	609,592	57,868
Postemployment healthcare asset	18,453,746	
Deferred outflows- pension	(26,250,741)	
Accounts payable and accrued liabilities	(7,001,536)	218,779
Unearned revenue	8,846	91,488
Compensated absences	668,433	
Amounts held in trust for others	7,221	
Estimated liability for open claims and IBNR's	21,784	
Deferred inflows of pension plan investments	(6,738,080)	
Net postemployment healthcare liability	(20,252,080)	
Net pension liability	<u>37,008,699</u>	
Net cash provided (used) by operating activities	<u>\$ (167,622,670)</u>	<u>\$ 1,976,295</u>

Noncash transaction: Capital purchase with \$3,610,000 loan.

Breakdown of ending cash balance:

Cash and cash equivalents	\$ 110,840,112	
Restricted cash and cash equivalents	416,823,033	
Total	<u>\$ 527,663,145</u>	

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Ancillary Funds	Associated Student Body Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 3,279,185	\$ 12,852,866
Accounts receivable:		
Miscellaneous	937,711	390,430
Other current assets	20,000	105,060
Total Assets	4,236,896	13,348,356
<u>Deferred Outflows of Resources</u>		
Deferred outflows - pension		546,521
Total Deferred Outflows of Resources	-	546,521
Total Assets and Deferred Outflows of Resources	\$ 4,236,896	\$ 13,894,877
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 848,077	\$ 1,128,529
Funds held in trust	3,388,819	3,503,734
Total Current Liabilities	4,236,896	4,632,263
<u>Non-Current Liabilities</u>		
Net pension liability		1,913,441
Total Non-Current Liabilities	-	1,913,441
Total Liabilities	4,236,896	6,545,704
<u>Deferred Inflows of Resources</u>		
Deferred inflows - pension costs		126,576
Total Deferred Inflows of Resources	-	126,576
<u>Net Position</u>		
Unrestricted		7,222,597
Total Net Position	-	7,222,597
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 4,236,896	\$ 13,894,877

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2017**

	<u>Associated Student Body Funds</u>
Additions	
Sales, net of purchases	\$ 1,209,451
Interest and investment income	1,437
Student representation fee	1,789,859
Other local revenues	<u>393,384</u>
Total Additions	<u>3,394,131</u>
Deductions	
Classified salaries	650,304
Employee benefits	283,875
Services and other operating expenses	2,159,112
Capital outlay	<u>23,185</u>
Total Deductions	<u>3,116,476</u>
Change in net position	277,655
Net Position, Beginning of Year	<u>6,944,942</u>
Net Position- End of Year	<u>\$ 7,222,597</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
June 30, 2017

	Retiree (OPEB) Trust
<u>Assets</u>	
Investments	\$ 71,617,326
Total Assets	<u>\$ 71,617,326</u>
<u>Net Position Held in Trust for Other Postemployment Benefits</u>	<u>\$ 71,617,326</u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN
NET POSITION**

For the Fiscal Year Ended June 30, 2017

	Retiree (OPEB) Trust
Additions	
Employer contributions	\$ 6,533,048
Dividends and interest	6,030,540
Total Additions	<u>12,563,588</u>
Deductions	
Benefit payments	6,533,048
Administrative expenses	106,841
Total Deductions	<u>6,639,889</u>
Net changes in net position	5,923,699
Net Position Held in Trust for Other Postemployment Benefits, Beginning of Year	<u>65,693,627</u>
Net Position Held in Trust for Other Postemployment Benefits, End of Year	<u><u>\$ 71,617,326</u></u>

See accompanying notes to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

Coast Community College District Foundation, Coastline College Foundation, Golden West College Foundation, Orange Coast College Foundation and Coast Community College District Enterprise Corporation: Each Foundation is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. The Enterprise Corporation is a separate for-profit corporation and operates the swap meet at Golden West and Orange Coast Colleges. The Board of Directors are elected independent of any District's Board Trustee's appointments. The Board of Directors are responsible for approving

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

their own budgets and accounting and finance related activities; however, the District's governing board has fiscal responsibility over each Foundation and the Enterprise Corporation. The financial activities of the Foundations and the Enterprise Corporation have been discretely presented. Their separate financial statements may be obtained through the District.

Retiree Health Benefit OPEB Trust (the Trust): The Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, then maintain investment liquidity and thirdly, to protect investment yield. As such, the District acts as the fiduciary of the Trust. The Trust has been discretely presented; separate financial statements are not prepared for the Trust.

Pension Stabilization Trust (the PST): The PST was established to help California public entities stabilize the funding of their pension benefit liabilities by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of their funding obligation. The PST is an irrevocable governmental trust intended to qualify as a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code. The PST is administered by Benefit Trust Company as directed by the Board of Authority; the District appoints one member. The District is the sole beneficiary of the PST; the fund does not meet the definition of a fiduciary activity, thus, it is reported as a blended component unit. Separate financial statements are not prepared for the PST.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by GASB. The financial statement presentation provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are excluded from the basic financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The statements of plan net position and changes in plan net position of the Retiree Health Benefit OPEB Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Board of Trustees must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Board of Trustees during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments in the Other Post-Employment Benefits Plan are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Accounts Receivables

Accounts receivable consists primarily of amounts due from the Federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of items held for resale in the food service and sailing center operations and expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

Restricted Student Loans Receivable, Net

Student loans receivable consist of loan advances to students awarded under the student financial aid programs the District administers for Federal agencies. Student loans receivable are recorded

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

net of cancelled principal. The receivables are held in trust for the awarding Federal agency.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings valued at \$5,000 or more as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest costs are offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded as an operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for building, 10 years for land improvements, 8 years for equipment and vehicles and 3 years for technology.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 11 to the financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable.

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 11 to the financial statements.

Net Position

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net position – nonexpendable.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2017 will be recorded in the year computed by the State.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2017, \$35,759,152 of the District's bank balance of \$36,131,985 was exposed to credit risk as uninsured and collateral held by pledging bank's trust department not in the District's name.

Cash in County

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.70% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: DEPOSITS AND INVESTMENTS

The pool sponsor's annual financial report may be obtained from the Auditor-Controller County of Orange, 12 Civic Center Plaza, Room 200, Santa Ana, CA 92702.

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602, the District may invest in the following types of investments:

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2017.

Investments and investments with fiscal agent at June 30, 2017 are presented herein:

Maturities (in Years)	Fair Value	U.S. Treasury Bonds	Federal Agency Bonds	Corporate Bonds
Less Than 1	\$ 1,644,559	\$ 1,644,559	\$	\$
1 to 5	10,301,515	6,302,470		3,999,045
6 to 10	8,765,604	5,949,804	2,815,800	
More Than 10	22,926,330	15,597,362	7,328,968	
Total	<u>\$ 43,638,008</u>	<u>\$ 29,494,195</u>	<u>\$ 10,144,768</u>	<u>\$ 3,999,045</u>

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2017 are presented herein:

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: DEPOSITS AND INVESTMENTS

<u>Investment - Level 1 Inputs</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
U.S. Treasury Bonds	\$ 29,494,195	AA+
Federal Agency Bonds	10,144,768	AA+
Corporate Bonds:	<u>3,999,045</u>	AA+
Total	<u>\$ 43,638,008</u>	

Investments categorized as Level 1 are valued based on prices quoted in active markets for those securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Board Policy 6320 Investments includes as the primary objectives 1) Safety: Preservation of principal is the foremost objective of the District; 2) Liquidity: The District's portfolio will remain sufficiently liquid to enable the District to meet its liquidity needs, and 3) Yield: The District's portfolio will be designed to obtain a market rate of return through economic cycles consistent with the constraints imposed by its safety objective and cash flow considerations. Board Policy 6320 does not specify limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the District has operated within parameters of the "Permitted Investments" as specified in the Measure M 2013 and 2016 Official Statements and the Board Resolution No. 13.06 authorizing the election. These parameters set up the outer boundaries of what the bond proceeds can be invested in. The District has since developed an investment strategy for those proceeds. Information about the exposure of the District's investments to this risk is provided above. Effective January 1, 2017, AB2738 prohibits the proceeds from the sale of bonds from being withdrawn for investment outside the county treasury.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District has operated within parameters of the "Permitted Investments" as specified in the Measure M 2013 and 2016 Official Statements and the Board Resolution No. 13.06 authorizing the election. These parameters set up the outer boundaries of what the bond proceeds can be invested in. The District has since developed an investment strategy for those proceeds. Information about the exposure of the District's investments to this risk is provided herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: DEPOSITS AND INVESTMENTS

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. In accordance with governmental accounting standards, the District is exposed to concentration of credit risk whenever an investment in any one issuer exceeds 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 consists of the following:

<u>Accounts Receivable</u>	<u>June 30, 2017</u>
Federal and state	\$ 1,817,228
Tuition and fees	9,724,914
Student loans receivable, net	2,653,878
Miscellaneous	8,425,809
Total accounts receivable	<u>\$ 22,621,829</u>

NOTE 4: NOTE RECEIVABLE

The District entered into a note receivable in the amount of \$20,000,000 for the sale of KOCE and the KOCE-TV operating license on March 17, 2004. The payments are to be made to the District over 26 years. The District received \$750,000 during this fiscal year and is expecting to receive \$750,000 in the next fiscal year. The balance of the notes receivable as of June 30, 2017, is \$12,937,500.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

A summary of changes in capital assets for the year ended June 30, 2017 is shown herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 24,141,969	\$	\$	\$ 24,141,969
Construction in progress	30,449,783	61,054,363	(16,696,997)	74,807,149
Total capital assets not being depreciated	54,591,752	61,054,363	(16,696,997)	98,949,118
Capital assets being depreciated:				
Buildings and improvements	655,462,873	22,284,924		677,747,797
Equipment and vehicles	39,109,497	7,594,603	(44,786)	46,659,314
Total capital assets being depreciated	694,572,370	29,879,527	(44,786)	724,407,111
Less accumulated depreciation for:				
Buildings and improvements	(255,842,552)	(20,189,700)		(276,032,252)
Equipment and vehicles	(33,695,852)	(1,555,649)	44,786	(35,206,715)
Total accumulated depreciation	(289,538,404)	(21,745,349)	44,786	(311,238,967)
Depreciable assets, net	405,033,966	8,134,178	-	413,168,144
Governmental activities capital assets, net	\$ 459,625,718	\$ 69,188,541	\$ (16,696,997)	\$ 512,117,262

For the year ended June 30, 2017, amount of interest capitalized was \$8,919,580. Interest earned on proceeds of the District's tax exempt debt used to offset capitalized interest was \$1,470,904.

NOTE 6: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown herein.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due in One Year
Governmental					
Capital leases	\$ 268,295	\$	\$ 176,814	\$ 91,481	\$ 91,481
Compensated absences	6,116,591	668,433		6,785,024	741,457
Note payable	3,765,000		155,000	3,610,000	325,000
General obligation bonds:					
Bonds payable	498,864,504	330,000,000	23,020,000	805,844,504	24,510,000
Accreted interest	38,503,246	6,990,333		45,493,579	
Bonds premium	45,701,998	30,306,946	3,531,304	72,477,640	
Total general obligation bonds	583,069,748	367,297,279	26,551,304	923,815,723	24,510,000
Postemployment healthcare liabilities	-	31,549,563		31,549,563	
Net pension liability	172,744,626	37,008,699		209,753,325	
Total	\$ 765,964,260	\$ 436,523,974	26,728,118	\$ 1,175,605,116	\$ 25,667,938
Fiduciary					
Net pension liability	\$ 1,548,363	\$ 365,078	\$	1,913,441	\$ -
Total	\$ 1,548,363	\$ 365,078	\$	\$ 1,913,441	\$ -

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 6: LONG-TERM DEBT – SCHEDULE OF CHANGES

Liabilities for compensated absences and the net pension liability are liquidated by the governmental funds in which related salaries and benefits are recorded. Capital leases are liquidated by the General Fund, while the general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller’s office through the Bond Interest and Redemption Fund.

NOTE 7: LEASES

Capital Leases

The District has entered into a lease agreement to implement an energy conservation photovoltaic power system totaling \$1,485,600. Future minimum lease payments are shown herein.

Year Ending June 30,	Principal	Interest	Total
2018	\$ 91,481	\$ 2,113	\$ 93,594
Total	<u>\$ 91,481</u>	<u>\$ 2,113</u>	<u>\$ 93,594</u>

The current year payment for this lease is approximately \$187,000. The District will receive no sublease rental revenues nor pay any contingent rentals for this agreement.

Operating Leases

The District has entered into various operating leases for land, buildings, vehicles, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are shown herein.

Year Ending June 30,	Lease Payment
2018	\$ 393,299
2019	245,896
2020	134,230
2021	97,047
2022	53,419
Total	<u>\$ 923,891</u>

Current year expenditures for operating leases is approximately \$420,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 8: NOTE PAYABLE

On March 24, 2016, the District entered into a note payable in the amount of \$3,765,000 at an interest rate of 3.75% to purchase the property on Newhope Street in the city of Fountain Valley, California. The payments are to be made over 10 years as presented herein.

Year Ending June 30,	Principal	Interest	Total
2018	\$ 325,000	\$ 73,339	\$ 398,339
2019	335,000	138,281	473,281
2020	350,000	126,281	476,281
2021	360,000	113,812	473,812
2022	375,000	100,875	475,875
2023-2027	1,865,000	292,969	2,157,969
Total	<u>\$ 3,610,000</u>	<u>\$ 845,557</u>	<u>\$ 4,455,557</u>

NOTE 9: GENERAL OBLIGATION BONDS

Measure C

On November 5, 2002, \$370,000,000 in general obligation bonds were authorized by an election (Measure C) held within the District. The bonds were authorized (i) to finance the construction, acquisition, and modernization of certain property and District facilities and (ii) to provide a portion of the monies needed to prepay certain lease and debt obligations of the District, and (iii) to pay the related costs of bonds issuance.

Between 2003 and 2006, the District issued bonds, Series A, B, and C, totaling \$370,000,000. In 2005, the District issued 2005 refunding bonds totaling \$74,893,867 to advance refund portions of the District's Series 2003A bonds.

Measure M

On November 6, 2012, \$698,000,000 in general obligation bonds were authorized by an election (Measure M) held within the District. The bonds were authorized to (i) finance the construction, acquisition, and modernization of certain property and District facilities, (ii) to finance an endowment for voter-approved technology upgrades, (iii) to provide a portion of the monies needed to prepay certain lease and debt obligations of the District, and (iv) to pay the related costs of bonds issuance.

On May 29, 2013, the District issued bonds, Series A, Series B, Tax-Exempt Refunding Series A, and Tax Refunding Series B totaling \$315,740,000. In 2015, the District issued Refunding Bonds totaling \$162,855,806 to advance refund Series C from Measure C.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 9: GENERAL OBLIGATION BONDS

The balance of the bonds refunded was \$28,645,281 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$2,012,843 was recognized during the year ended June 30, 2017.

On August 31, 2016, the District issued bonds, Series C totaling \$30,000,000, to (i) finance an endowment for voter-approved technology upgrades and (ii) to pay the cost of using the bonds.

On March 29, 2017, the District issued bonds, Series D and Series E, totaling \$300,000,000. Series D bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of the District sites and facilities, and (ii) pay the costs of issuing the bonds. Series E bonds are being issued to (i) finance voter-approved technology upgrades, and (ii) pay the costs of issuing the Series E bonds.

The outstanding general obligation bonded debt of the District at June 30, 2017 is shown herein.

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
Measure C:					
Series A	4/17/2003	8/1/2016	2.50-5.50	\$ 110,000,000	\$
2005 Refunding	3/10/2005	8/1/2022	3.00-5.25	74,893,867	2,618,867
Accreted Interest					8,287,540
Series B	6/28/2006	8/1/2030	3.63-5.00	149,859,831	48,859,831
Accreted Interest					35,522,345
Total Measure C				<u>334,753,698</u>	<u>95,288,583</u>
Measure M:					
Series A	5/29/2013	8/1/2038	1.50-5.00	190,000,000	154,480,000
Series B	5/29/2013	8/1/2018	0.45-1.64	10,000,000	4,055,000
Refunding Series A	5/29/2013	8/1/2024	2.00-5.00	80,265,000	78,725,000
Refunding Series B	5/29/2013	8/1/2020	0.35-2.27	35,475,000	25,970,000
2015 Refunding	10/29/2015	8/1/2036	2.00-5.00	162,855,806	161,135,806
Accreted Interest					1,683,694
Series C	8/31/2016	8/1/2023	0.80-1.98	30,000,000	30,000,000
Series D	3/29/2017	8/1/2042	4.00-5.00	280,000,000	280,000,000
Series E	3/29/2017	8/1/2019	1.43-1.69	20,000,000	20,000,000
Total Measure M				<u>808,595,806</u>	<u>756,049,500</u>
Total				<u>\$ 1,143,349,504</u>	<u>\$ 851,338,083</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 9: GENERAL OBLIGATION BONDS

Payments-Measure C

The annual requirements to amortize Measure C bonds payable, outstanding as of June 30, 2017, are as shown herein.

Series A

The last principal payment of \$595,000 was made on August 1, 2016.

2005 Refunding Bonds

Year Ending June 30,	Principal	Interest	Total
2018	\$	\$	\$ -
2019			-
2020			-
2021	425,933	2,114,067	2,540,000
2022	1,159,595	6,610,405	7,770,000
2023	1,033,339	6,746,660	7,779,999
Total	<u>\$ 2,618,867</u>	<u>\$ 15,471,132</u>	<u>\$ 18,089,999</u>

Series B

Year Ending June 30,	Principal	Accreted Interest	Current Interest	Total
2018	\$	\$	\$	\$ -
2019				-
2020				-
2021				-
2022				-
2023-2027	19,422,018	31,897,982		51,320,000
2028-2031	29,437,813	60,952,187		90,390,000
Total	<u>\$ 48,859,831</u>	<u>\$ 92,850,169</u>	<u>\$ -</u>	<u>\$ 141,710,000</u>

Payments-Measure M

The annual requirements to amortize Measure M bonds payable, outstanding as of June 30, 2017, are as shown herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 9: GENERAL OBLIGATION BONDS

Series A

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,185,000	\$ 6,711,625	\$ 7,896,625
2019	825,000	6,681,475	7,506,475
2020	1,920,000	6,630,700	8,550,700
2021	2,335,000	6,545,600	8,880,600
2022	2,745,000	6,444,000	9,189,000
2023-2027	20,845,000	29,971,775	50,816,775
2028-2032	36,695,000	23,407,025	60,102,025
2033-2037	57,400,000	13,690,150	71,090,150
2038-2039	30,530,000	1,404,950	31,934,950
Total	<u>\$ 154,480,000</u>	<u>\$ 101,487,300</u>	<u>\$ 255,967,300</u>

Series B

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,015,000	\$ 46,896	\$ 2,061,896
2019	2,040,000	16,708	2,056,708
Total	<u>\$ 4,055,000</u>	<u>\$ 63,604</u>	<u>\$ 4,118,604</u>

Tax-Exempt Refunding Series A

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,090,000	\$ 3,762,400	\$ 7,852,400
2019	5,115,000	3,578,300	8,693,300
2020	6,225,000	3,320,375	9,545,375
2021	7,470,000	2,978,000	10,448,000
2022	8,845,000	2,570,125	11,415,125
2023-2025	46,980,000	3,886,500	50,866,500
Total	<u>\$ 78,725,000</u>	<u>\$ 20,095,700</u>	<u>\$ 98,820,700</u>

Taxable Refunding Series B

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,925,000	\$ 412,320	\$ 7,337,320
2019	7,030,000	308,416	7,338,416
2020	7,140,000	180,654	7,320,654
2021	4,875,000	55,234	4,930,234
Total	<u>\$ 25,970,000</u>	<u>\$ 956,624</u>	<u>\$ 26,926,624</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 9: GENERAL OBLIGATION BONDS

2015 Refunding Bonds

Year Ending June 30,	Principal	Accreted Interest	Current Interest	Total
2018	\$	\$	\$ 5,177,950	\$ 5,177,950
2019			5,177,950	5,177,950
2020			5,177,950	5,177,950
2021			5,177,950	5,177,950
2022			5,177,950	5,177,950
2023-2027			25,889,750	25,889,750
2028-2032	61,675,000		21,292,875	82,967,875
2033-2037	99,460,806	65,224,194	1,775,100	166,460,100
Total	<u>\$ 161,135,806</u>	<u>\$ 65,224,194</u>	<u>\$ 74,847,475</u>	<u>\$ 301,207,475</u>

Series C

Year Ending June 30,	Principal	Interest	Total
2018	\$ 10,295,000	\$ 336,166	\$ 10,631,166
2019	2,610,000	283,316	2,893,316
2020	3,060,000	254,084	3,314,084
2021	3,220,000	214,465	3,434,465
2022	3,400,000	165,698	3,565,698
2023-2024	7,415,000	144,969	7,559,969
Total	<u>\$ 30,000,000</u>	<u>\$ 1,398,698</u>	<u>\$ 31,398,698</u>

Series D

Year Ending June 30,	Principal	Interest	Total
2018	\$	\$ 10,830,894	\$ 10,830,894
2019		12,911,000	12,911,000
2020	1,750,000	12,876,000	14,626,000
2021		12,841,000	12,841,000
2022		12,841,000	12,841,000
2023-2027	19,085,000	62,878,125	81,963,125
2028-2032	32,615,000	55,508,375	88,123,375
2033-2037	87,070,000	42,211,000	129,281,000
2038-2042	116,480,000	16,792,000	133,272,000
2043	23,000,000	460,000	23,460,000
Total	<u>\$ 280,000,000</u>	<u>\$ 240,149,394</u>	<u>\$ 520,149,394</u>

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 9: GENERAL OBLIGATION BONDS

Series E

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	\$ 262,352	\$ 262,352
2019	9,650,000	243,982	9,893,982
2020	10,350,000	87,613	10,437,613
Total	<u>\$ 20,000,000</u>	<u>\$ 593,947</u>	<u>\$ 20,593,947</u>

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan. The District provides medical, dental and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. The District reports the financial activity of the plan as a trust fund in these financial statements and no separate financial statement is prepared.

Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. For employees participating in CalSTRS and CalPERS, the eligibility requirement is a minimum age of 55 and a minimum ten years of service with the District. Additional age and service criteria may be required.

<u>Participant Type:</u>	<u>Number of Participants</u>
Inactive participants currently receiving benefits	749
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	1,315
Total	<u>2,064</u>

Funding Policy

The contribution requirements are established and may be amended by the District. All contributions are discretionary and an actuarial determined contribution was not calculated. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses up to age 70 and \$4,000 maximum per year beyond age 70 until death. For fiscal year ended June 30, 2017, the District contributed \$6,533,048 to the plan.

Net OPEB Liability (Asset)

The following table shows the components of the net OPEB liability (asset) of the District:

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

	Balance June 30, 2017
Total OPEB liability	\$ 103,166,889
Plan fiduciary net position	<u>71,617,326</u>
District's net OPEB liability (asset)	<u>\$ 31,549,563</u>

Investments

The Plan has assets with two trustees; the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) held in the Retiree Health Benefit OPEB Trust (the Trust), and Benefit Trust Company held in the Futuris Public Entity Investment Trust (Futuris). These accounts collectively comprise the Plan assets. The Plan's policy for allocation of invested assets is established and may be amended by each Retirement Board of Authority through a majority vote. It is the policy of both Boards to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of specific asset classes. Assets held in the Plan are limited to those within the terms of the trust agreement and the participation agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span and, except for liquidity purposes, the use of cash equivalents. There is no established net rate of return or asset allocation policy.

The JPA or Futuris did not violate any provisions of the investment policy during the fiscal year ended June 30, 2017.

The District participates with other colleges in the Balanced Fund Master Trust held by Union Bank as trustee for the JPA. The Balanced Fund is comprised of various mutual funds and the District owns a pro-rata interest in the pool. In a Master Trust, the market value of the pool is converted to units valued at \$1.00 per unit and the District's individual statement reflects the units that they own in the pool. Master Trusts are unitized to the dollar and thus, the market and cost are the same. Income earnings, gains, losses and expense are allocated pro rata to all colleges participating in the Master Trust.

At June 30, 2017, all Plan investments were in either master trusts or mutual funds. The Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was not available.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The mutual funds held in the Master Trust are priced using a net asset value (NAV). The mutual funds may include several different underlying investments, including equities, bonds, real estate, and global securities. The NAV price is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees, and other fund expenses. Certain investments within the fund may be deemed unobservable and not considered to be in an active market. The Plan's investments' fair value measurements at June 30, 2017 are presented herein.

Investment	Fair Value Measurements Using			
	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Trust	\$ 36,499,807	\$ -	\$ -	\$ 36,499,807
Mutual Fund - Fixed income	17,565,999	17,563,900	-	-
Mutual Fund - Domestic equity	9,292,889	9,257,143	-	-
Mutual Fund - International equity	5,796,791	5,757,357	-	-
Mutual Fund - Real estate	2,461,840	2,459,749	-	-
Total	<u>\$ 71,617,326</u>	<u>\$ 35,038,149</u>	<u>\$ -</u>	<u>\$ 36,499,807</u>

Actuarial Methods and Assumptions

The District's total OPEB liability and the net OPEB liability were measured using an actuarial valuation as of June 30, 2017.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	6%
Healthcare trend rate	4%

Mortality rates were based on the rates used by CalPERS Active Mortality for Miscellaneous Employees 2014 tables and the 2009 rates used by STRS for the pension valuations.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 (see the discussion of the Plan's investment policy) are shown herein.

<u>Asset Class - Community College League of California</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US large cap	60%	7.80%
US small cap	15%	7.80%
Long-term corporate bonds	20%	5.30%
Short-term government fixed	5%	3.25%

<u>Asset Class - Futuris</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Domestic stock	50%	7.80%
Long-term corporate bonds	50%	5.30%

The discount rate used to measure the total OPEB liability was 6.0 percent. The valuation used historic 30 year real rates of return for each asset class along with assumed long-term inflation assumptions to set the discount rate. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Since the most recent GASB 45 valuation, the following changes have been made:

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

- The discount rate and expected rate of return on assets was changed from 6.8% to 6.0%

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 99,041,524	\$ 65,693,627	\$ 33,347,897
Changes for the year:			
Service cost	4,772,670		4,772,670
Interest	5,885,743		5,885,743
Employer contributions		6,533,048	(6,533,048)
Net investment income		6,030,540	(6,030,540)
Benefit payments	(6,533,048)	(6,533,048)	-
Administrative expenses		(106,841)	106,841
Net changes	<u>4,125,365</u>	<u>5,923,699</u>	<u>(1,798,334)</u>
Balances at June 30, 2017	<u>\$ 103,166,889</u>	<u>\$ 71,617,326</u>	<u>\$ 31,549,563</u>

The District's net OPEB liability calculated using the discount rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate is shown herein.

Discount rate	Net OPEB Liability
1% decrease (5.0%)	\$ 40,611,844
Current discount rate (6.0%)	31,549,563
1% increase (7.0%)	23,688,277

The District's net OPEB liability calculated using the current healthcare cost trend rate of 6.5 percent decreasing to 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 5.0 percent) than the current rate is shown herein.

Healthcare trend rate	Net OPEB Liability
1% decrease (3.0%)	\$ 27,103,734
Current healthcare trend rate (4.0%)	31,549,563
1% increase (5.0%)	36,325,161

OPEB expense

OPEB expense for the year ended June 30, 2017 was \$4,734,714.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as shown herein.

Pension Plan	Proportionate	Deferred	Proportionate	Proportionate
	Share of Net	Outflows of	Share of Deferred	Share of
	Pension Liability	Resources	Inflows of	Pension Expense
			Resources	
CalSTRS - STRP	\$ 114,042,210	\$ 23,966,331	\$ 5,950,659	\$ 11,535,645
CalPERS - Schools Pool Plan	97,624,556	27,883,744	6,457,959	10,610,309
Total	<u>\$ 211,666,766</u>	<u>\$ 51,850,075</u>	<u>\$ 12,408,618</u>	<u>\$ 22,145,954</u>

The details for the governmental fund and the fiduciary fund are as shown herein.

Entity:	Proportionate	Deferred	Proportionate	Proportionate
	Share of Net	Outflows of	Share of Deferred	Share of
	Pension Liability	Resources	Resources	Pension Expense
Governmental Fund	\$ 209,753,325	\$ 51,303,554	\$ 12,282,042	\$ 21,937,992
Fiduciary Fund	1,913,441	546,521	126,576	207,962
Total	<u>\$ 211,666,766</u>	<u>\$ 51,850,075</u>	<u>\$ 12,408,618</u>	<u>\$ 22,145,954</u>

The details of each plan are as included herein.

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as shown herein.

<u>Provisions and Benefits</u>	<u>CalSTRS-STRP Defined Benefit Program and Supplement Program</u>	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were \$9,698,103.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as shown herein.

	Balance
	June 30, 2017
<u>Proportionate Share of Net Pension Liability</u>	
District proportionate share of net pension liability	\$ 114,042,210
State's proportionate share of the net pension liability associated with the District	64,931,754
Total	<u>\$ 178,973,964</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.1410%.

For the year ended June 30, 2017, the District recognized pension expense of \$11,535,645 and revenue of \$6,276,338 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Pension Deferred Outflows and Inflows of Resources</u>		
Pension contributions subsequent to measurement date	\$ 9,698,103	\$
Difference between expected and actual experience		2,781,930
Difference in proportion	5,201,928	3,168,729
Net differences between projected and actual earnings on plan investments	9,066,300	
Total	<u>\$ 23,966,331</u>	<u>\$ 5,950,659</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

The remaining amount will be recognized to pension expense as shown herein.

Year Ending June 30,	Amortization
2018	\$ 2,315,185
2019	2,315,185
2020	2,315,185
2021	2,315,185
2022	48,608
2023	(991,779)
Total	\$ 8,317,569

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the methods and assumptions shown herein, applied to all prior periods included in the measurement.

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate is shown herein.

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 164,132,460
Current discount rate (7.60%)	114,042,210
1% increase (8.60%)	72,440,160

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	CalPERS-Schools Pool Plan	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were \$8,536,763.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$97,624,556. The net pension liability was measured as of June 30, 2016. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015 and rolling forward the total pension liability to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.4943%.

For the year ended June 30, 2017, the District recognized pension expense of \$10,610,309. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 8,536,763	\$
Difference between expected and actual experience	4,198,791	
Changes of assumptions		2,933,036
Difference in proportion		3,524,923
Net differences between projected and actual earnings on plan investments	15,148,190	
Total	<u>\$ 27,883,744</u>	<u>\$ 6,457,959</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amounts will be recognized to pension expense as show herein:

Year Ending June 30,	Amortization
2018	\$ 615,766
2019	1,670,591
2020	6,649,122
2021	3,953,543
Total	<u>\$ 12,889,022</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the methods and assumptions shown herein, applied to all prior periods included in the measurement.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Inflation assets	6%	3.36%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate is shown herein.

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 145,656,381
Current discount rate (7.65%)	97,624,556
1% increase (8.65%)	57,628,609

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Public Agency Retirement System (PARS)

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the PARS Board of Trustees.

Funding Policy

Contributions of 7.5% of covered compensation of eligible employees are made by the employer and employee. Total contributions, employer and employee combined, were made in the amount of \$745,386 during the fiscal year. The total amount of covered compensation was \$12,166,745. Total contributions made are 100% of the amount of contributions required for fiscal year 2015-16.

NOTE 12: INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from funds receiving resources to funds through

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 12: INTERFUND TRANSACTIONS

which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

NOTE 13: INTERNAL SERVICE FUNDS

The District is exposed to various risks of loss related injuries to employees and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim filed prior to June 30, 1998. During July 1, 1998, the District is fully insured for workers' compensation. The Self Insurance Fund also provides for a maximum of \$275,000 for each claim each plan year for medical claims. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims and premiums.

At June 30, 2017, the District accrued the claims liability in accordance with GASB standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability, estimated at \$3,287,265, is included in accrued liabilities.

Changes in the reported liability are shown herein.

<u>Reported Liability</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year</u>		<u>Ending Fiscal Year Liability</u>
		<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	
Workers' Compensation	\$ 466,931	\$ (70,164)	\$ 61,373	\$ 335,394
Health and Other Benefits	2,798,550	22,861,514	22,708,193	2,951,871
Total	<u>\$ 3,265,481</u>	<u>\$ 22,791,350</u>	<u>\$ 22,769,566</u>	<u>\$ 3,287,265</u>

NOTE 14: JOINT POWERS AGREEMENTS

The District participates in four Joint Powers Authority (JPA) entities by written agreement; the Protected Insurance Program for Schools (PIPS), the Schools Association for Excess Risk (SAFER), the CSAC Excess Insurance Authority (CSAC), and the Statewide Association of Community Colleges (SWACC).

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 14: JOINT POWERS AGREEMENTS

PIPS is a California Joint Power Authority (JPA) insurance pool and provides workers' compensation reinsurance protection to its public schools and community college membership throughout California. This is a finite risk sharing pool that transfers risk away from the members to the insurance market. Member premiums are determined based on payroll expense and District loss experience based upon claims incurred.

The SAFER Joint Power Authority is a general liability and property loss excess insurance pool which provides coverage for liability losses from \$1,000,000 to \$50,000,000 for liability, and \$5,000,000 to \$250,000,000 for excess property coverage, dependent upon selected coverage sought by each member.

CSAC Excess Insurance Authority's Master Rolling Owner Controlled Insurance Program covers liability, property, and workers' compensation job-site risks of construction activities for District projects. District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. CSAC Membership is comprised of 315 various counties, cities, schools, special districts, and other JPAs. Premiums are determined for each construction project or projects.

The Statewide Association of Community Colleges Joint Power authority ("SWACC") was established to provide a comprehensive program of property and liability coverage for more than 40 community colleges in California. The program's general objectives are to formulate, develop and administer, on behalf of the member public agencies, a program of insurance, to obtain lower costs for that coverage, and to develop comprehensive loss control programs.

Each of the above JPAs is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA, including selection of management and approval of members, independent of any influence by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Each JPA maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationships between the District and the JPAs are such that none of the JPAs are component units of the District for financial reporting purposes.

The most recent condensed financial information available for PIPS, SAFER, CSAC, and SWACC is shown herein.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 14: JOINT POWERS AGREEMENTS

<u>JPA Condensed Financial Information</u>	PIPS	SAFER	CSAC	SWACC
	6/30/2017	6/30/2016	6/30/2016	6/30/2016
	(Audited)	(Audited)	(Audited)	(Audited)
Total assets	\$ 129,260,118	\$ 23,297,652	\$ 741,987,349	\$ 53,650,572
Total liabilities	111,815,654	21,155,886	604,314,732	25,243,178
Fund balance	<u>\$ 17,444,464</u>	<u>\$ 2,141,766</u>	<u>\$ 137,672,617</u>	<u>\$ 28,407,394</u>
Total revenues	301,089,852	56,004,631	787,536,407	18,776,551
Total expenditures	296,996,362	55,390,780	762,270,435	20,885,850
Net increase/(decrease) in Fund Balance	<u>\$ 4,093,490</u>	<u>\$ 613,851</u>	<u>\$ 25,265,972</u>	<u>\$ (2,109,299)</u>

NOTE 15: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

<u>Functional Expense</u>	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and		Financial Aid	Depreciation	Total
			services				
Instructional activities	\$ 66,896,199	\$ 30,431,839	\$ 5,017,673	\$	\$	\$	102,345,711
Academic support	17,424,562	7,926,631	3,698,398				29,049,591
Student services	22,798,362	10,371,234	4,449,008				37,618,604
Operation and maintenance of plant	6,667,852	3,033,282	5,135,807				14,836,941
Instructional support services	24,945,477	11,347,981	19,805,003				56,098,461
Community services and economic development	348,212	158,406	13,336				519,954
Ancillary services and auxiliary operations	14,274,718	5,561,212	5,085,958				24,921,888
Physical property and related acquisitions	926,761	422,302	1,644,123				2,993,186
Transfers, student aid and other outgo					56,592,053		56,592,053
Depreciation expense						21,745,349	21,745,349
Total	<u>\$ 154,282,143</u>	<u>\$ 69,252,887</u>	<u>\$ 44,849,306</u>	<u>\$ 56,592,053</u>	<u>\$ 21,745,349</u>	<u>\$ 346,721,738</u>	

NOTE 16: CUMULATIVE EFFECT OF ACCOUNTING CHANGES

The beginning net position of the basic financial statements has been restated by a reduction of \$51,801,643 to recognize the beginning balance of the OPEB liability of \$33,347,897 and removal of the June 30, 2016 OPEB asset of \$18,453,746 resulting from the implementation of GASB Statements No. 74 and No. 75 (See Note 10).

NOTE 17: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 17: COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Purchase Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$74,800,000. Projects will be funded through bond proceeds, state funds and general funds.

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

GASB has issued pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 81 – Irrevocable Split-Interest Agreements

This statement establishes guidance in order to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

Statement No. 83 – Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Statement No. 85 – *Omnibus 2017*

The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB statements. Specific topics addressed in this statement are related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18.

Statement No. 86 – *Certain Debt Extinguishment Issues*

The objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial report for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is in-substance defeased. The statement is effective for the fiscal year 2017-18.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

REQUIRED SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2017**

Total OPEB Liability	2017
Service Cost	\$ 4,772,670
Interest	5,885,743
Benefit Payments	<u>(6,533,048)</u>
Net Change in Total OPEB Liability	4,125,365
Total OPEB Liability - beginning	<u>99,041,524</u>
Total OPEB Liability - ending (a)	<u><u>\$ 103,166,889</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 6,533,048
Net Investment Income	6,030,540
Benefit Payments	(6,533,048)
Administrative Expense	<u>(106,841)</u>
Net Change in Plan Fiduciary Net Position	5,923,699
Plan Fiduciary Net Position - beginning	<u>65,693,627</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 71,617,326</u></u>
 Net OPEB Liability - ending (a) - (b)	 <u><u>\$ 31,549,563</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 69.42%
 Covered payroll	 \$ 110,477,993
 Net OPEB liability as a percentage of covered payroll	 28.56%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2017**

Total OPEB Liability	2017
Service Cost	\$ 4,772,670
Interest	5,885,743
Benefit Payments	<u>(6,533,048)</u>
Net Change in Total OPEB Liability	4,125,365
Total OPEB Liability - beginning	<u>99,041,524</u>
Total OPEB Liability - ending (a)	<u><u>\$ 103,166,889</u></u>
Plan Fiduciary Net Position	2017
Contributions - Employer	\$ 6,533,048
Net Investment Income	6,030,540
Benefit Payments	<u>(6,533,048)</u>
Administrative Expense	<u>(106,841)</u>
Net Change in Plan Fiduciary Net Position	5,923,699
Plan Fiduciary Net Position - beginning	<u>65,693,627</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 71,617,326</u></u>
 Net OPEB Liability - ending (a) - (b)	 <u><u>\$ 31,549,563</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 69.42%
 Covered payroll	 \$ 110,477,993
 Net OPEB liability as a percentage of covered payroll	 28.56%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
EMPLOYER CONTRIBUTION
For the Fiscal Year Ended June 30, 2017**

<u>OPEB Contributions</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 4,594,742
Contributions in relation to the ADC	<u>6,390,000</u>
Contribution deficiency (excess)	<u>\$ (1,795,258)</u>
District's covered payroll	\$ 110,477,993
Contributions as a percentage of covered payroll	5.78%

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2017**

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2017	NA

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2017**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.1360%	0.1460%	0.1410%
District's proportionate share of the net pension liability (asset)	\$ 79,474,320	\$ 98,293,040	\$ 114,042,210
State's proportionate share of the net pension liability (asset) associated with the District	47,990,508	51,986,043	64,931,754
Total	<u>\$127,464,828</u>	<u>\$150,279,083</u>	<u>\$178,973,964</u>
District's covered payroll	\$ 60,100,000	\$ 67,800,000	\$ 71,000,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	132.24%	144.97%	160.62%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.5164%	0.5156%	0.4943%
District's proportionate share of the net pension liability (asset)	<u>\$ 58,623,973</u>	<u>\$ 75,999,949</u>	<u>\$ 97,624,556</u>
District's covered payroll	\$ 53,300,000	\$ 56,700,000	\$ 59,700,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	109.99%	134.04%	163.53%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS – STRP AND CALPERS
For the Fiscal Year Ended June 30, 2017**

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 6,022,305	\$ 7,618,862	\$ 9,698,103
Contributions in relation to the contractually required contribution	<u>6,022,305</u>	<u>7,618,862</u>	<u>9,698,103</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 67,800,000	 \$ 71,000,000	 \$ 77,100,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%
 <u>California Public Employees' Retirement System - Schools Pool Plan</u>	 <u>2015</u>	 <u>2016</u>	 <u>2017</u>
Contractually required contribution	\$ 6,678,600	\$ 7,075,135	\$ 8,536,763
Contributions in relation to the contractually required contribution	<u>6,678,600</u>	<u>7,075,135</u>	<u>8,536,763</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 56,700,000	 \$ 59,700,000	 \$ 60,300,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Benefit changes – None

Changes of Assumptions - The discount rate and expected rate of return on assets was changed from 7.0% to 6.0% and the initial healthcare trend rate changed from 6.0% to 6.5%

Schedule of Postemployment Healthcare Benefits Employer Contributions

The schedule is intended to show trends about the amounts contributed in relation to the actuarially determined contribution.

Actuarially determined contribution rates are calculated as of January 1, 18 months prior to the end of the fiscal year in which contributions are reported.

Methods of assumptions used to determine contribution rates are:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
Salary Increases	3%
Investment Rate of Return	6.0%
Health Care Trend Rate	6.5% decreasing to 4.0% in 2023

Mortality rates were based on the rates used by CalPERS and the 2009 rates used by STRS for the pension valuations.

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

The schedule is intended to show trends about the rate of return on plan assets.

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and CalPERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District Contributions – STRP and CalPERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2017

The Coast Community College District encompasses approximately 105 square miles located in Orange County. The District currently operates Coastline College, Golden West College, Orange Coast College, and the District site. The District serves a large population in Orange County, which covers the communities of Costa Mesa, Fountain Valley, Garden Grove, Huntington Beach, Midway City, Newport Beach, Santa Ana, Seal Beach/Surfside, Stanton, Sunset Beach and Westminster. The Chancellor is the chief administrative officer and is assisted by vice chancellors, deans, directors, division chairpersons, and members of the faculty in bringing educational excellence to the community. The Board of Trustees has five members elected at large to overlapping four-year terms.

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. David A. Grant	President	2018
Ms. Mary L. Hornbuckle	Vice President	2020
Dr. Lorraine Prinsky	Clerk of the Board	2020
Mr. Jerry Patterson	Trustee	2020
Mr. Jim Moreno	Trustee	2018
Mr. Javier Venegas	Student Trustee	2016-2017

DISTRICT ADMINISTRATORS

Mr. John Weispenning, Ph.D.	Chancellor
Dr. Dennis Harkins	President, Orange Coast College
Mr. Wes Bryan	President, Golden West College
Dr. Loretta Adrian	President, Coastline Community College
Dr. Andrew Dunn	Vice Chancellor, Finance and Administrative Services
Dr. Cynthia Vyskocil	Vice Chancellor, Human Resources
Dr. Andreea M. Serban	Vice Chancellor, Educational Services and Technology

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through		Total Program Expenditures
		Entity Identifying Number		
United States Department of Education				
Direct:				
Student Financial Aid Cluster:				
Federal Work Study	84.033	(1)		\$ 489,748
Pell Grant	84.063	(1)		39,236,008
Financial Aid Administrative Allowance	84.063	(1)		186,597
Supplemental Education Opportunity Grant	84.007	(1)		993,164
Federal Direct Student Loans	84.268	(1)		8,679,679
Subtotal: Student Financial Aid Cluster				<u>49,585,196</u>
Title III - Access 2 Success	84.031A	(1)		381,034
New Asian American Pacific Islander Generation Initiative	84.031L	(1)		294,370
Project RAISE: Regional Alliance in STEM Education	84.031C	(1)		5,592
Subtotal: Direct Programs				<u>680,996</u>
Pass-Through Program From California Community Colleges Chancellor's Office:				
Career and Technical Education (CTE):				
CTE Title I, Part C - Carl D. Perkins	84.048A	(1)		1,335,842
CTE Transitions	84.048A	(1)		115,951
Subtotal: CTE				<u>1,451,793</u>
Pass-Through Program From California Department of Education:				
English Literacy and Civic Education	84.002A	(1)		21,861
Adult Education and Family Literacy Act - ESL - 231 Grant	84.002A	(1)		61,056
Subtotal: Passed-Through Programs				<u>82,917</u>
Total: United States Department of Education				<u>51,800,902</u>
United States Department of Agriculture				
Pass-Through Program From California Department of Education:				
Child Care Food Program	10.558	(1)		65,997
Total: United States Department of Agriculture				<u>65,997</u>
United States Department of Health and Human Services				
Pass-Through Program From California Community Colleges Chancellor's Office:				
Temporary Assistance for Needy Families (TANF)	93.558	(1)		136,608
Pass-Through Program From California Department of Education:				
Child Care and Development Block Grant	93.575	15136		92,478
Pass-Through Program From Yosemite Community College District:				
Child Development Training Consortium	93.575	(1)		17,353
Subtotal: Passed-Through Programs				<u>246,439</u>
Total: United States Department of Health and Human Services				<u>246,439</u>

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Defense			
Direct:			
CAE-2Y Pilot Grant Program - CAE Development of CAE Regional Resource Centers (CRRCs)	12.902		69,961
Passed-Through From Whatcom Community College:			
CyberWatch West	47.076	DUE-1361636	31,645
CyberWatch West: Securing Cyber West	47.076	DUE-1500375	4,000
Subtotal: Passed-Through Programs			<u>35,645</u>
Total: United States Department of Health and Human Services			<u>105,606</u>
 United States Department of Interior			
Pass-Through Program From Department of Parks and Recreation:			
Aquatic Center	15.622	68106	15,334
Total: United States Department of Interior			<u>15,334</u>
 Total Federal Programs			 <u>\$ 52,234,278</u>
 Student Financial Aid Loan Programs:			
<u>Loan Outstanding</u>			
Perkins Loan Program, loan balance outstanding as of 06/30/17	84.038	(1)	<u>\$ 1,064,786</u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2017**

Program Name	Program Revenues					Total	Program Expenditures
	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable		
State Categorical Aid Programs:							
Adult Block Grant	\$ 1,516,630	\$ 1,856,003	\$	\$ 2,572,304	\$	\$ 800,329	\$ 800,329
Board Financial Assistance Admin Allowance	1,497,607					1,497,607	1,497,607
Basic Skills (S.F.A.A)	451,731	406,447		400,452		457,726	457,726
Cal Grant	3,866,664					3,866,664	3,866,664
Cooperating Agencies Foster Youth Education Support	475,010					475,010	475,010
Disabled Student Programs & Service (DSPS)	3,215,624					3,215,624	3,215,624
Economic Opportunity (EOPS)	3,237,764					3,237,764	3,237,764
EOPS-Coop Agency Resource Education (CARE)	260,939				17	260,922	260,922
CalWORKs	707,444				5,195	702,249	702,249
Career Technical Education Enhancement	257,772					257,772	257,772
Career Technical Education Pathways Initiative	40,000		981,730			1,021,730	1,021,730
Instructional Equipment and Library Materials	4,026,431	99		447,821		3,578,709	3,578,709
Full-time Student Success Grant	1,012,485	212,671				1,225,156	1,225,156
Nursing Education	89,240					89,240	89,240
Schedule of Maintenance	1,857,331	2,626,542		1,612,994		2,870,879	2,870,879
State Capital Outlay (Prop 39 Clean Energy)	1,192,413					1,192,413	1,192,413
State Hospitals (Fairview Handicapped)	632,817					632,817	632,817
Strong Workforce Program	2,414,498			1,903,862		510,636	510,636
Student Equity Program	3,351,737	2,163,419		1,855,834		3,659,322	3,659,322
Student Success and Support Program (SSSP) Credit	7,096,167	2,359,193		1,961,392	194,225	7,299,743	7,299,743
SSSP-Noncredit	102,173	52,013			44,155	110,031	110,031
Total State Categorical Aid Programs	\$ 37,302,477	\$ 9,676,387	\$ 981,730	\$ 10,754,659	\$ 243,592	\$ 36,962,343	\$ 36,962,343

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2017**

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit ¹	14.56		14.56
2. Credit ¹	2,241.58		2,241.58
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit ¹	-		-
2. Credit ¹	6.56		6.56
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	19,813.68		19,813.68
(b) Daily Census Contact Hours	1,040.94		1,040.94
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	294.71		294.71
(b) Credit ¹	1,099.99		1,099.99
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,127.50		4,127.50
(b) Daily Census Contact Hours	1,652.81		1,652.81
(c) Noncredit Independent Study/Distance Education Courses			-
D. Total FTES	30,292.33	-	30,292.33
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	11.37		11.37
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	195.55		195.55
(b) Credit ¹	2,366.80		2,366.80
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	-		-
Centers FTES			
(a) Noncredit ¹	-		-
(b) Credit ¹	-		-

¹ Including Career Development and College Preparation (CDCP) FTES

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

General Fund Balance		\$ 40,892,865
Bond Interest and Redemption Fund Balance		63,432,697
Capital Outlay Fund Balance		30,551,535
Measure M - Bond Construction Funds Balance		364,343,373
Self-Insurance Fund Balance	103,534,115	
Amount reported as OPEB Plan Fund Balance	(71,617,326)	
Incurred but not reported liability	<u>(3,287,265)</u>	
Self-Insurance Fund Balance - Revised		28,629,524
All Other Funds		<u>15,470,285</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		<u>\$ 543,320,279</u>

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 543,320,279
Notes receivable is recognized in the statement of net position. The repayment of notes receivable is reported as revenue in the governmental funds, but the repayment reduces the notes receivable in the statement of net position.	12,937,500
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of \$5,411,250 is already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	506,706,012
Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt.	26,623,438
Deferred outflows of resources - pensions are for contributions made during the fiscal year that are removed from expenses and differences between estimated and actual results. The contributions will be recognized as a reduction of the net pension liability in the subsequent year and the differences will be amortized.	51,303,554
Capital lease are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. The liability is added to the statement of net position which reduces the total net assets reported.	(91,481)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of \$741,457 is already recorded in the General Fund.	(6,043,567)
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(923,815,723)
The liability of employers contributing for other post employment retirement plans in excess of annual required contributions is reported as a liability in the governmental funds.	(31,549,563)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(209,753,325)
Deferred inflows of resources - pensions represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pensions, results from various differences between estimated and actual results. These amounts are deferred and amortized.	(12,282,042)
Interest expense related to bonds incurred through June 30, 2017 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	<u>(5,143,672)</u>
Total net position	<u>\$ (47,788,590)</u>

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2017**

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>						
Instructional Salaries - Contract or Regular	1100	36,616,325		36,616,325	36,616,325	36,616,325
Instructional Salaries - Other	1300	28,417,701		28,417,701	28,417,701	28,417,701
Total Instructional Salaries		65,034,026	-	65,034,026	65,034,026	65,034,026
Non-Instructional Salaries - Contract or Regular	1200			-	14,535,314	14,535,314
Non-Instructional Salaries - Other	1400			-	2,125,146	2,125,146
Total Non-Instructional Salaries		-	-	-	16,660,460	16,660,460
Total Academic Salaries		65,034,026	-	65,034,026	81,694,486	81,694,486
<u>Classified Salaries</u>						
Non-Instructional Salaries - Regular Status	2100			-	33,220,007	33,220,007
Non-Instructional Salaries - Other	2300			-	2,952,687	2,952,687
Total Non-Instructional Salaries		-	-	-	36,172,694	36,172,694
Instructional Aides - Regular Status	2200	2,973,615		2,973,615	2,973,615	2,973,615
Instructional Aides - Other	2400	1,436,277		1,436,277	1,436,277	1,436,277
Total Instructional Aides		4,409,892	-	4,409,892	4,409,892	4,409,892
Total Classified Salaries		4,409,892	-	4,409,892	40,582,586	40,582,586
Employee Benefits	3000	26,661,617		26,661,617	54,457,554	54,457,554
Supplies and Materials	4000			-	1,946,716	1,946,716
Other Operating Expenses	5000			-	16,604,469	16,604,469
Equipment Replacement	6420			-	-	-
Total Expenditures Prior to Exclusions		96,105,535	-	96,105,535	195,285,811	195,285,811
<u>Exclusions</u>						
<u>Activities to Exclude</u>						
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	5,265,729		5,265,729	5,265,729	5,265,729
Student Health Services Above Amount Collected	6441			-	77,645	77,645
Student Transportation	6491			-	380,797	380,797
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	6,933,564	6,933,564
<u>Objects to Exclude</u>						
Rents and Leases	5060			-	1,425,607	1,425,607
Lottery Expenditures				-		
Academic Salaries	1000			-	3,400,213	3,400,213
Classified Salaries	2000			-	-	-
Employee Benefits	3000			-	966,998	966,998
Software	4100			-	-	-
Books, Magazines, & Periodicals	4200			-	-	-
Instructional Supplies & Materials	4300			-	-	-
Noninstructional, Supplies & Materials	4400			-	-	-
Other Operating Expenses and Services	5000			-	729,175	729,175
Capital Outlay	6000			-	-	-
Library Books	6300			-	-	-
Equipment - Additional	6410			-	-	-
Equipment - Replacement	6420			-	-	-
Other Outgo	7000			-	-	-
Total Exclusions		5,265,729	-	5,265,729	19,179,728	19,179,728
Total for ECS 84362, 50% Law		90,839,806	-	90,839,806	176,106,083	176,106,083
Percent of CEE (Instructional Salary Cost/Total CEE)		51.58%	0%	51.58%	100%	0%
50% of Current Expense of Education					88,053,042	88,053,042

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2017**

	<u>2018 (Budgeted)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total revenues	\$ 260,316,071	\$ 250,569,791	\$ 256,368,317	\$ 213,701,133
Total expenditures	261,066,071	258,999,882	244,389,882	214,928,037
Total other sources	<u>750,000</u>	<u>1,050,000</u>	<u>771,906</u>	<u>687,768</u>
Change in fund balance	-	(7,380,091)	12,750,341	(539,136)
Ending fund balance	<u>\$ 40,892,865</u>	<u>\$ 40,892,865</u>	<u>\$ 48,272,956</u>	<u>\$ 35,522,615</u>
Available reserve	<u>\$ 31,141,380</u>	<u>\$ 27,305,716</u>	<u>\$ 45,753,622</u>	<u>\$ 32,464,301</u>
Available reserve %	11.93%	10.54%	18.72%	15.10%
Full-time equivalent students	<u>32,623</u>	<u>30,292</u>	<u>32,624</u>	<u>30,924</u>
Total long term debt	<u>\$ 922,348,526</u>	<u>\$ 934,302,228</u>	<u>\$ 593,219,634</u>	<u>\$ 595,352,888</u>

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2018 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2017 amounts reserved.

The 2017 budget is the Plan and Budget adopted by the Board of Trustees on September 6, 2017.

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum with a prudent ending fund balance being 5% of unrestricted expenditures.

Long-term debt is reported for the District as a whole and includes debt related to all funds, excluding the net pension liability.

2015 amounts for state revenues and employee benefits have not been revised to include amounts for on-behalf payments.

See the accompanying notes to the supplementary information.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Assistance - Grants

The Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the June 30, 2017 Annual Financial and Budget Report (Form CCFS-311). This schedule shows a reconciliation between the governmental fund balances on the June 30, 2017 CCFS-311, based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting shown.

COAST COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Proposition 55 Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

Schedule of General Fund Financial Trends and Analysis

This report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

OTHER INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Coast Community College District
Costa Mesa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Coast Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, as described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, finding 2017-001, and another deficiency that we consider to be a significant deficiency, finding 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
November 30, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

The Board of Trustees
Coast Community College District
Costa Mesa, California

Report on Compliance for Each Major Federal Program

We have audited Coast Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 30, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
Coast Community College District
Costa Mesa, California

We have audited the Coast Community College District's (the District) compliance with the types of compliance requirements described in the *2016-17 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-17 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

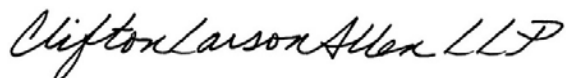
<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Not applicable
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Proposition 55 Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Contracted District Audit Manual*, published by the California Community College Chancellor's Office. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
November 30, 2017

FINDINGS AND QUESTIONED COSTS

COAST COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs:

CFDA Number(s) Name of Federal Program or Cluster
84.007, 84.033,
84.063, and 84.268 Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,567,028

Auditee qualified as low-risk auditee? Yes X No

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2017

NOTE: Each of the findings and recommendations below include details about the criteria or specific requirements, the condition, the effect and the cause. Questioned costs, if applicable are listed separately. The district response that follows the finding is the District's corrective action plan.

2017-001 RECONCILIATION AND CLOSING PROCEDURES

Original Finding: 2014-001

Finding: Our audit procedures revealed the lack of a systematic method to ensure complete monthly reconciliations and closing procedures take place. A continuing and growing backlog of accounts that are not reconciled may ultimately cause significant errors in the financial records and statements as well as allow possible irregularities, including fraud, to exist and continue without notice. We noted the following deficiencies:

- There are 17 checking accounts between the General Fund and the Student Financial Aid Fund, of the 17, six accounts were reconciled, seven accounts have unreconciled differences, and four accounts with no bank reconciliations.
- No reconciliation process between the campuses' auxiliary funds and the District's Fund 81, which is the control fund for the campuses
- Due to incomplete reconciliations of some accounts receivable and accounts payable accounts, there were three proposed adjusting entries. One was for \$899,268 in accounts receivable and one was for \$849,236 in accounts payable, totaling to a net effect of \$50,033 on the ending fund balance. In addition, there were differences on the initial federal and state revenues and expenditures schedule provided to us.

Recommendation: Establish a system of consistent monthly reconciliations and closing procedures. To provide more accurate financial statements, establish effective review and reconciliation policies and procedures as a customary part of the business operations and accounting process. This would include monthly reconciliations of all accounts, recording adjustments throughout the year that have typically been made at year-end only, and perform regular reviews of the general ledger throughout the year.

District Response: There has been significant turnover in the District Fiscal Department resulting in a delay of our implementation plan. However, our original plan is sound and entails full staffing to implement a system of monthly closing procedures. These procedures will include account reconciliations to ensure accounts are reviewed, reconciled, and adjusted monthly. The plan includes the following:

- a) Documentation supporting the reconciliation of bank balance to the account balance in the general ledger.
- b) Monthly account reconciliations completed and reviewed by specified due dates and a

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2017

2017-001 RECONCILIATION AND CLOSING PROCEDURES

review of the unidentified differences and posting the necessary adjustments timely.

- c) Procedures established to reconcile auxiliary charges to District Fund 81 balances. In addition, we will implement procedures and timelines to ensure all audit adjusting entries are posted when required.
- d) Year-end accruals in pre-paid and accounts payable accounts will be reviewed and corrected as appropriate.
- e) The monthly close process will be reviewed periodically to identify improvements that help ensure quality, accuracy and completeness of the reconciliations.

2017-002 Internal Controls – Payroll Segregation of Duties and Personnel Files

Finding: Salaries and benefits expenditures are the most significant expense of the District. A strong internal control system over the payroll functions of on-boarding new employees, and ongoing payroll preparation, reviewing process, and record keeping can reduce the potential threats of error and misappropriation. Our audit procedures disclosed the following deficiencies:

- Except for the part-time faculty, the payroll department uses a version of the authorization form such as Personnel Action Form (PAF), the electronic PAF (ePAF), or the Personnel Action Request (PAR), forwarded by the human resource department to enter all new employees and their pay rates and pay rate changes into Banner, the financial system, and payroll system. The human resources department enters the part-time faculty information into Banner and the payroll system. No confirmation of input of the PAFs is sent back to the human resource department and there is no audit function performed by other departments to review the payroll department's input process of the PAFs.
- Currently, the payroll department audits its own work. The payroll technicians cross audit all their entries each payroll cycle. The payroll analyst audits each payroll cycle for data entry errors, misclassifications of employees, retirement misclassification of pay, salary calculation errors. The payroll systems manager audits each payroll cycle for balancing, retirement reporting, and tax reporting. Although the payroll department is performing and auditing all the functions noted above, the documentation of such process is not available for audit review.
- Personnel files do not always include the most current authorizations such as the PAF, ePAF, or the PAR for pay rates. These authorizations exist, but are not maintained in a central location. When a PAF or a PAR was not available for audit review, the assumption is the employees may have an ePAF; however, documentation was not easily accessible by the human resources department. Requesting the ePAF from payroll, requires the transaction number which is not easily obtained. Also, if no ePAF is on file, and the employee has a Faculty Load and Compensation (FLAC) approval, the payroll

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2017

2017-002 Internal Controls – Payroll Segregation of Duties and Personnel Files

department maintains custody of the supporting documentation

Recommendation:

- To strengthen internal controls, have individual(s) or a department outside the payroll function, such as the human resources department enter all new employees and pay rate changes. The payroll department should not have access to this function within the payroll system. Review, and documentation of the review, strengthen internal controls by ensuring changes made to an employee's record and personnel file are proper and correct.
- Document the payroll department's current cross audit and review functions within the department and maintain evidence that the review was completed.
- Establish a process to ensure the history and authorization of each employees' pay rate changes are documented and retained. The process established should result in a timely response to requests for supporting documentation.

District Response: The District is in the process of implementing the electronic personnel action form (ePAF) by February 2018, which will automatically apply the pay rates after the ePAF has been fully approved by all respective departments within its workflow process. Since the system will be automatically applying the pay rates, and the payroll department will not be part of the workflow approval process of an ePAF, this business process will effectively segregate the duties as Human Resources will be entering the pay rates into the system for an ePAF.

The review and cross audit of payroll functions will be properly documented with dates and signatures of the reviewer. In addition to compensating internal controls, Payroll will engage the Fiscal department to perform sampling audits for payroll completeness, accuracy and existence. The District will be able to run ePAF reports at any given time to see a historical audit approval trail as well as any relevant changes to an employee's pay.

The official personnel file for all employees is maintained and housed securely in the District Human Resources Office. With the implementation of ePAF in February 2018, Human Resources will create and annually print a report of all current fiscal year authorizations for each faculty member with assignment and pay rate, and place this report in each personnel file. With regard to Load, Human Resources will create a load report for each faculty member, and include printed reports in the personnel file.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2017

There were no findings and questioned costs related to federal awards for the year ended June 30, 2017.

COAST COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2017

There were no findings and questioned costs related to state awards for the year ended June 30, 2017.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-001 Reconciliation and Closing Procedures

Original Finding: 2014-001

Finding: Our audit procedures revealed the lack of a systematic method to ensure complete monthly reconciliations and closing procedures take place. A continuing and growing backlog of accounts that are not reconciled may ultimately cause significant errors in the financial records and statements as well as allow possible irregularities, including fraud, to exist and continue without notice. We noted the following deficiencies:

- The District Office has 23 bank accounts of which nine accounts reconciled to the general ledger, ten accounts have no bank reconciliation reports, and four bank reconciliations with reports did not reconcile to the general ledger
- Prepaid expenditures in the Self-insurance fund related to 2014-15 activity that should be recorded as expense during the closing process
- No reconciled detail listing for account object 9510, accounts payable for the year end
- Journal entries of \$705,378 were recorded and later reversed which caused the beginning balance to not reconcile to either the 2013-14 or 2014-15 ending fund balance
- No reconciliation process between the campuses' auxiliary funds and the District's Fund 81, which is the control fund for the campuses

Recommendation: Establish a system of consistent monthly reconciliations and closing procedures. In addition, in order to provide more accurate financial statements, we strongly recommend the District establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year.

District Response: The District will establish a system of monthly reconciliations and closing procedures. These monthly reconciliations will consist of the following:

- a) Documentation supporting the reconciliation of bank balance to the account balance in the general ledger.
- b) Account reconciliations will be completed and reviewed in a timely manner by creating due dates for reconciliations, and a review of the unidentified differences and posting the necessary adjustments timely.
- c) The account reconciliation process will be reviewed quarterly to identify improvements that help ensure quality, accuracy and completeness of the reconciliations.
- d) Year-end accruals in pre-paid and accounts payable accounts will be reviewed and

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-001 Reconciliation and Closing Procedures

corrected as appropriate.

- e) We will establish procedures to reconcile auxiliary charges to District Fund 81 balances. In addition, we will establish procedures and timelines to ensure all audit adjusting entries are posted when required.

Status: See current year finding 2017-001. The following items from the prior year have been implemented:

- Prepaid expenditures in the Self-insurance fund related to 2014-15 activity that should be recorded as expense during the closing process
- A detail listing for account object 9510, accounts payable that is reconciled at year end
- Journal entries of \$705,378 were recorded and later reversed which caused the beginning balance to not reconcile to either the 2013-14 or 2014-15 ending fund balance.

2016-002 Return to Title IV

Federal Program: Student Financial Aid Cluster (84.038, 84.063, and 84.268)

CFDA Number:

Federal Award Number & Year: P268K163665, P268K161161, P268K163665, P063P153665, P063P151139, P063P151161, 2015-2016

Name of Federal Agency: U.S. Department of Education

Name of the Pass-through Agency: Not applicable

Campus: Coastline College (CCC), Golden West College (GWC), and Orange Coast College (OCC)

Criteria: According to 34 CFR 668.22(1)(3)(i), “For a student who provides notification to the institution of his or her withdrawal, the student's withdrawal date as determined under paragraph (c) [...the date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw] ... or the date of notification of withdrawal”.

According to 34 CFR 668.22(j)(1), an institution must return the amount of title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew as defined in (1)(3).

Condition: From a sample of Return to Title IV (R2T4) students selected for file testing, we verified the R2T4 calculation including the determination and return to the U.S. Department of Education's Grant Management System (G5). A total of 47 students, 13 at CCC, 15 at GWC, and 19 at OCC, were selected for R2T4 testing which includes recalculation, timing of determination,

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-002 Return to Title IV

and verification of the funding was returned through G5.

- From the total, the determination period was not met for 28 students; the student notified campus that he/she was withdrawing and R2T4 calculation was not done at the time per regulation. Of the 28 students noted, eight were at CCC, 10 were at GWC, and 10 were at OCC.
- From the total, three students did not have R2T4 returned within 45 days. One student is from GWC and two were from OCC.

Context: A total of 47 students, 13 at Coastline Campus (CCC), 15 at Golden West Campus (GWC), and 19 at Orange Coast Campus (OCC), were selected for R2T4 testing. From the total, 28 students did not meet the determination period (eight at CCC, 10 at GWC, and 10 at OCC). From the students selected for testing, 24 students' R2T4 calculated for no funds to be returned. There were four students' R2T4 funds that were not returned by the timeframe, two from GWC and two from OCC.

Effect: Not in compliance with 34 CFR 668.22(1)(3)(i) and 34 CFR 668.22(j)(1)

Cause: Unknown

Total Program Expenditures: \$54,775,981

Questioned Costs and Units: Not applicable

Recommendation: Implement procedures to ensure the timeframes indicated by 34 CFR 668.22(1)(3)(i) and 34 CFR 668.22(j)(1).

Corrective Action Plan: All 2015-16 Return to Title IV calculations were completed and all applicable funds were returned to the U.S. Department of Education's Grant Management System (G5) by all three colleges in the District.

As a result of the external auditor visits in April and August 2016, the Return to Title IV (R2T4) procedures have been revised to ensure that the Colleges meet all required timelines and calculations.

The Condition/Context of the audit finding report dated June 30, 2016, 2016-002 indicated that from the total of 47 students selected for file testing, 28 students notified the campus that he/she was withdrawing and R2T4 calculation were not done at the time per regulation 34 CFR 668.22(1)(3)(i). Of the 28 students noted, eight were from CCC, 10 were at GWC, and 10 were at OCC.

In fall 2015, staff was processing a large percentage of students "dropping" all units as official withdrawals and others were seeking a Last Day of Attendance (LDA) from faculty. By the time

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-002 Return to Title IV

spring 2016 started, further clarification and training was provided to staff on how to process R2T4 official and unofficial withdrawals and understanding the difference between the two types of withdrawals and related difference in R2T4 processing rules.

Although the colleges have an official withdrawal process, rarely does a student utilize this option to inform the college that she/he is withdrawing for the term. When looking at the total file testing sample, not one student officially withdrew from either college. Outside the sample testing, Orange Coast College (OCC) had only one student notify the college of the withdrawal by submitting the official withdrawal form. Coastline Community College (CCC) had two students notify the college of their withdrawal submitting the official withdrawal form and Golden West College (GWC) had none.

The Colleges have implemented the following R2T4 procedures for official and unofficial withdrawals as institutions not required to take attendance (except for students in online courses which are treated differently).

The Colleges refer to the federal handbook for all federal regulations pertaining to Return to Title IV at <http://ifap.ed.gov/fsahandbook/attachments/1617FSAHbkVol5Master.pdf>

The Financial Aid Office is required by federal statute to recalculate federal financial aid eligibility for students who withdraw, drop out, dismissed, or take an unapproved leave of absence prior to completing 60% of the payment period or term.

If a student leaves the institution prior to completing 60% of the payment period, the Financial Aid Office recalculates eligibility for Title IV funds. Recalculation is based on the percentage of earned aid using the following Federal Return of Title IV funds formula:

- a. Percentage of payment period or term completed = the number of days completed up to the withdrawal date divided by the total days in the payment period or term. (Any break of five days or more is not counted as part of the days in the term.) This percentage is also the percentage of earned aid.
- b. Funds are returned to the appropriate federal program based on the percentage of unearned aid using the following formula:
 - i. Aid to be returned = (100% of the aid that could be disbursed minus the percentage of earned aid) multiplied by the total amount of aid that could have been disbursed during the payment period or term.
 - ii. If a student earned less aid than was disbursed, the institution would be required to return a portion of the funds and the student may be required to return a portion of the funds. Keep in mind that when Title IV funds are returned, the student borrower may owe a debit balance to the institution.
 - iii. If a student earned more aid than was disbursed to him/her, the institution would owe the student a post-withdrawal disbursement, which must be paid within 120 days of the student's withdrawal.

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-002 Return to Title IV

Types of Withdrawals

- Official Withdrawal - a student begins the official withdrawal process or provides official notification to the college of his or her intent to withdraw. The date of the institution's determination that the student withdrew would be the date the student began the official withdrawal process or the date of the student's notification, whichever is later.
- Unofficial Withdrawals - Encompasses all other withdrawals where official notification is not provided to the college.

The colleges have now in place revised R2T4 procedures to ensure the correct calculation and determination of R2T4 and timely return of applicable funds. These procedures are described in the R2T4 Procedure Manual.

Status: Implemented.

2016-003 SFA Finding related to Common Origination of Disbursement (COD)

CFDA Title and Number: Student Financial Aid Cluster (84.038, 84.063, and 84.268)

Federal Award Number and Year: P268K163665, P268K161161, P268K163665, P063P153665, P063P151139, P063P151161, 2015-2016

Name of Federal Agency: U.S. Department of Education

Name of the Pass-through Agency: Not applicable

Campus: Coastline College (CCC), Golden West College (GWC), and Orange Coast College (OCC)

Criteria: According to 34 CFR 668.164(a), "the disbursement date is the date that a school credits a student's account at the school or pays a student or parent borrower directly with Title IV funds received from the U.S. Department of Education (the Department) or with institutional funds in advance of receiving Title IV program funds. This is the date that a school must report to the COD [Common Origination and Disbursement] System as the actual disbursement date for a Direct Loan, as distinguished from the anticipated disbursement date".

Condition: File testing at OCC was based on a sample size of 29 students; noted that 22 students' COD disbursement dates did not match the students' actual disbursement dates. Each student had more than one disbursement reported on COD. For the 22 errors noted, 12 students had incorrect COD disbursement dates for all disbursement received and the remaining 10 students had one disbursement date that did not correspond.

At the other two campuses, GWC and CCC, we noted no issues during the initial file testing; noted that these campuses corrected the file before testing was performed, which aligns to the

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-003 SFA Finding related to Common Origination of Disbursement (COD)

guidance that it is acceptable to revise the dates in the COD system when errors are found. An additional 25 students were selected per campus and issues related to incorrect dates were noted. At both campuses, all students' in the additional sample had COD disbursement dates that did not match the actual date disbursements were received.

Context: At OCC, 22 out of the original 29 students tested had COD disbursement dates that did not match the actual date disbursements were received. For both GWC and CCC, the additional 25 students tested, all contained errors between the COD disbursement date and the actual disbursement date.

Effect: Not in compliance with 34 CFR 668.164(a).

Cause: There was an initial misunderstanding of the date to use. Within the Banner system, the federal awards are directly applied to the student's outstanding balance; therefore, the COD disbursement date should reflect the Banner system date.

Total Program Expenditures: \$54,775,981

Questioned Costs and Units: Not applicable

Recommendation: Implement procedures to report accurate information. For errors noted in FY15-16, perform procedures to correct and reconcile between COD and students' actual disbursements.

Corrective Action Plan: In fall 2015, the District and the colleges became aware of the discrepancies in posted disbursement dates for specific transactions of Title IV program funds between the Common Origination and Disbursement (COD) and the District's Enterprise Resource Planning System Banner student ledger. The reason for this discrepancy was an initial misunderstanding of the date to use. Within the Banner system, the federal awards are directly applied to the student's outstanding balance. The federal awards are loaded through a process that transfers information from the financial aid management system PowerFaid, which is a standalone system outside Banner, to the Banner Students Accounts Receivables module. The COD date that the staff posted in COD was the date when the student received the balance of the funds through the refund process not the date when the federal awards were posted to the student account in the Banner Students Accounts Receivables module. The COD date should have been the Banner system date when the federal awards were directly applied to the student's outstanding balance.

Once the staff understood this misunderstanding and discrepancy, staff attempted to adjust the setup in the PowerFaid financial aid management software for the 2015-16 aid year. However, because some 2015-16 aid year disbursements had already taken place, PowerFaid does not allow the setup to be changed. As a result, all COD dates for 2015-16 need to be adjusted

COAST COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-003 SFA Finding related to Common Origination of Disbursement (COD)

manually.

The sample files used by the external auditors for the 2015-16 aid year reflected that some of the dates have already been aligned and some were not at the time of the review. The colleges are in the process of aligning the COD disbursements dates with the student ledger disbursement dates for the 2015-16 aid year. Due to the magnitude of the project and staffing capacity, the process of aligning the dates in COD manually will take some time.

Below is a summary of the current status for each college:

Coastline Community College – there are 3,206 students with approximately 6 disbursements each for the 2015-16 aid year that need dates in COD aligned. This represents about 19,236 dates in COD to align.

- As of November 4, 2016, approximately 2,905 students and 17,430 dates in COD remained to be aligned.

Golden West College (GWC) – there are 6,000 students with approximately 6 disbursements each for the 2015-16 aid year that need dates in COD aligned. This represents about 36,000 dates in COD to align.

- As of November 4, 2016, approximately 3,900 students and 23,400 dates in COD remain to be aligned.

Orange Coast College (OCC) – there are 8,011 students with approximately 6 disbursements each for the 2015-16 aid year that need dates in COD aligned. This represents about 48,000 dates in COD to align.

- As of November 4, 2016, approximately 7,800 students and 46,800 dates in COD remain to be aligned.

For the 2016-17 aid year, PowerFaid was set up correctly prior to any 2016-17 disbursements. The dates in COD and the Banner student ledger match for all 2016-17 disbursements.

In order to enhance the District's financial aid system, the District decided to move forward with the implementation of the Banner Financial Aid module which is integrated within the Banner Enterprise Resource Planning System. The implementation of Banner Financial Aid will remove the outside and additional current financial aid management system PowerFaid, helping the District to reconcile and work within one system to improve efficiency and accuracy. This will eliminate the need for data loads between various internal systems and from Banner to COD. This will also eliminate the timing delays, since information will be submitted from Banner to COD as the disbursement process is run in Banner. The Banner Financial Aid implementation is scheduled for January 2017 for the 2017-18 aid year.

Status: Implemented.

CONTINUING DISCLOSURE INFORMATION

COAST COMMUNITY COLLEGE DISTRICT

**2015-16 LARGEST LOCAL SECURED TAXPAYERS (UNAUDITED)
June 30, 2017**

2016-17 Largest Local Secured Taxpayers (1)

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2016-17 Assessed Valuation</u>	<u>% of Total⁽²⁾</u>
1. The Irvine Company	Commercial	\$1,471,596,770	1.22%
2. Bella Terra Associates LLC.	Commercial	333,555,816	0.28
3. PH Finance LLC	Commercial	286,473,762	0.24
4. Oxy USA Inc.	Oil & Gas	268,589,374	0.22
5. South Coast Plaza	Commercial	267,523,731	0.22
6. PRII/MCC South Coast Property Owner LCC	Commercial	233,000,000	0.19
7. Block 500 Newport Center Drive LCC	Commercial	203,034,528	0.17
8. United Dominion Realty LP	Apartments	194,669,466	0.16
9. Hyundai Motor America	Commercial	186,408,920	0.15
10. McDonnell Douglas Corp.	Industrial	184,135,545	0.15
11. JKS-CMFV LLC	Commercial	178,189,182	0.15
12. Marjack LLC Irvine Company	Apartments	153,657,985	0.13
13. Westminster Mall LLC	Commercial	133,072,884	0.11
14. Interinsurance Exchange of the Automobile Club of America	Commercial	130,381,181	0.11
15. UDR Newport Beach North LP	Apartments	129,962,688	0.11
16. Casden Lakes LP	Apartments	126,946,891	0.11
17. Balboa Bay Club Ventures LLC	Commercial	126,036,927	0.10
18. Coronado South Apartments LP	Apartments	124,735,592	0.10
19. SOCO Retail Fee Owner	Industrial	120,000,000	0.10
20. ASN Long Beach LLC	Apartments	117,350,468	0.10
		<u>\$4,969,321,710</u>	<u>4.12%</u>

(1) Information obtained from California Municipal Statistics, Inc.

(2) % of total assessed valuation for the fiscal year 2016-17 of \$120,774,337,722

COAST COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2017**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>			
Revenue from Federal Sources			
Higher Education Act	\$ 1,430,753	\$ 970,714	\$ (460,039)
Temporary Assistance for Needy Families (TANF)	136,608	136,608	-
Career and Technical Education Act	1,486,656	1,451,792	(34,864)
Other Federal Revenue	995,563	607,837	(387,726)
Revenue from State Sources			
General Apportionments	37,918,563	40,107,985	2,189,422
Categorical Apportionments	45,109,050	34,487,976	(10,621,074)
Other State Revenues	16,823,645	11,280,936	(5,542,709)
Revenue from Local Sources			
Property Taxes	124,064,988	120,884,154	(3,180,834)
Interest and Investment Income	428,400	606,248	177,848
Student Fees and Charges	30,150,092	33,290,058	3,139,966
Other Local Revenue	5,197,833	7,495,483	2,297,650
Total Revenue	<u>263,742,151</u>	<u>251,319,791</u>	<u>(12,422,360)</u>
<u>Expenditures</u>			
Academic Salaries	91,521,665	89,178,225	2,343,440
Classified Salaries	63,002,837	55,988,494	7,014,343
Employee Benefits	62,805,088	62,130,350	674,738
Supplies and Materials	7,476,243	4,768,185	2,708,058
Other Operating Expenses & Services	48,587,363	23,984,095	24,603,268
Capital Outlay	9,374,941	6,925,018	2,449,923
Other Uses	3,986,778	3,394,512	592,266
Total Expenditures	<u>286,754,915</u>	<u>246,368,879</u>	<u>40,386,036</u>
Excess (deficiency) of revenues over expenditures	<u>(23,012,764)</u>	<u>4,950,912</u>	<u>27,963,676</u>
<u>Other Financing Sources (Uses)</u>			
Interfund Transfers In	300,000	300,000	-
Interfund Transfers Out	(441,562)	(12,631,003)	(12,189,441)
Total Other Financing Sources (Uses)	<u>(141,562)</u>	<u>(12,331,003)</u>	<u>(12,189,441)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (23,154,326)</u>	<u>(7,380,091)</u>	<u>\$ 15,774,235</u>
Fund Balance at Beginning of Year		<u>48,272,956</u>	
Fund Balance at End of Year		<u>\$ 40,892,865</u>	

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APPENDIX E

GENERAL ECONOMY AND DEMOGRAPHICS INFORMATION FOR THE CITIES OF COSTA MESA, HUNTINGTON BEACH AND NEWPORT BEACH AND FOR ORANGE COUNTY

The following economic data for the Cities of Huntington Beach (“Huntington Beach”) and Newport Beach (“Newport Beach”) and Costa Mesa (“Costa Mesa,” and together with Huntington Beach and Newport Beach, the “Cities”), and for Orange County (the “County”) is presented for information purposes only as demographic information with respect to areas and the region surrounding the District. The Series 2018 Bonds are not an obligation of either the Cities, the County, or the State of California. This material has been prepared by or excerpted from the sources noted herein and has not been reviewed for accuracy by the Authority, the Borrower, the Corporation the District, the College or the Underwriter.

General

City of Newport Beach. Newport Beach is a seaside city in Orange County and is home to Newport Harbor, a recreational harbor accommodating 4,300 boats of all types docked within a 21-square-mile area. Newport Beach is bordered on the west by Huntington Beach at the Santa Ana River; on the north by Costa Mesa, John Wayne Airport, the City of Irvine and UC Irvine; and on the east by Crystal Cove State Park. Incorporated in 1906, Newport Beach is a Charter City and operates under a Council-Manager form of government. Council Members are elected by district but voted on by the city population as a whole, and serve four-year staggered terms. The median family income and property values of Newport Beach consistently place high in national rankings.

City of Huntington Beach. Huntington Beach encompasses 27.2 square miles and is located at the western end of Orange County, just south of the Los Angeles County line. It is approximately 28 miles southeast of downtown Los Angeles and 90 miles north of San Diego. Neighboring communities include Costa Mesa, Fountain Valley, Newport Beach, Seal Beach and Westminster. Founded in the late 1880s, Huntington Beach was incorporated as a Charter City in 1909. It has a Council-Manager form of government, with seven City Council members elected to four-year terms. The position of Mayor is filled on a rotating basis from the Council Members. Huntington Beach was named “Best Beach in the United States” by Time Magazine, and is host to the International Surfing Museum and many professional surfing competitions.

City of Costa Mesa. Incorporated in 1953, the city of Costa Mesa comprises 16.8 square miles and is approximately 35 miles southeast of Los Angeles. Under a Council-Manager form of government, the five-member City Council is elected at large to four-year staggered terms. The local economy is primarily based on retail commercial business and light manufacturing of electronics, pharmaceuticals and plastics. Sales volume generated by South Coast Plaza Shopping Center marks it as the highest volume regional shopping center in the nation.

Orange County. Located in southern California, Orange County was incorporated in 1889 and is one of the major metropolitan areas in the state. It ranks sixth most populous in the nation. The economy of the county not only out-performs local surrounding counties, the state and national economies in annual percentage growth, but also currently ranks higher in absolute growth rate dollars than the economies of the majority of the world’s countries. It is a charter county with an electoral process to fill mid-term vacancies on the five-member elected Board of Supervisors, who each serve four-year terms.

Population

The following table shows historical population figures for the Cities, the County and the State of California for the past ten years.

**POPULATION ESTIMATES
2009 through 2018
City of Newport Beach, City of Huntington Beach, City of Costa Mesa,
Orange County and the State of California**

<u>Year⁽¹⁾</u>	<u>City of Newport Beach</u>	<u>City of Huntington Beach</u>	<u>City of Costa Mesa</u>	<u>Orange County</u>	<u>State of California</u>
2009	84,595	190,079	109,808	2,990,805	36,966,713
2010 ⁽²⁾	85,186	189,992	109,960	3,010,232	37,253,956
2011	85,378	190,445	110,253	3,035,167	37,536,835
2012	85,412	191,603	111,347	3,069,454	37,881,357
2013	85,137	191,438	112,299	3,102,606	38,238,492
2014	85,110	192,845	112,516	3,127,083	38,572,211
2015	85,026	194,229	113,874	3,152,376	38,915,880
2016	85,045	196,564	114,102	3,172,152	39,189,035
2017	86,207	201,981	115,012	3,198,968	39,500,973
2018	87,182	202,648	115,296	3,221,103	39,809,693

⁽¹⁾ Except as otherwise indicated, as of January 1.

⁽²⁾ As of April 1.

Source: California Department of Finance, Demographics Research Unit.

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Income

The following table summarizes per capita personal income for the County, the State of California and the United States for the 10-year period of 2007 through 2016.

PER CAPITA PERSONAL INCOME
2007 through 2016
Orange County, State of California, and United States

Year	Orange County	State of California	United States
2007	\$51,244	\$43,692	\$39,821
2008	50,207	44,162	41,082
2009	47,181	42,224	39,376
2010	49,537	43,317	40,277
2011	51,420	45,849	42,461
2012	54,972	48,369	44,282
2013	53,451	48,570	44,493
2014	55,699	51,344	46,494
2015	59,708	54,718	48,451
2016	62,071	56,374	49,246

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2016 reflect county population estimates available as of March 2017. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Principal Employers

The following tables list the principal employers located in the Cities and the County.

PRINCIPAL EMPLOYERS
As of June 30, 2017
City of Newport Beach

Employer Name	Industry	Number of Employees
Hoag Memorial Hospital	Services: Health	4,800
Glidewell Dental	Services: Health	1,390
Pacific Life Insurance	Insurance Carriers	1,248
PIMCO Advisors	Finance: Investment Offices	994
Newport-Mesa Unified School District	Educational Services	860
Jazz Semi-Conductor	Manufacturing: Electronic Components	805
Resort at Pelican Hill	Services: Hotels	753
City of Newport Beach	Public Administration	724
Balboa Bay Club and Resort	Services: Hotels	691
Fletcher Jones Motor Cars Inc.	Retail Trade: Automotive Dealers	524

Source: City of Newport Beach, Comprehensive Annual Financial Report, Year Ended June 30, 2017.

PRINCIPAL EMPLOYERS
As of June 30, 2017
City of Huntington Beach

Employer Name	Industry	Number of Employees
Boeing	Manufacturing: Aircraft and Parts	3,829
Hyatt Regency Huntington Beach	Services: Hotel	641
Zodiac Aerospace / Driessen Aircraft	Manufacturing: Aircraft and Parts	584
C & D Aerospace	Manufacturing: Aircraft and Parts	555
Cambro MFG Co.	Manufacturing: Food and Kindred Products	550
Huntington Beach Hospital	Services: Health	527
Walter's Electric	Manufacturing: Electronic Components	480
Huntington Valley Healthcare	Services: Health	381
Quiksilver	Retail Trade: Apparel and Accessory Stores	348
Hilton Hotel Huntington Beach	Services: Hotel	343

Source: City of Huntington Beach, Comprehensive Annual Financial Report, Year Ended June 30, 2017.

PRINCIPAL EMPLOYERS
As of June 30, 2017
City of Costa Mesa

Employer Name	Industry	Number of Employees
EPL Intermediate, Inc.	Finance: Security and Commodity Brokers	3,998
Experian Information Solutions, Inc.	Finance: Non-depository Credit Institutions	3,700
Coast Community College District Foundation	Services: Education	2,900
Orange Coast Community College	Services: Education	1,900 ⁽¹⁾
California State Hospital-Fairview Develop. Center	Services: Health	1,500
Stearns Lending, LLC	Finance: Real Estate	1,500
Automobile Club Enterprises	Services: Automotive	1,200
Westar Capital Associates II, LLC	Finance: Non-depository Credit Institutions	1,184
Deloitte Consulting LLP	Services: Personal	800
Dynamic Cooking Systems, Inc.	Manufacturing: Food and Kindred Products	700

⁽¹⁾ For more recent District-wide employee counts, please see "COAST COMMUNITY COLLEGE DISTRICT – Labor Relations," in the front part of this Official Statement.

Source: City of Costa Mesa, Comprehensive Annual Financial Report, Year Ended June 30, 2017.

PRINCIPAL EMPLOYERS
As of June 30, 2017
Orange County

Employer Name	Industry	Number of Employees
Walt Disney Co.	Amusement and Recreation Services	29,000
University of California, Irvine	Services: Educational	23,605
County of Orange	Public Administration	18,264
St. Joseph Health System	Services: Health	11,925
Allied Universal	Services: Security	8,229
Kaiser Permanente	Insurance	7,694
Boeing Co.	Manufacturing: Industrial	6,103
Wal-Mart	Retail Trade: General Merchandise	6,000
California State University, Fullerton	Services: Educational	5,781
Bank of America	Finance	5,500

Source: County of Orange, Comprehensive Annual Financial Report, Year Ended June 30, 2017.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the Cities, the County, the State of California and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2013 through 2017⁽¹⁾
City of Newport Beach, City of Huntington Beach, City of Costa Mesa,
Orange County, State of California, and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment⁽³⁾</u>	<u>Unemployment Rate</u>
<u>2013</u>				
City of Newport Beach	44,300	41,900	2,400	5.4
City of Huntington Beach	106,300	99,500	6,700	6.3
City of Costa Mesa	64,100	59,800	4,300	6.7
Orange County	1,565,300	1,462,400	102,900	6.6
State of California	18,625,000	16,958,400	1,666,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
<u>2014</u>				
City of Newport Beach	44,600	42,600	2,000	4.5
City of Huntington Beach	106,800	101,100	5,600	5.3
City of Costa Mesa	64,400	60,800	3,600	5.6
Orange County	1,572,000	1,485,700	86,200	5.5
State of California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of Newport Beach	45,200	43,500	1,700	3.7
City of Huntington Beach	107,900	103,300	4,600	4.3
City of Costa Mesa	65,100	62,100	2,900	4.5
Orange County	1,588,700	1,518,000	70,700	4.4
State of California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<u>2016</u>				
City of Newport Beach	45,600	44,100	1,500	3.3
City of Huntington Beach	108,900	104,700	4,200	3.9
City of Costa Mesa	65,600	62,900	2,700	4.1
Orange County	1,602,400	1,538,000	64,300	4.0
State of California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
City of Newport Beach	44,100	42,900	1,200	2.8
City of Huntington Beach	105,900	102,600	3,300	3.1
City of Costa Mesa	64,300	62,100	2,200	3.4
Orange County	1,619,200	1,562,600	56,600	3.5
State of California	19,311,700	18,387,800	923,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor - Bureau of Labor Statistics and California Employment Development Department. March 2016 Benchmark.

Industry

The County is included in the Anaheim-Santa Ana-Irvine Metropolitan Division (the “Metropolitan Division”). The distribution of employment in the Metropolitan Division is presented in the following table for the calendar years 2013 through 2017. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
Orange County (Anaheim-Santa Ana-Irvine Metropolitan Division)

<u>Category</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Farm	2,900	2,800	2,400	2,400	2,200
Mining and Logging	600	700	600	600	700
Construction	78,400	83,100	91,700	97,400	101,700
Manufacturing:					
Nondurable Goods	43,000	42,000	41,800	42,000	43,200
Durable Goods	115,100	115,500	115,200	115,000	115,400
Trade, Transportation and Utilities:					
Wholesale Trade	79,400	80,900	80,800	80,900	82,000
Retail Trade	145,500	148,500	151,400	152,400	153,400
Transportation, Warehousing & Utilities	27,500	26,500	26,900	27,200	27,600
Information	25,000	24,500	25,500	26,400	27,300
Financial Activities	113,100	113,600	116,100	117,600	119,000
Professional and Business Services	267,300	276,600	286,600	296,900	301,700
Educational and Health Services	186,000	190,800	198,800	206,000	215,700
Leisure & Hospitality	187,800	194,500	203,800	212,000	218,200
Other Services	45,600	47,300	48,900	50,400	50,200
Government	148,700	152,200	156,400	159,600	160,500
Total ⁽¹⁾	<u>1,465,900</u>	<u>1,499,500</u>	<u>1,546,900</u>	<u>1,586,800</u>	<u>1,618,800</u>

⁽¹⁾ Columns may not sum to totals due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division.

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Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2012 through 2016 are shown in the following tables.

**ANNUAL TAXABLE SALES
2012 through 2016
City of Newport Beach
(Dollars in Thousands)**

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	2,439	\$1,911,365	3,853	\$2,566,623
2013	2,540	2,018,100	3,926	2,695,874
2014	2,669	2,200,243	4,031	2,943,344
2015	2,604	2,241,761	4,541	3,034,392
2016	2,677	2,246,838	4,672	3,053,220

Source: California State Board of Equalization.

**ANNUAL TAXABLE SALES
2012 through 2016
City of Huntington Beach
(Dollars in Thousands)**

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	4,870	\$2,411,563	7,030	\$3,020,719
2013	5,154	2,342,462	7,248	2,969,480
2014	5,496	2,408,750	7,608	3,111,543
2015	5,907	2,458,381	8,890	3,163,321
2016	5,997	2,512,076	9,106	3,204,679

Source: California State Board of Equalization.

**ANNUAL TAXABLE SALES
2012 through 2016
City of Costa Mesa
(Dollars in Thousands)**

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	7,405	\$3,435,720	9,849	\$4,058,400
2013	7,570	3,620,200	10,068	4,291,314
2014	7,988	3,822,971	10,536	4,538,729
2015	8,707	4,024,670	12,266	4,765,158
2016	8,624	4,076,541	12,237	4,847,991

Source: California State Board of Equalization.

**ANNUAL TAXABLE SALES
2012 through 2016
Orange County
(Dollars in Thousands)**

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	60,273	\$38,372,456	93,183	\$55,230,612
2013	62,208	40,025,929	94,862	57,591,217
2014	65,291	41,288,537	97,943	60,097,128
2015	67,715	41,589,926	110,717	61,358,087
2016	68,570	42,269,771	112,477	62,511,422

Source: California State Board of Equalization.

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APPENDIX F

DEFINITIONS

Certain capitalized terms used in this Official Statement are defined herein. In addition to the words and terms defined elsewhere in this Official Statement, the following terms are defined terms used in this Official Statement.

“*Accountant*” means an independent certified public accountant or firm of independent certified public accountants (that may be the accountant or firm of accountants retained by the Borrower).

“*Accounts*” means, collectively, all of the accounts within the Funds created pursuant to the Indenture (each, an “Account”).

“*Act*” means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with § 6500) of the Government Code of the State of California, as amended to the date of the Indenture 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 Authority pursuant to the terms and conditions of the Indenture.

“*Additional Loan Payments*” means the Loan Payments payable by the Borrower pursuant to the Loan Agreement that are described under the subheading “Additional Loan Payments” in “APPENDIX G—SUMMARY OF PRINCIPAL FINANCING DOCUMENTS—THE LOAN AGREEMENT—Loan Payments and Other Amounts Payable.”

“*Additional Members*” means, collectively, all political subdivisions other than the Charter Members that have been designated in the past, or from time to time in the future is designated, as members of the Authority pursuant to the Joint Powers Agreement (each, an “Additional Member”).

“*Additional Notes*” means any promissory notes issued by the Borrower in connection with Additional Bonds.

“*Additional Property*” means the land described in Exhibit B of the Ground Lease upon which the Parking Lot and Tennis Courts are being constructed.

“*Additions or Alterations*” means modifications, repairs, renewals, improvements, replacements, alterations, additions, enlargements or expansions in, on or to a Housing Facility, including any and all machinery, furnishings and equipment therefor.

“*Affiliate*” means any Person (a) directly or indirectly controlling, controlled by, or under common control with the Borrower or (b) 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: (i) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in § 2(1) of the Securities Act) 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; (ii) 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 (iii) 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: (A) 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 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 shall be considered a Directing Body); (B) 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 (C) any other entity, its governing body or board. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

“*Agreement*” or “*Loan Agreement*” means the Loan Agreement between the Authority and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions of the Loan Agreement and of the Indenture.

“*Agreement Term*” means the term of the Loan Agreement as described in “APPENDIX G—SUMMARY OF PRINCIPAL FINANCING DOCUMENTS—THE LOAN AGREEMENT—Term of the Loan Agreement.”

“*Annual Budget*” means the annual budget of the Borrower required by the Loan Agreement.

“*Annual Debt Service*” means the amount required to pay all principal of and interest on a Series of Bonds in any Bond Year.

“*Annual Period*” means the 12-month period commencing on July 1 of each calendar year and ending on June 30 of the immediately succeeding calendar year.

“*Assignment of Contracts and Agreements,*” with respect to the Series 2018 Bonds, means the Assignment of Contracts and Agreements of even date with the Indenture by the Borrower in favor of the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“*Audit Report*” means an audit report resulting from an audit conducted by an Accountant in conformity with generally accepted auditing standards prepared in accordance with GAAP.

“*Authority*” means the California Community College Financing Authority, a joint powers agency organized and existing under the laws of the State that is separate and distinct from, and independent of, the State and its political subdivisions, and its successors and assigns.

“*Authority Additional Payments*” means, collectively:

- (a) all taxes and assessments of any type or character charged to the Authority affecting the amount available to the Authority from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the Indenture or by the Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments); provided, however, the Borrower shall have the rights to (i) protest any such taxes or assessments and to require the Authority, at the Borrower’s expense, to protest and contest any such taxes or assessments levied upon it; and (ii) to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest, or contest would adversely affect the rights or interests of the Authority;

(b) the reasonable fees and expenses of such accountants, consultants, attorneys, rebate analysts, and other experts as may be engaged by the Authority to prepare audits, financial statements, reports, and/or opinions or to provide such other services required to be provided by the Authority under any of the Bond Documents, including, but not limited to, any audit or inquiry by the Internal Revenue Service or any other governmental body; and

(c) the Authority Annual Fee and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with any of the Bond Documents or the Bonds, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale, and delivery of any Bonds or in connection with any litigation, investigation, inquiry, or other proceeding that may at any time be instituted involving any of the Authority Documents, the Bonds, 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 Indenture and of the Borrower Documents.

“*Authority Annual Fee*,” with respect to the Series 2018 Bonds, means the fee payable to the Authority on each Interest Payment Date.

“*Authority Closing Expenses*” means, collectively, (a) the Authority Issuance Fee less, if applicable, any application fee paid by the Borrower to the Authority prior to the issuance of the Series 2018 Bonds, and (b) attorneys’ fees incurred by the Authority in connection with the issuance of the Series 2018 Bonds.

“*Authority Documents*,” with respect to the Series 2018 Bonds, means, collectively, the Indenture, the Loan Agreement, the No Arbitrage Certificate and the Bond Purchase Agreement.

“*Authority Indemnified Parties*” means, collectively, the Authority, the Members, and each and all of their respective past, present, and future directors, board members, governing members, trustees, commissioners, elected or appointed officials, officers, employees, Authorized Signatories, attorneys, agents and advisers (including counsel and financial advisers), and each and all of their respective heirs, successors and assigns (each, an “*Authority Indemnified Party*”).

“*Authority Issuance Fee*” means the fee payable to the Authority upon the issuance of the Series 2018 Bonds.

“*Authorized Borrower Representative*” means any person at the time designated to act on behalf of the Borrower by written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by its President. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“*Authorized Developer Representative*” means any person at the time designated to act on behalf of the Developer by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Developer by its president, chief executive officer, manager, or managing member. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“*Authorized District Representative*” means any person at the time designated to act on behalf of the District by written certificate furnished to the Borrower and the Trustee containing the specimen signature of such person and signed on behalf of the District by any member of the Board of Directors of the District or any officer of the District authorized pursuant to a resolution adopted by such Board of

Directors. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“*Authorized Signatory*” means any member of the Board of Directors of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby (collectively, the “Authorized Signatories”).

“*Basic Loan Payments*” means the Loan Payments payable by the Borrower to the Authority pursuant to the Loan Agreement that are described under the subheading “Basic Loan Payments” in “APPENDIX G—SUMMARY OF PRINCIPAL FINANCING DOCUMENTS—THE LOAN AGREEMENT—Loan Payments and Other Amounts Payable.”

“*Bond Counsel*” means Independent Counsel nationally recognized as experienced in matters relating to Tax-Exempt Bonds and reasonably acceptable to the Authority and the Borrower.

“*Bond Documents*,” with respect to the Series 2018 Bonds, means, collectively, the Indenture, the Loan Agreement, the Series 2018 Note, the Tax Certificate, the No Arbitrage Certificate, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Bond Purchase Agreement, the Indemnity Letters, the Ground Lease, the Development Agreement, the General Construction Contract, the Management Agreement, the Coordination Agreement, the Continuing Disclosure Agreement, the Continuing Disclosure Certificate, and the Financing Statements.

“*Bond Fund*” means the Fund of that name created in the Indenture.

“*Bondholder*” or “*Bondholders*” means the Person or Persons in whose name(s) any of the Bonds is registered on the Bond Register.

“*Bond Purchase Agreement*,” with respect to the Series 2018 Bonds, means the Bond Purchase Agreement dated [DATE], 2018, between the Authority and the Underwriter, and approved by the Borrower and the Corporation.

“*Bond Register*” means the books for the registration of the Bonds and for the registration of the transfer of the Bonds kept and maintained by the Trustee as bond registrar.

“*Bond Resolution*,” with respect to the Series 2018 Bonds, means the resolution or resolutions adopted by the Authority authorizing the issuance and sale thereof, the security therefor, and the execution, delivery, and performance of the applicable Authority Documents.

“*Bonds*” means, collectively, the Series 2018 Bonds and all Additional Bonds (each, a “Bond”).

“*Bond Year*” means the 12-month period beginning on May 2 of each calendar year and ending on May 1 of the immediately succeeding calendar year, provided that the initial Bond Year shall commence on the Closing Date for the Series 2018 Bonds and end on May 1, 2019.

“*Book-Entry System*” means the system of evidence and transfer of ownership of the Bonds maintained by the Securities Depository described in the Indenture.

“*Borrower*” means NCCD - Orange Coast Properties LLC, a single member limited liability company organized and existing under the laws of the State, and its successors and assigns, the sole member of which is the Corporation.

“*Borrower/Corporation Indemnity Letters*,” with respect to the Series 2018 Bonds, means the letters of representations from the Borrower and the Corporation to the Authority and the Underwriter.

“*Borrower Documents*,” with respect to the Series 2018 Bonds, means the Loan Agreement, the Tax Certificate, the Series 2018 Note, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Bond Purchase Agreement, the Borrower/Corporation Indemnity Letters, the Ground Lease, the Development Agreement, the Management Agreement, the Coordination Agreement, the Continuing Disclosure Agreement, and the Borrower Financing Statements.

“*Borrower Financing Statements*,” with respect to the Series 2018 Bonds, means the UCC-1 Financing Statements filed under the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements.

“*Building*” means those certain buildings and all other facilities and improvements constituting part of the Housing Project and not constituting part of the Equipment that are or will be located on the Property.

“*Business Day*” means any day other than a Saturday, a Sunday, or a day on which banking institutions in the State or in the state where the Office of the Trustee is located are authorized or obligated by law to close or a day on which the New York Stock Exchange is closed.

“*Calculation Date*” means the last day of each Bond Year, commencing with the second Bond Year, and the date upon which an Issue of Tax-Exempt Bonds shall be Discharged.

“*Campus*” means the campus of the College located in the City.

“*Capitalized Interest*” means amounts derived from the proceeds of Bonds deposited in the Capitalized Interest Account to pay interest on Bonds and interest earned on such amounts to the extent that such interest earned is required to be applied to pay interest on Bonds.

“*Capitalized Interest Account*” means the Account of the Bond Fund of that name created in the Indenture.

“*Cash Trap Fund*” means the Fund of that name created in the Indenture.

“*Charter Members*” means Butte-Glenn Community College District and State Center Community College District, the initial signatories to the Joint Powers Agreement and the charter members of the Authority (each, a “Charter Member”).

“*City*” means the City of Costa Mesa, California.

“*Closing Date*,” with respect to a Series of Bonds, means the date of issuance and delivery thereof.

“*Code*” means the Internal Revenue Code of 1986, as amended. Reference herein to any specific provision of the Code shall 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.

“*College*” means Orange Coast College, and its successors and assigns.

“*Computation Date*” means each Installment Computation Date and the Final Computation Date.

“*Condemnation Fund*” means the Fund of that name created in the Indenture.

“*Construction Contracts*,” with respect to the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts, means the Development Agreement, the General Construction Contract, and the other contracts, if any, relating to the construction thereof between the Developer, the General Contractor, or the Borrower and construction professionals or suppliers of materials and Equipment.

“*Construction Costs*,” with respect to the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts, means all Costs of the Project that are properly payable to the appropriate contractors with respect thereto pursuant to the applicable Construction Contracts, and with respect to the Monitoring Well, all Costs of the Project that are properly payable to the Orange County Water District.

“*Construction Fund*” means the Fund of that name created in the Indenture.

“*Construction Period*,” with respect to the Series 2018 Project, means the period between the beginning of construction thereof or the date on which Series 2018 Bonds are first delivered to the Underwriter (whichever is earlier) and the Series 2018 Completion Date.

“*Consulting Architect*” means HPI Architecture or any other architect or architectural firm at the time employed by the Borrower and designated by written certificate furnished to the Trustee, containing the signature of such person or the signature of a partner or officer of such firm, and signed on behalf of the Borrower by the Authorized Borrower Representative. The Consulting Architect shall be registered and qualified to practice under the laws of the State and shall not be a full-time employee of the Authority, the Borrower, or the District.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement of even date with the Indenture between the Borrower and the Dissemination Agent, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“*Continuing Disclosure Certificate*” means the Continuing Disclosure Certificate of even date with the Indenture by the District, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof.

“*Coordination Agreement*” means the Coordination Agreement of even date of the Indenture between the District, by and for itself and on behalf of the College, and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“*Corporation*” means National Campus and Community Development Corporation, a nonprofit corporation duly organized and existing under the laws of the State of Texas and an organization described in Section 501(c)(3) of the Code, and its successors and assigns.

“*Corporation Acquisition Fee*” means the amount payable to the Corporation out of the proceeds of the Series 2018 Bonds to compensate the Corporation for the responsibilities assigned to the Borrower under the applicable Bond Documents.

“*Corporation Membership Fee*” means the amount payable to the Corporation pursuant to the Ground Lease for each Annual Period.

“*Costs of the Project*,” with respect to the Series 2018 Project, 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 proceeds of the Series 2018 Bonds or any Additional Bonds including, but not limited to, the following:

(a) (i) the cost of the preparation of Plans and Specifications (including any preliminary study or planning thereof or any aspect thereof); (ii) the cost of 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); (iii) interest on the Series 2018 Bonds during the applicable Construction Period and for such additional period as shall be permitted by applicable law and as the Borrower and the Underwriter shall reasonably agree to be necessary for placing the Series 2018 Housing Facility in operation; and (iv) any other costs and expenses relating to the acquisition, construction, and placing in service thereof;

(b) 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;

(c) the fees or out-of-pocket expenses, if any, of those providing services with respect thereto, including, but not limited to, architectural, engineering, development, and supervisory services;

(d) any other costs and expenses relating to the Project that constitute costs or expenses for which the Borrower may expend Bond proceeds under the Act, including, without limitation, during the Construction Period, any Authority Annual Fee, any Corporation Membership Fee, fees paid for accounting, audit, legal, and other professional services provided to or on behalf of the Borrower relating to the Project, any filing fees of the Borrower, any Rating Agency fees and expenses, and any Trustee fees, but excluding Issuance Costs of the Series 2018 Bonds; and

(e) reimbursement to the Borrower for any costs described above paid by it, whether before or after the execution of the Loan Agreement; provided, however, that reimbursement for any expenditures made prior to the execution of the Loan Agreement from the Construction Fund shall only be permitted for expenditures meeting the requirements of the Regulations, including but not limited to, § 1.150-2 of the Regulations.

“*CPI Adjustment*” has the meaning ascribed thereto in the Loan Agreement.

“*Debt Service Payment*” means, with respect to the Bonds or any Series or Subseries of Bonds on any Bond Payment Date, (a) the premium, if any, and interest payable on the Bonds or such Series or Subseries of Bonds on such Bond Payment Date; (b) the principal payable in respect of the Bonds or such Series or Subseries of Bonds on such Bond Payment Date; and (c) the Mandatory Sinking Fund Redemption Requirement, if any, relating to the Bonds or such Series or Subseries of Bonds on such Bond Payment Date (collectively, the “Debt Service Payments”).

“*Debt Service Reserve Fund*” means the Fund of that name created in the Indenture.

“Debt Service Reserve Requirement,” at the time of determination, means the least of (a) 10% of the stated principal amount thereof (less original issue discount if more than 2% of the principal amount of the respective Issue of Tax-Exempt Bonds); (b) 125% of the average Annual Debt Service thereon from the date of calculation to the final maturity thereof; (c) the Maximum Annual Debt Service thereon; or (d) such lesser sum as shall be required by the Code and the Regulations to ensure the exclusion of the interest thereon from the gross income of the Owners thereof for federal income tax purposes; provided, however, that the amount of principal due in any Bond Year shall be determined, in the case of Bonds subject to mandatory sinking fund redemption pursuant to the Indenture and similar provisions in any supplemental indenture, by the principal amount of Bonds to be redeemed by mandatory sinking fund redemption in such Bond Year. Calculation of the Debt Service Reserve Requirement shall be made by the Underwriter with respect to each Issue of Bonds rather than by Series. Notwithstanding anything herein to the contrary, the Trustee shall have no obligation to calculate the Debt Service Reserve Requirement.

“Deed of Trust Trustee” means First American Title Company and its successors and assigns as “Trustee” under the Leasehold Deed of Trust.

“Default Rate” means the prime rate charged corporate borrowers by the commercial lending department of the Trustee, if any, or in the absence of such commercial lending department or rate, the rate designated the “Prime Rate” as published each Business Day in *The Wall Street Journal*, plus 2% per annum; provided that the maximum Default Rate shall not exceed the maximum rate permitted by law.

“Defeasance Obligations” means (a) cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in item (b) below); (b) to the extent the same are non-callable and non-prepayable, Government Obligations; (c) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian; and (d) Defeased Municipal Obligations.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers that are rated in the highest rating category by S&P and Moody’s, respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (a) non-callable Government Obligations; or (b) evidences of ownership of a proportionate interest in specified non-callable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

“Developer” means Servitas, LLC, a limited liability company organized under the laws of the State of Texas, and its successors and assigns.

“Development Agreement” means, with respect to the Series 2018 Bonds, the Development Agreement of even date of the Loan Agreement between the Borrower and the Developer, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Discharged,” with respect to a Series or a Subseries of Bonds, means that all amounts due thereunder are actually and unconditionally due, if cash is available at the place of payment and no interest accrues thereafter with respect to such Series or Subseries of Bonds.

“*Dissemination Agent*” means The Bank of New York Mellon Trust Company, N.A., in its capacity as dissemination agent under the Continuing Disclosure Agreement and its successors and assigns, and the dissemination agent under any successor agreement.

“*District*” means Coast Community College District, and its successors and assigns.

“*District Indemnified Parties*” means, collectively, the District and the College, and each of its past, present and future board of trustees, elected or appointed officials, officers, employees, attorneys, agents, and advisers (including counsel and financial advisers), and each and all of their respective heirs, successors, and assigns (each, a “District Indemnified Party”).

“*District Indemnity Letter*,” with respect to the Series 2018 Bonds, means the letter of representation dated [DATE], 2018, from the District to the Authority, the Borrower, and the Underwriter.

“*DTC*” means The Depository Trust Company, New York, New York, or any successor Securities Depository.

“*Equipment*” shall have the meaning ascribed thereto in the Security Agreement and as described in Exhibit A attached to the Loan Agreement, and all replacements, substitutions, and additions thereto.

“*Event of Default*” means, (a) with respect to the Indenture as an “Event of Default”, each of the events specified in the Indenture as an “Event of Default”; (b) with respect to the Loan Agreement, each of the events specified in the Indenture as an “Event of Default”; (c) with respect to the Leasehold Deed of Trust, each of the events specified therein as an “Event of Default”; (d) with respect to the Security Agreement, each of the events specified therein as an “Event of Default”; and (e) with respect to each of the other Bond Documents, the termination thereof by one party thereto as a result of the action or inaction of another or the other party thereto and the failure by the terminating party either to assume the obligations of the terminated party thereunder in writing or to enter into a substantially similar replacement agreement or contract within 30 days of such termination.

“*Event of Taxability*” means, with respect to any Series or Subseries of Tax-Exempt Bonds, the existence or absence of any circumstances that causes the interest thereon or on any portion thereof to become includable in the gross income of the Owner thereof for federal income tax purposes.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Expenses*,” with respect to the Housing Facility, means, for any period, the aggregate of all expenses and expenditures relating thereto, including, without limitation, expenses or expenditures relating to the performance of any obligation of the Borrower under the Bond Documents or to the enforcement of the obligations of other parties to documents executed in connection with the Bond Documents; the Corporation Membership Fee; fees required to be paid to the Manager under the Management Agreement; expenses incurred by the Borrower in connection with the inspection of the Housing Facility or the calculation, collection, and payment of the Rebate Amount relating to any Tax-Exempt Bonds as required by federal law; fees paid for accounting, audit, legal, and other professional services provided to or on behalf of the Borrower; bank fees relating to the Operating Account; travel expenses of Borrower’s officers relating to the Housing Facility; bonding expenses and insurance required to be carried by Borrower by the Ground Lease or the Bond Documents; taxes incurred in connection with Borrower’s ownership or lease of the Housing Facility; out-of-pocket expenses of the Borrower incurred in connection with compliance with the Bond Documents or that are directly attributable to the Series 2018 Project; deposits to the Debt Service Reserve Fund or the Repair and Replacement Fund; the repayment of the principal amount of any Indebtedness; and lease payments made to the District under the Ground Lease, but excluding (a) any

expense or expenditure paid with the proceeds of the Bonds or the Net Proceeds of insurance other than business or rental interruption insurance; (b) interest on any Indebtedness to the extent that such interest is payable from the proceeds of such Indebtedness; (c) any expenses resulting from forgiveness of or the establishment of reserves against Indebtedness of an Affiliate that do not constitute extraordinary expense; (d) losses resulting from any reappraisal, revaluation, or write-down of assets; (e) any unrealized loss resulting from changes in the value of investment securities; and (f) any expenses borne by the District under the terms of the Ground Lease.

“Extraordinary Services of the Trustee” and *“Extraordinary Expenses of the Trustee”* mean all services rendered and all expenses incurred by the Trustee under the Indenture and under the other Bond Documents (including, without limitation, in connection with a default or an Event of Default under the Indenture), including, without limitation, reasonable counsel fees and expenses, other than Ordinary Services of the Trustee and Ordinary Expenses of the Trustee.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Authority, the Borrower, and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State, the Indenture, and the Loan Agreement and will not adversely affect any exclusion from gross income for federal income tax purposes or any exemption from State income taxes, of interest on any Tax-Exempt Bonds.

“Final Computation Date,” with respect to an Issue, means the date the last of the Issue is Discharged.

“Financial Consultant” means a firm of Accountants and/or professional management, marketing, or financial consultants having the skill and experience necessary to render the particular report required that is designated as such in writing by the Borrower. Such firm(s) shall not be, and no member, stockholder, director, officer, or employee of which shall be, an officer or employee of the Authority, the Borrower, or the District. The reports of the Financial Consultant showing projected financial performances may be in the form of a projection 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 projection of management.

“Financing Statements,” with respect to the Series 2018 Bonds, means the Borrower Financing Statements.

“Fitch” means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, *“Fitch”* shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower.

“Fixed Charges” means, for any period, the sum of all cash outflows related to the Housing Facility that the Borrower cannot avoid without violating long-term contractual or legal obligations (those obligations that extend for a period greater than one year), including, but not limited to, (a) interest on Indebtedness other than Short-Term Indebtedness; and (b) scheduled payments of principal on Indebtedness other than Short-Term Indebtedness (each, a *“Fixed Charge”*). *“Fixed Charges”* do not include any amounts included in Expenses, lease payments made to the District under the Ground Lease or any amounts payable in respect of any Indebtedness to the extent that such amounts are payable from the proceeds of such Indebtedness.

“*Fixed Charges Coverage Ratio*” means, for any period, the ratio of Revenue Available for Fixed Charges to Fixed Charges.

“*Funds*” means, collectively, all of the funds created pursuant to the Indenture (each, a “Fund”).

“*GAAP*” means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting that have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented and amended.

“*General Construction Contract*,” with respect to the Series 2018 Housing Project, the Parking Lot, and the Tennis Courts, means the Standard Form of Agreement Between Owner and Contractor (AIA Document A102 - 2007) and the General Conditions of the Contract for Construction (AIA Document A201 - 2007), between the Developer, as owner, and the General Contractor, as contractor, pursuant to which the General Contractor has agreed to construct the Series 2018 Housing Project, the Parking Lot, and the Tennis Courts.

“*General Contractor*” means Moss & Associates, LLC, a limited liability company organized under the laws of the State of Florida, and its successors and assigns.

“*Government Obligations*” means direct obligations of, or obligations the timely payment of the principal of and interest on which when due are fully and unconditionally guaranteed by the United States of America or any agency or instrumentality thereof and evidences of direct ownership interest in amounts payable upon any of the foregoing.

“*Gross Proceeds*” of an Issue of Tax-Exempt Bonds means “gross proceeds” of such Issue of Tax-Exempt Bonds, within the meaning of §1.148-1(b) of the Regulations.

“*Ground Lease*,” with respect to the Series 2018 Bonds, means the Ground Lease Agreement of even date with the Indenture between the District, as ground lessor, and the Borrower, as ground lessee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“*Housing Facility*” means the Series 2018 Housing Facility and any additional student, faculty, and/or staff housing facility acquired, constructed, furnished and equipped with the proceeds of Additional Bonds.

“*Indemnity Letters*,” with respect to the Series 2018 Bonds, means, collectively, the Borrower/Corporation Indemnity Letters and the District Indemnity Letter.

“*Indenture*” means the Trust Indenture of even date of the Loan Agreement between the Authority and the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof.

“*Independent Architect/Engineer*” means any architect, engineer, or firm of architects or engineers (including the Consulting Architect) that is independent of the Authority, the Borrower and the District and that is selected by the Borrower, at the expense of the Borrower and payable as a Cost of the Project or Expense, to report and be accountable solely to the Trustee for the benefit of the Bondholders for the purposes of, inter alia, producing monthly construction monitoring reports, passing on questions relating to the design and construction of any particular facility, reviewing repairs and replacements to the Housing

Facility and the adequacy of the amounts deposited and required to be deposited into the Repair and Replacement Fund, and that has all licenses and certifications necessary for the performance of such services, and that has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature. Notwithstanding the foregoing, the Trustee has no duty to monitor the performance of the Independent Architect/Engineer and no duty to review or verify such reports or other data. To the extent that the Trustee receives such reports and other data, it shall retain such solely as a repository on behalf of the Bondholders.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state of the United States or District of Columbia and not in the full-time employment of the Authority, the Borrower and the District.

“Indemnified Parties” means, collectively, the Authority Indemnified Persons, the District Indemnified Parties, and the Trustee Indemnified Parties (each, an “Indemnified Party”).

“Installment Computation Date,” with respect to an Issue means any date; provided, however, the first Installment Computation Date must be not later than five years after the Issue Date thereof and subsequent Installment Computation Dates must be not later than five years after the previous Installment Computation Date for which a rebate payment was made.

“Insurance Consultant” means any Person that is not the Authority, the Borrower, or an Affiliate, appointed by the Borrower that is qualified to survey risks and to recommend insurance coverage for student housing facilities and organizations engaged in like operations as that of the Project in the State, and that has a favorable reputation for skill and experience in such surveys and such recommendations and who may be a broker or agent with whom the Authority or the Borrower transacts business.

“Insurance Fund” means the Fund of that name created in the Indenture.

“Inventory” shall have the meaning ascribed to such term in the Security Agreement.

“Irrevocable Deposit” means the irrevocable deposit with the Trustee in trust of Defeasance Obligations in accordance with the provisions of the Indenture described in “APPENDIX G—SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS—THE INDENTURE—Discharge of Lien.”

“IRS” means the United States Internal Revenue Service or any successor agency or department.

“Issuance Cost Fund” means the Fund of that name created in the Indenture.

“Issuance Costs,” with respect to the Series 2018 Bonds, means:

(a) 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 Security Agreement, the Assignment of Contracts and Agreements, UCC-1 Financing Statements, and any curative documents that either the Trustee or Independent Counsel may reasonably deem desirable to file for record in order to perfect or protect the interest of the Borrower in the Series 2018 Housing Facility or the lien or security interest created or granted by the Leasehold Deed of Trust, the Security Agreement, or the Assignment of Contracts and Agreements, 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, the Security Agreement, or the Assignment of Contracts and Agreements, in connection with the issuance thereof;

(b) legal fees and expenses, underwriters' spread, underwriting fees, financing costs, Authority's fees and expenses, financial advisor's fees, accounting fees and expenses, consulting fees and expenses, Trustee's fees, paying agent and certifying and authenticating agent fees, dissemination agent fees and expenses, publication costs, title insurance premiums paid in respect of a lender's or mortgagee's title insurance policy if an owner's policy is issued contemporaneously therewith, and printing and engraving costs incurred in connection with the authorization, sale, issuance, and carrying of the Series 2018 Bonds and the preparation of the applicable Bond Documents and all other documents in connection therewith; and

(c) other costs in connection with the issuance of the Series 2018 Bonds permitted by the Act to be paid or reimbursed from proceeds of the Series 2018 Bonds.

"Issue" means obligations treated as part of the same issue pursuant to § 1.150-1(c) of the Regulations.

"Issue Date" with respect to an Issue of Tax-Exempt Bonds means the date of the authentication and delivery of the initial Bonds of such Issue in exchange for the purchase price therefor.

"Joint Powers Agreement" means the Joint Exercise of Powers Agreement, dated May 18, 1995, as subsequently amended, relating to the formation of the Authority, among the Charter Members and certain other public agencies who have joined the Authority as Additional Members, including the District.

"Leasehold Deed of Trust," with respect to the Series 2018 Bonds, means the Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing of even date of the Indenture by the Borrower in favor of the Deed of Trust Trustee for the benefit of the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

"Loan" means the loan by the Authority to the Borrower of the proceeds of the Bonds pursuant to the Loan Agreement and that is evidenced by the Notes.

"Loan Agreement," with respect to the Series 2018 Bonds, means the Loan Agreement of even date with the Indenture between the Authority and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

"Loan Payments" means the Basic Loan Payments, the Additional Loan Payments, and the Reserve Loan Payments.

"Management Agreement," with respect to the Series 2018 Bonds, means (a) the Property Management Agreement of even date with the Indenture between the Borrower and the Manager, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture; and (b) any management or similar agreement between the Borrower and any successor Manager relating to the management of the Series 2018 Housing Facility, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

"Manager" means, initially, The Scion Group LLC, and thereafter, any other management company employed by the Borrower to manage the Housing Facility.

“*Mandatory Sinking Fund Redemption Requirement*,” with respect to the Series 2018 Bonds, and on the date of calculation, means the principal portion of any Series 2018 Bonds required by the provisions of the Indenture to be redeemed by the Authority on the immediately succeeding May 1.

“*Maximum Annual Debt Service*,” with respect to a Series of Bonds, means the maximum Annual Debt Service thereon in the then current Bond Year or in any future Bond Year, whether at maturity or subject to mandatory sinking fund redemption.

“*Members*” means, collectively, the Charter Members and the Additional Members (each, a “Member”).

“*Monitoring Well*” means the monitoring well to be constructed by the Water District on the Campus with the proceeds of the Series 2018 Bonds in accordance with the provisions of the Well Relocation Agreement.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall 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 shall be irrespective of gradations within a category.

“*Net Proceeds*,” when used with respect to any insurance or condemnation award, with respect to the sale or other disposition of a portion of the Housing Facility, 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, sale, or other disposition, or recovery remaining after payment of all expenses (including attorneys’ fees and any Extraordinary Expenses of the Trustee) incurred in the collection of such gross proceeds.

“*No Arbitrage Certificate*” means, with respect to the Series 2018 Bonds, the No Arbitrage Certificate dated as of the Closing Date for the Series 2018 Bonds executed by the Authority.

“*Notes*” means the Series 2018 Note and any Additional Notes.

“*Office of the Trustee*” means the corporate trust office of the Trustee in Los Angeles, California, currently located at 400 South Hope Street, Suite #500, Los Angeles, California 90071, or such other location as may be designated by it to the Authority and the Borrower in writing, or the corporate trust office of, or such other location as may be designated to the Authority and the Borrower in writing by, any successor or temporary Trustee under the Indenture; provided, that, for purposes of the surrender or presentation of Bonds for payment, transfer or exchange, the Office of the Trustee shall be designated corporate trust agency or operations office of the Trustee.

“*Operating Account*” means the checking account opened by the Manager on behalf of the Borrower and maintained by the Manager on behalf of the Borrower and from which Expenses shall be paid.

“*Operating Account Surplus*” means, as calculated by the Borrower, the amount, if any, by which the amounts paid to the Borrower by the Trustee for deposit into the Operating Account in an Annual Period pursuant to the Indenture exceed the amounts paid, incurred, or accrued in respect of operating expenses of the Housing Facility during such Annual Period, 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. For purposes of calculating the Operating Account Surplus for any Annual Period, amounts remaining in the Operating Account at the end of such Annual Period representing reserves for Shortfall Periods shall be considered to be accrued in respect of operating expenses of the Housing Facility during such Annual Period.

“*Operations Contingency Fund*” means the Fund of that name created in the Indenture.

“*Opinion of Counsel*” means an opinion in writing of Independent Counsel who or that is reasonably acceptable to all recipients thereof and who or that may be counsel to the Authority, the Trustee, or the Borrower.

“*Ordinary Services of the Trustee*” and “*Ordinary Expenses of the Trustee*” mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties under the Indenture and under the other Bond Documents of the type ordinarily performed by corporate trustees under like indentures, including, without limitation, reasonable counsel fees and expenses.

“*Outstanding Bonds*” or “*Bonds Outstanding*” means all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds theretofore canceled or required to be canceled by the Trustee;
- (b) Bonds that are deemed to have been paid in accordance with the Indenture; and
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered under the Indenture.

If the Indenture shall be discharged, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

“*Owner*” or “*Owners*” means the Person or Persons in whose name(s) any of the Bonds is registered on the Bond Register.

“*Parking Lot*” means the approximately 300 space surface parking lot that will be constructed on the Campus of the College in the City with the proceeds of the Series 2018 Bonds.

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

- (a) liens for ad valorem taxes, special assessments, and other charges not then delinquent or for taxes, assessments, and other charges being contested in accordance with the Loan Agreement;
- (b) the Bond Documents;
- (c) currently existing utility, access, and other easements and rights of way, restrictions, and exceptions described in the title policy required by the Loan Agreement;
- (d) utility, access, and other easements and rights of way, restrictions, and exceptions that have been determined not to materially impair the use of the Housing Facility for its intended purpose or materially and adversely affect the value thereof, as set forth in a certificate of an Authorized Borrower Representative delivered to the Trustee;

(e) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, or permit, or provision of law, affecting the Housing Facility, to (i) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right has been determined not to materially impair the use of the Housing Facility for its intended purpose or materially and adversely affect the value thereof; or (ii) purchase, condemn, appropriate, or recapture, or designate a purchaser of, the Housing Facility, as set forth in a certificate of an Authorized Borrower Representative delivered to the Trustee;

(f) rights reserved to or vested in any municipality or public authority to control or regulate the Housing Facility or to use the Housing Facility in any manner that have been determined not to materially impair the use of the Housing Facility for its intended purpose or materially and adversely affect the value thereof, as set forth in a certificate of an Authorized Borrower Representative delivered to the Trustee;

(g) inchoate mechanics' and materialmen's liens that arise by operation of law, but that have not been perfected by the required filing of record, for work done or materials delivered after the date of recording the Leasehold Deed of Trust in connection with Additions or Alterations;

(h) the mechanics' and materialmen's liens permitted by the Loan Agreement;

(i) liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance, or other forms of governmental insurance or benefits;

(j) liens to secure the performance of letters of credit, bids, tenders, statutory obligations, leases, and contracts (other than for borrowed funds) entered into in the ordinary course of business to secure obligations on surety or appeal bonds;

(k) statutory restrictions imposed on the use of real property owned by or for the benefit of the District or the College;

(l) judgment liens against the Borrower so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed; and

(m) liens arising by reason of an Irrevocable Deposit.

"Permitted Investments" means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested under the Indenture:

(a) Government Obligations;

(b) obligations of any federal agency that represent the full faith and credit of the United States of America, including, but not limited to:

(i) the Export-Import Bank;

(ii) the U. S. Department of Agriculture - Rural Development (formerly the Farmers Home Administration);

(iii) the U. S. Maritime Administration,

- (iv) the Small Business Administration,
 - (v) the U. S. Department of Housing & Urban Development (PHAs),
 - (vi) the Federal Housing Administration; and
 - (vii) the Federal Financing Bank;
- (c) Defeasance Obligations;
- (d) direct obligations of any of the following federal agencies that are not fully guaranteed by the full faith and credit of the United States of America:
- (i) Senior debt or mortgage pass through obligations that are issued or guaranteed by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC) or any other federal government sponsored agencies;
 - (ii) Obligations of the Resolution Funding Corporation (REFCORP); and
 - (iii) Senior debt obligations of other federal government sponsored agencies;
- (e) U.S. dollar denominated deposit accounts, including demand deposits, time deposits, certificates of deposit (including certificates of deposit placed by a third party pursuant to a separate agreement between the Borrower and the Trustee), other bank deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, federal funds and bankers' acceptances with domestic commercial banks that are rated by Moody's and S&P in the single highest rating category assigned by such Rating Agencies and that mature not more than 360 days after the date of purchase (it being understood that ratings on bank holding companies are not considered as the rating of the bank);
- (f) commercial paper that is rated at least "P-1" by Moody's and at least "A-1" by S&P and that matures not more than 270 days after the date of purchase;
- (g) investments in a money market mutual fund that is rated by S&P in the single highest rating category assigned by such Rating Agency, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
- (h) obligations issued by states or political subdivisions or agencies of the states (and District of Columbia) and their territories that are rated by at least two Rating Agencies (one of which must be either S&P or Moody's) in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agencies;
- (i) certificates of deposit (including certificates of deposit placed by a third party pursuant to a separate agreement between the Borrower and the Trustee), other bank deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, time deposits or other direct, unsecured debt obligations of any bank (including without limitation the Trustee or any of its affiliates), trust company, or savings and loan association, if all of the direct, unsecured debt obligations of such institution are rated by a Rating Agency in one of the three highest rating categories (without regard to any refinement or

gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency, or which certificates of deposit, time deposits, or other obligations are fully secured by a security interest in obligations described in item (a) or (b) of this definition; provided, however, that if such certificates of deposit, time deposits or obligations are so secured (i) the Trustee shall have a perfected first security interest in the obligations securing such certificates of deposit, time deposits, or obligations; (ii) the Trustee shall hold or shall have the option to appoint an intermediary bank, trust company, or savings and loan association as its agent to hold the obligations securing such certificates of deposit or time deposits; and (iii) the Trustee or its appointed agent shall hold such obligations free and clear of the liens or claims of third parties;

(j) certificates of deposit (including certificates of deposit placed by a third party pursuant to a separate agreement between the Borrower and the Trustee), other bank deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, or time deposits of any bank (including the Trustee or any of its affiliates), trust company, or savings and loan association which certificates of deposit, other obligations or time deposits are fully insured by a federally sponsored insurance corporation;

(k) securities of the type described in item (a), (b) or (d) above purchased under agreements to resell such securities to any registered broker/dealer subject to the Securities Investors Protection Corporation jurisdiction or any commercial bank, if such broker/dealer's or bank's uninsured, unsecured, and unguaranteed obligations are rated by a Rating Agency at the time the agreement is entered into in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction;

(ii) the repurchase agreement has a term of 30 days or less, or the Trustee or its agent is required thereunder to value the collateral securities no less frequently than monthly and to liquidate or cause the custodian to liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation;

(iii) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and either:

(A) the securities are held by the Trustee free and clear of any lien or claims of a third party, or

(B) (1) the securities are held by an independent third party acting solely as agent for the Trustee free and clear of any lien or claims of a third party (other than as agent as hereinafter described); (2) such agent is a Federal Reserve Bank, or a bank that is a member of the Federal Deposit Insurance Corporation and which bank has combined capital, surplus and undivided profits of not less than \$50,000,000; (3) the Trustee shall have received written confirmation from such agent that it holds such securities free and clear of any lien or claim, as agent for the Trustee; and (4) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(l) (i) investment agreements with a bank or broker/dealer that is rated at the time the agreement is entered into by a Rating Agency in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency; or (ii) investment agreements with a non-bank financial institution if (A) all of the unsecured, direct long-term debt of such non-bank financial institution is rated by a Rating Agency in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency for obligations of that nature; or (B) such non-bank financial institution has no outstanding long-term debt that is rated, all of the short-term debt of which is rated by a Rating Agency in the highest rating category (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned to short-term indebtedness by such Rating Agency all of which agreements referred to this item (l).

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investments.

“*Person*” means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities.

“*Plans and Specifications*,” with respect to the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts, means the detailed plans and specifications for the construction thereof prepared by the Consulting Architect or by architects and engineers acceptable to the Consulting Architect, as amended from time to time by the Borrower with the consent of the District, a copy of which is or will be on file with the Trustee.

“*Pledged Revenues*,” for any period, means (a) the sum of (i) the gross receipts and operating and non-operating revenues derived by the Borrower from the ownership or operation of the Housing Facility (other than contributions), including, without limitation, all payments to the Borrower from the District under the Coordination Agreement; and (ii) Net Proceeds of insurance; and (iii) Unrestricted Contributions, but excluding in any event; (b) the sum of (i) earnings on amounts that are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness; and (ii) security deposits received from occupants of the Housing Facility and held by the Borrower until such time, if any, as the Borrower shall be permitted to apply such deposits to the payment of rent or to the repair and maintenance of the Housing Facility in accordance with the terms of a lease or residency agreement; and (iii) earnings or gains resulting from any reappraisal, revaluation, or write-up of assets; and (iv) any unrealized gain resulting from changes in the value of investment securities.

“*Premises*” means, collectively, the Property and the Series 2018 Housing Facility.

“*Project*” means the Series 2018 Project and any additional project acquired, constructed, furnished, and equipped with the proceeds of Additional Bonds.

“*Property*” means the land described in Exhibit A attached to the Ground Lease upon which the Series 2018 Housing Facility is being constructed.

“*Rating Agency*,” at any point in time, means any nationally recognized securities rating agency or service then rating a Series or Subseries of Bonds (collectively, the “Rating Agencies”). When used in the definition of “Permitted Investments,” the term Rating Agencies shall include any of Moody’s, S&P, or Fitch, whether or not any of them then rates a Series or Subseries of Bonds.

“*Rebate Amount*,” with respect to an Issue of Tax-Exempt Bonds as of any Computation Date, means the “rebate amount” with respect to such Issue of Tax-Exempt Bonds determined in accordance with § 1.148-3 of the Regulations.

“*Rebate Analyst*” means any independent certified public accountant, financial analyst, or Bond Counsel, or any firm of the foregoing, or financial institution (including the Trustee or any of its affiliates), experienced in making the arbitrage and rebate calculations required pursuant to § 148(f) of the Code, selected and retained and compensated by the Borrower pursuant to the Loan Agreement to make the computations and give the directions required under the Indenture.

“*Rebate Fund*” means the Fund of that name created in the Indenture.

“*Redemption Fund*” means the Fund of that name created in the Indenture.

“*Redemption Price*” means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus accrued interest, if any, plus the applicable premium, if any, payable on redemption thereof in the manner contemplated in accordance with its terms and the Indenture.

“*Regulations*” means the applicable treasury regulations promulgated under the Code or under § 103 of the Internal Revenue Code of 1954, as amended, whether at the time proposed, temporary, final, or otherwise. Reference in the Indenture to any specific provision of the Regulations shall be deemed to include a reference to any successor provision or provisions to such provision.

“*Repair and Replacement Fund*” means the Fund of that name created in the Indenture.

“*Requisite Number of Bondholders*” means the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

“*Reserve Loan Payments*” means the Loan Payments payable by the Borrower to the Trustee pursuant to the Loan Agreement that are described under the subheading “Reserve Loan Payments” in “APPENDIX G—SUMMARY OF PRINCIPAL FINANCING DOCUMENTS—THE LOAN AGREEMENT—Loan Payments and Other Amounts Payable.”

“*Responsible Officer*” means, the president, any managing director, any vice president, any assistant vice president, any senior associate, any associate or any other officer of the Trustee within the Office of the Trustee (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Office of the Trustee because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

“*Restoration Plans and Specifications*” has the meaning ascribed thereto in the Indenture.

“*Revenue Available for Fixed Charges*” means, for any period, the excess of Revenues over Expenses, plus, to the extent that the same shall have been included as an Expense, (a) expenses or expenditures made in respect of the Housing Facility that are capitalized; (b) 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); (c) the repayment of the principal amount of any Indebtedness; (d) lease payments made to the District under the Ground Lease; (e) interest on Indebtedness other than Short-Term Indebtedness; (f) depreciation; (g) amortization; (h) Subordinated Management Fees paid to the Manager in accordance with the Loan Agreement; and (i) any other Expense

to the extent that payment of such Expense shall have been specifically subordinated by written agreement to the payment of Annual Debt Service.

“*Revenue Fund*” means the Fund of that name created in the Indenture.

“*Revenues*,” for any period, means Pledged Revenues minus (a) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business, (b) any contributions from any Affiliate, and (c) any Net Proceeds of insurance other than business or rental interruption insurance.

“*S&P*” means S&P Global Ratings, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*S&P*” shall 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 shall be irrespective of gradations within a category.

“*Securities Act*” means the Securities Act of 1933, as amended.

“*Securities Depository*,” with respect to the Series 2018 Bonds, means DTC or other recognized securities depository selected by the Authority at the request of the Borrower that maintains the Book-Entry System in respect of such Bonds and agrees to follow the procedures required to be followed under the Indenture by a securities depository and shall include any substitute for or successor to the securities depository initially acting as securities depository.

“*Securities Depository Nominee*” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Bond Register the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in the Book-Entry System.

“*Security*” means any of the property subject to the operation of the granting clauses contained in the Security Documents.

“*Security Agreement*,” with respect to the Series 2018 Bonds, means the Pledge and Security Agreement of even date with the Indenture by and between the Borrower and the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“*Security Documents*” means, collectively, the Indenture, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, and the Loan Agreement (each, a “*Security Document*”).

“*Series*,” with respect to the Bonds, means all Bonds issued pursuant to the same Bond Resolution. Two or more Subseries of Bonds may be part of the same Series of Bonds even though they may not be issued and delivered on the same day.

“*Series 2018 Additional Space*” means the Parking Spaces and Tennis Courts to be constructed on the Campus under the Development Agreement which are not located on the Property.

“*Series 2018 Bonds*” means the college housing revenue bonds designated “California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC -

Orange Coast College Project) Series 2018” in the aggregate principal amount of \$[PAR AMOUNT] issued pursuant to the Indenture.

“*Series 2018 Building*” means those certain buildings and all other facilities and improvements constituting part of the Series 2018 Housing Facility and not constituting part of the Series 2018 Equipment that are or will be located on the Property.

“*Series 2018 Completion Date*” means the date of substantial completion of the Series 2018 Project, as certified by the Borrower as provided in the Loan Agreement.

“*Series 2018 Equipment*” means the equipment, machinery, furnishings, and other personal property to be located on the Property acquired with the proceeds of the Series 2018 Bonds and described in Exhibit A to the Loan Agreement, and all replacements, substitutions, and additions thereto.

“*Series 2018 Housing Facility*” means the approximately 814-bed housing facility primarily for students of the College, including the buildings, furniture, fixtures, and equipment therefor and associated site development and various related amenities and improvements that will be acquired, constructed, furnished, and equipped on the Property located on the Campus of the College in the City with the proceeds of the Series 2018 Bonds.

“*Series 2018 Loan*” means the loan by the Authority to the Borrower of the proceeds of the Series 2018 Bonds pursuant to the Loan Agreement and that is evidenced by the Series 2018 Note.

“*Series 2018 Note*” means the Series 2018 Promissory Note of the Borrower of even date with the Indenture in the original principal amount of \$[PAR AMOUNT], payable to the Authority, given to evidence the obligation of the Borrower to repay the portion of the Series 2018 Loan relating to the Series 2018 Bonds.

“*Series 2018 Project*” means, collectively, the Series 2018 Housing Facility, the Parking Lot, the Tennis Courts, and the Monitoring Well, which includes the Series 2018 Building and the Series 2018 Equipment.

“*Shortfall Periods*” means certain periods of time (e.g. summer months) when the Revenues may be inadequate to pay all of the Expenses.

“*Short-Term Indebtedness*” means any Indebtedness maturing not more than 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 365 days after it is incurred, or any such Indebtedness that, although payable within 365 days, constitutes payments required to be made on account of Indebtedness expressed to mature more than 365 days after it was incurred.

“*State*” means the State of California.

“*Subordinated Management Fees*” shall have the meaning ascribed thereto in the Management Agreement.

“*Subseries*,” with respect to the Bonds, means all Bonds of a Series that have the same designation and date of issuance and delivery (but do not necessarily have the same maturity date or bear interest at the same rate). If a Series of Bonds has only one Subseries, such Subseries shall also constitute a Series.

“*Surplus Fund*” means the Fund of that name created in the Indenture.

“*Taxable Bonds*” means any Bonds which are not Tax-Exempt Bonds.

“*Taxable Investment*” means any Permitted Investment other than:

(a) *Non-AMT Tax-Exempt Obligations*: an obligation the interest on which is excluded from the gross income, as defined in § 61 of the Code, of the owners thereof for federal income tax purposes (or, when such obligation was issued, was purported by the evidence of such obligation to be so excluded) and that is not a preference item, as defined in § 57 of the Code; and

(b) *Tax-Exempt Mutual Funds*: an interest in a regulated investment company to the extent that at least 95% of the income to the holder of such interest is interest excludable from gross income under § 103(a) of the Code and is not an item of tax preference.

“*Tax Certificate*,” with respect to the Series 2018 Bonds, means the Certificate Concerning Tax Exempt Status and Related Matters dated as of the Closing Date executed by the Borrower and the Corporation.

“*Tax-Exempt Bonds*” means any Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes, including the Series 2018 Bonds.

“*Tax-Exempt Organization*” means a Person organized under the laws of the United States of America or any state thereof (a) that is an organization described in §501(c)(3) of the Code, (b) that is exempt from federal income taxes under §501(a) of the Code, and (c) unless a Favorable Opinion of Bond Counsel shall be delivered to the Authority and the Trustee, that is not a “private foundation,” within the meaning of §509(a) of the Code.

“*Tennis Courts*” means the tennis courts that will be constructed on the Campus of the College in the City with the proceeds of the Series 2018 Bonds.

“*Trustee*” means the trustee and any co-trustee at the time serving as such under the Indenture. The Bank of New York Mellon Trust Company, N.A., is the initial Trustee.

“*Trustee Indemnified Parties*” means, collectively, Trustee and each of its officers, directors, officials, employees, attorneys, and agents (each, a “Trustee Indemnified Party”).

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

“*2018 Account of the Construction Fund*” means the Account of the Construction Fund of that name created in the Loan Agreement.

“*Unassigned Rights*” means the rights of the Authority under the Loan Agreement and, to the extent not expressly provided in the Loan Agreement, the Authority’s rights thereunder to (a) inspect books and records; (b) give or receive notices, approvals, consents, requests, and other communications; (c) receive payment or reimbursement for expenses, including without limitation, Authority Additional Payments and the Authority Annual Fee; (d) immunity from and limitation of liability; and (e) indemnification by the Borrower; and further, to enforce, in its own name and on its own behalf, those provisions of the Indenture, of the Loan Agreement, and of any other document, instrument, or agreement entered into with respect to the Bonds that provides generally for the foregoing enumerated rights or any similar rights of the Authority. For avoidance of doubt, the “Unassigned Rights” referenced in items (d) and (e), above, shall be interpreted

broadly to encompass (but not be limited to) the rights of the Authority Indemnified Parties to immunity from and limitation of liability and indemnification by the Borrower as provided in the Loan Agreement.

“*Underwriter*” means George K. Baum & Company, and its successors and assigns.

“*Unrestricted Contributions*” means contributions to the Borrower that are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Borrower.

“*Value,*” with respect to Permitted Investments, means (a) other than as described in items (b) and (c) of this definition, the value thereof as established by the pricing service utilized by the Trustee from time to time in the ordinary course of its business; (b) with respect to certificates of deposit and bankers’ acceptances, means the face amount thereof, plus accrued interest; and (c) with respect to agreements described in items (k) and (l) of the definition of Permitted Investments that permit the Borrower to withdraw amounts invested thereunder at any time without penalty, the amount available to be withdrawn therefrom.

“*Water District*” means the Orange County Water District, and its successors and assigns

“*Well Relocation Agreement*” means the Well Relocation Agreement by and between the District and the Water District.

“*Yield*” of:

(a) *Taxable Investments*: all Taxable Investments acquired with (or representing an investment of) Gross Proceeds of an Issue of Tax-Exempt Bonds (or money replaced thereby) on or before any date means the actuarial “yield” of all such Taxable Investments, as “yield” is defined in and determined in accordance with § 1.148-5(b) of the Regulations; and

(b) *Bonds*: an Issue of Tax-Exempt Bonds means the actuarial “yield” of such Issue of Tax-Exempt Bonds, as defined in § 1.148-4 of the Regulations.

APPENDIX G

SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS

The following summaries of certain of the Bond Documents do not purport to be comprehensive or definitive statements of the provisions of such Bond Documents and prospective purchasers of the Series 2018 Bonds are referred to the complete texts of such documents, copies of which are available upon request from the Underwriter prior to the issuance and delivery of the Series 2018 Bonds and from the Trustee after the issuance and delivery of the Series 2018 Bonds.

THE LOAN AGREEMENT

Introduction

The Loan Agreement is an agreement that will provide for the Loan of the proceeds of the Series 2018 Bonds by the Authority to the Borrower and for the repayment of and security for such Loan by the Borrower.

Term of the Loan Agreement

The Loan Agreement shall become effective upon its execution and delivery and shall be in full force and effect until all obligations under the Indenture shall have been paid in full (or provision for such payment shall have been made in accordance with the Indenture); provided, however, that the covenants and obligations expressed in the Loan Agreement to so survive shall survive the Agreement Term.

Acquisition, Construction, Furnishing, and Equipping of the Series 2018 Project

The Borrower shall acquire the interest in the Property created by the Ground Lease, acquire and construct the Series 2018 Building, acquire and install the Series 2018 Equipment therein; and construct and complete the remainder of the Series 2018 Project. The Authority authorizes the Borrower to use the proceeds of the Series 2018 Bonds and other amounts deposited into the Construction Fund from time to time to acquire, construct, furnish, and equip the Series 2018 Project and as provided in the Indenture. The Borrower agrees (i) that it will exercise the foregoing authorizations given to it by the Authority, (ii) that it will cause the Series 2018 Equipment to be acquired, and (iii) that the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts will be acquired and constructed in accordance with the Plans and Specifications.

The Borrower shall construct the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts in accordance with the Plans and Specifications and the Construction Contracts and warrants that the construction of the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts in accordance with the Plans and Specifications will, when supplemented by the Equipment, result in a facility suitable for use by the Borrower as a student housing facility and related facilities and that all real and personal property provided for therein is necessary or appropriate in connection with the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts. The Borrower may make changes in or additions to the Plans and Specifications for the Series 2018 Housing Facility, the Parking Lot, and the Tennis Courts; provided, however, changes in or additions to such Plans and Specifications that are material shall be subject to the prior written approval of the Authorized Developer Representative.

Loan Payments and Other Amounts Payable

Basic Loan Payments.

(i) Until the Debt Service Payments on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower shall pay to the Trustee for the account of the Authority as Basic Loan Payments, in each case for deposit into the Bond Fund, amounts sufficient to pay the Debt Service Payments on the Bonds as and when the same shall become due and all other sums payable under the terms of the Bonds. The Borrower shall pay to the Trustee for the account of the Authority:

(A) on or before October 20, 2018, and on or before the twentieth day of each month thereafter to and including April 20, 2019, a sum equal to one-seventh of the amount payable on May 1, 2019, as interest on the Series 2018 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor, will be sufficient to pay interest on the Series 2018 Bonds to become due on May 1, 2019, as provided in the Indenture;

(B) on or before May 20, 2019, and on or before the twentieth day of each month thereafter, a sum equal to one-sixth of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2018 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor, will be sufficient to pay interest on the Series 2018 Bonds to become due on the immediately succeeding Interest Payment Date, as provided in the Indenture;

(C) 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;

(D) on or before August 20, 2020, and on or before the twentieth day of each month thereafter, to and including April 20, 2021, a sum equal to one-ninth of the principal due on May 1, 2021;

(E) on or before May 20, 2021, and on or before the twentieth day of each month thereafter, to and including April 20, 2022, a sum equal to the sum of (1) one-twelfth of the principal due on the immediately succeeding May 1 that is a maturity date of the Series 2018 Bonds, and (2) one-twelfth of the Mandatory Sinking Fund Redemption Requirement;

(F) 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);

(G) on the Business Day prior to any date on which the Series 2018 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant to the Indenture), an amount equal to the Redemption Price of the Series 2018 Bonds to be redeemed (taking into account

amounts then on deposit in the Bond Fund and the Redemption Fund to be used for the payment of such Series 2018 Bonds to be redeemed); and

(H) 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 Redemption Price of such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund to be used for the payment of such Additional Bonds to be redeemed).

(ii) Each payment of Basic Loan Payments under clauses (i)(A), (B) and (C) of this Section shall 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, each payment of Basic Loan Payments under clauses (i)(D) and (E) of this Section shall 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 1 (whether at maturity or by mandatory sinking fund redemption), and each payment of Basic Loan Payments under clauses (i)(F) and (G) of this Section shall in all events be sufficient, after giving credit for funds held in the Redemption Fund available for such purpose, to pay the total Redemption Price of the Bonds on the applicable date of redemption. Any Basic Loan Payments shall be reduced or need not be made to the extent that there are moneys on deposit in the Bond Fund and/or the Redemption 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 or for which wires have been provided by the Trustee, and past due interest in all cases where Bonds have not been presented for payment. Further, if the amount held by the Trustee in the Bond Fund and the Redemption Fund shall be sufficient to pay at the times required the Debt Service Payments on the Bonds then remaining unpaid, the Borrower shall not be obligated to make any further payments of Basic Loan Payments under the provisions of this Section. There shall 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.

Additional Loan Payments.

(i) The Borrower shall pay (A) to the Trustee until the Debt Service Payments on the Bonds shall have been paid in full (1) for deposit into the Rebate Fund any amount required to be deposited therein pursuant to the Loan Agreement; (2) 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 shall become due; (3) 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 shall become due; (4) promptly upon request, the reasonable fees and charges of the Trustee for the Extraordinary Services of the Trustee rendered by it, and the Extraordinary Expenses of the Trustee incurred by it, under the Indenture as and when the same shall become due; provided, that the Borrower may, without creating an Event of 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; (5) for deposit into the Repair and Replacement Fund, commencing on August 20, 2020, and on the twentieth day of each month thereafter to and including June 20, 2021, in equal monthly installments, one-eleventh of the amounts scheduled in the Loan Agreement, which, by this reference thereto, is incorporated in the Loan Agreement, as “Scheduled Payments to the Repair and Replacement Fund,” and on the twentieth day of each month thereafter, in equal monthly installments, one-twelfth of the amounts scheduled in the Loan Agreement as “Total Reserves,” and any and all additional amounts required to be deposited therein by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds on the dates set forth therein; and (6) for deposit into any Fund or Funds created under the Indenture or any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds other than the Repair and Replacement Fund, the Cash Trap Fund, the Operations Contingency Fund, and the Surplus Fund, any and all additional amounts required to be deposited into such Fund or Funds by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds on the dates set forth therein, (B) to the Authority, the Authority Additional Payments including, without limitation, the Authority Annual Fee (at the Remittance Address) on the due dates therefor; (C) to the Independent Architect/Engineer and the Insurance Consultant all of their reasonable fees, charges, and expenses; and (D) provided no Event of Default shall have occurred and then be continuing under the Loan Agreement, to the Manager, any subordinated management fees owed pursuant to the Management Agreement, which shall be evidenced by a written invoice approved by the Borrower.

(ii) Such Additional Loan Payments shall 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 such party for one or more of the above items. Amounts so billed shall be paid by the Borrower within 30 days after receipt of the bill by the Borrower.

(iii) In the event the Borrower shall fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been paid in full and shall 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 paragraph (b)(i) above in accordance with the terms of the Indenture shall be credited against the Borrower’s obligation to make Additional Loan Payments to the extent such amounts are so used.

Reserve Loan Payments.

(i) The Debt Service Reserve Fund shall be funded in an amount equal to the Debt Service Reserve Requirement for the purpose of paying Debt Service Payments on the Series 2018 Bonds and on any Additional Bonds that are Tax-Exempt Bonds as the same shall become due in the event there shall be insufficient funds for said purpose in the Cash Trap Fund, the Bond Fund, the Redemption Fund, the Surplus Fund, and the Operations Contingency Fund, unless provision for their payment in full shall have been duly made, and for payment of the fees, charges, and expenses of the Trustee upon the occurrence of an Event of Default under the Indenture. In the event any funds from the Debt Service Reserve Fund shall be withdrawn or if there shall be a diminution in Value of the cash and investments held in the Debt Service Reserve Fund as of any Valuation Date or if any net losses result from the investment of amounts held in the Debt Service Reserve Fund that shall reduce the Value of the cash and investments held in the Debt Service Reserve Fund to less than the Debt Service Reserve Requirement as of any Valuation Date, the Borrower shall, beginning on the twentieth day of the month following notice from the Trustee of

such withdrawal, diminution in Value, or losses and on the twentieth day of each month thereafter, in addition to any other Loan Payments that may be due, make 12-consecutive monthly payments as Reserve Loan Payments to the Trustee for deposit into the Debt Service Reserve Fund, each equal to one-twelfth of the amount of such withdrawal, diminution in Value, or losses.

(ii) If any funds shall be withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture, the Borrower shall pay to the Trustee for deposit to the Repair and Replacement Fund the greater of (A) the lesser of (1) one-twelfth of the amount of such withdrawal or (2) such amount that is necessary to reimburse the Repair and Replacement Fund for all such withdrawals, or (B) such amount as shall be determined by the Borrower.

Credit for Transfers and Deposits Under the Indenture. The Borrower shall receive a credit against its obligation to make the Loan Payments under this Section to the extent of all sums that are transferred to any Person or deposited to any Fund or Account in accordance with the provisions of the Indenture.

Authority Closing Expenses. In addition to and without in any way limiting its obligations to pay and indemnify the Authority and the Authority Indemnified Persons against fees, costs, and charges arising out of or in connection with the Loan Agreement, the other Borrower Documents, the Bonds, or the Indenture, the Borrower shall pay, on the Closing Date, to the Authority or to the Authority's attorneys, as applicable, the Authority Closing Expenses.

The Loan and the Notes

The Authority agrees to lend to the Borrower, and the Borrower agrees to borrow from the Authority, the proceeds of the sale of the Series 2018 Bonds for the purposes of financing the Costs of the Project, funding the initial costs of marketing the Series 2018 Housing Facility, providing initial working capital for the Series 2018 Housing Facility, funding interest on the Series 2018 Bonds during the period of construction of the Series 2018 Project, funding the Debt Service Reserve Fund for the Series 2018 Bonds, paying the Corporation Acquisition Fee and the Issuance Costs, and paying any Authority Annual Fee required to be paid prior to the Series 2018 Completion Date, all in accordance with the terms and conditions of the Loan Agreement and the Indenture. The deposit of the proceeds of the sale of the Series 2018 Bonds as provided in the Indenture shall constitute the loan of such proceeds from the Authority to the Borrower. Such proceeds shall be applied as provided in the Indenture. The Borrower shall repay the Loan as provided above under "Loan Payments and Other Amounts Payable." The Borrower will duly and punctually pay the principal of, premium, if any, and interest on the Loan at the dates and the places and in the manner mentioned in the Loan Agreement. The Borrower shall make payments on the Loan and is liable therefor at times and in amounts sufficient to pay when due all Debt Service Payments on all Bonds from time to time Outstanding under the Indenture.

The Borrower's obligation to repay the Loan, together with premium, if any, and interest thereon, which is more fully described above under "Loan Payments and Other Amounts Payable – Basic Loan Payments," shall be evidenced by the Notes, which the Borrower agrees to execute and deliver to the Authority. The Borrower will duly and punctually pay the principal of, premium, if any, and interest on the Notes at the dates and the places and in the manner mentioned therein and in the Loan Agreement, according to the true intent and meaning thereof and of the Loan Agreement. Notwithstanding any schedule of payments on the Notes set forth therein or herein, the Borrower shall make payments on the Notes and is liable therefor at times and in amounts sufficient to pay when due all Debt Service Payments on all Bonds from time to time Outstanding under the Indenture.

Nature of Obligations of the Borrower

The obligations of the Borrower to make the payments required above under “Loan Payments and Other Amounts Payable” and in the Loan Agreement, and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim it may otherwise have against the Authority. The Borrower agrees that it will not (i) suspend, abate, reduce, abrogate, diminish, postpone, modify, or discontinue any payments provided for above under “Loan Payments and Other Amounts Payable”; (ii) fail to observe any of its other agreements contained in the Borrower Documents; or (iii) except as provided in the Loan Agreement or in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, terminate its obligations under any of the Borrower Documents for any contingency, act of God, event, or cause whatsoever, including, without limiting the generality of the foregoing, failure of the Borrower to occupy or to use the Housing Facility as contemplated in the Loan Agreement or otherwise, any change or delay in the time of availability of the Housing Facility, any acts or circumstances that may impair or preclude the use or possession of the Housing Facility, any defect in the title, design, operation, merchantability, fitness, or condition of the Housing Facility or in the suitability of the Housing Facility for the Borrower’s purposes or needs, failure of consideration, any declaration or finding that any of the Bonds are unenforceable or invalid, the invalidity of any provision of the Loan Agreement or any of the other Bond Documents, any acts or circumstances that may constitute an eviction or constructive eviction, destruction of or damage to the Housing Facility, the taking by eminent domain of title to or the use of all or any part of the Housing Facility, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision or agency of either or in the rules or regulations of any governmental authority, or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement.

Nothing contained in this Section shall be construed to release the Authority from the performance of any of the agreements on its part contained in the Loan Agreement. In the event the Authority should fail to perform any such agreement on its part, the Borrower may institute such action against the Authority as the Borrower may deem necessary to compel performance so long as such action does not abrogate the Borrower’s obligations under the Loan Agreement.

Repair and Replacement Fund Certification

At least every three years following the fifth anniversary of the Series 2018 Completion Date, the Borrower shall file with the Trustee a certification accompanied by a written report of an Independent Architect/Engineer relating to the adequacy of the deposits in the Repair and Replacement Fund and the condition of the Housing Facility which shall state the Independent Architect/Engineer’s recommendation (after its consultation with the District) as to the amount of any adjustment needed to the Repair and Replacement Fund. The amounts required to be deposited into the Repair and Replacement Fund shall be subject to adjustment upward or downward if so recommended by the Independent Architect/Engineer, and if so adjusted, the Borrower shall provide the Authority and the Trustee with a revised “Schedule of Payments to the Repair and Replacement Fund” which shall, from and after the date of such recommendation, be deemed and treated as an amendment to the Loan Agreement and a supplement to the Indenture, respectively. The Manager shall set rental rates in the annual operating budget consistent with any revised Repair and Replacement Fund requirement.

Maintenance and Modification of Housing Facility by the Borrower

The Borrower agrees that during the Agreement Term it shall at its own expense (i) keep the Housing Facility in as reasonably safe condition as its operations shall permit; (ii) keep the Building and

all other improvements forming a part of the Housing Facility in good repair and in good operating condition, making from time to time, subject to the provisions below under "Removal of Equipment," 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 its own expense, from time to time make any Additions or Alterations to the Housing Facility that it may deem desirable for its business purposes and that do not, in the opinion of an Independent Architect/Engineer filed with the Trustee, adversely affect the operation or value of the Housing Facility; provided, that the opinion of an Independent Architect/Engineer shall only be required in the case of material Additions or Alterations. Additions or Alterations to the Housing Facility so made by the Borrower shall be on the Property, shall become a part of the Housing Facility, and shall become subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement. Such Additions or Alterations that cost in excess of \$500,000 shall be made only by contractors that furnish performance and labor and material payment bonds in the full amount of such contracts, made by the contractor thereunder as the principal and a surety company or companies reasonably acceptable to the Trustee as surety, and such bonds shall be in such forms as are reasonably acceptable to the Trustee. Such bonds shall name the Borrower, the Authority and the Trustee as obligees, and all Net Proceeds received under such bonds shall be paid over to the Trustee and deposited into the Insurance Fund to be applied to the completion of the Additions or Alterations to the Housing Facility. Such money held by the Trustee in the Insurance Fund shall be invested from time to time, as provided in the Loan Agreement.

The Borrower shall execute a conditional assignment directing the architect who has prepared any Plans and Specifications for any "material" Additions or Alterations to make available to the Trustee a complete set of the Plans and Specifications, which assignment shall be effective only upon the occurrence of an Event of Default under the Loan Agreement (it being understood that the Trustee has no duty or obligation to access or review such Plans and Specifications). All Construction Contracts executed by the Borrower for construction of any "material" Additions or Alterations shall contain a provision that, or by separate agreement such contractors shall agree that, upon the occurrence of an Event of Default under the Loan Agreement, said contracts with the contractors and/or sub-contractors shall be deemed assigned to the Trustee should the Trustee so direct. The Borrower covenants to include such conditional assignments in all material contracts and subcontracts executed for work to be performed on the Property. For purposes of this Section, the term "material" means any Addition or Alteration or contract having a cost of more than \$100,000.

The Borrower further agrees that at all times during the construction of Additions or Alterations that cost in excess of \$500,000, it shall maintain or cause to be maintained in full force and effect builder's Risk—Completed value form insurance to the full insurable value of such Additions or Alterations. The Borrower shall not permit any mechanics' or materialmen's or other statutory liens to be perfected or remain against the Project for labor or materials furnished in connection with any Additions or Alterations so made by it; provided that it shall not constitute an Event of Default under the Loan Agreement upon such lien's being filed if the Borrower shall promptly notify the Trustee of any such liens and the Borrower shall in good faith promptly contest such liens; in such event, the Borrower may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom provided the Borrower shall furnish the Trustee with a bond or cash deposit equal to at least the amount so contested, which, in the case of cash, shall be placed into an account with the Trustee and held and invested as provided in the Loan Agreement for the purposes stated in this paragraph (c), or with an Opinion of Counsel stating that by nonpayment of any such items, the lien and security interest of the Leasehold Deed of Trust and the Security Agreement will not be materially endangered and neither the Housing Facility nor any material part thereof will be subject to imminent loss or forfeiture. The proceeds of the bond or cash deposit may

be used by the Trustee to satisfy the lien if action is taken to enforce the lien and such action is not stayed. The bond or cash deposit shall be returned to the Borrower if the lien shall be successfully contested. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such an Opinion of Counsel, the Borrower shall promptly cause to be satisfied and discharged all such items by payment thereof. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such an Opinion of Counsel, or to satisfy and discharge the lien, the Authority or the Trustee may, but shall be under no obligation to, satisfy and discharge the lien by payment thereof or provide security that shall cause the claimant to release the lien against the Project, and all amounts so paid by the Authority or the Trustee shall be treated as an advance to the Borrower repayable in accordance with "Advances by the Authority or the Trustee" below.

The Borrower shall not do or permit others under its control to do any work in or about the Project or related to any repair, rebuilding, restoration, replacement, alteration of, or addition to the Housing Facility, or any part thereof, unless the Borrower shall have first procured and paid for all requisite municipal and other governmental permits and authorizations, including any permits or authorizations required by the Ground Lease. All such work shall be done in a good and workmanlike manner and in compliance with all applicable building, zoning, and other laws, ordinances, governmental regulations, and requirements and in accordance with the requirements, rules, and regulations of all insurers under the policies required to be carried under the provisions of the Loan Agreement.

Removal of Equipment

If no Event of Default under the Loan Agreement shall have occurred and be continuing, in any instance where the Borrower in its discretion shall determine that any items of Equipment or any portion thereof shall have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, the Borrower may remove such items of Equipment or portion thereof from the Property and sell, trade-in, exchange, or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Authority or the Trustee therefor, provided that the Borrower shall either:

(i) substitute and install anywhere in the Building or on the Property items of replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Housing Facility for the purpose for which it is intended, provided such removal and substitution shall not impair the nature of the Housing Facility, all of which replacement equipment or related property shall be free of all liens, security interests, and encumbrances (other than Permitted Encumbrances), shall become subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement, and shall be held by the Borrower on the same terms and conditions as the items originally constituting Equipment; or

(ii) not make any such substitution and installation, unless in the case of: (A) the sale of any such Equipment; (B) the trade-in of such Equipment for other machinery, furnishings, equipment, or related property not to become part of the Equipment or to become subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement; or (C) any other disposition thereof, the Borrower shall pay to the Trustee the proceeds of such sale or disposition or an amount equal to the credit received upon such trade-in for deposit into the Redemption Fund. In the case of the sale, trade-in, or other disposition of any such Equipment to an Affiliate of the Borrower, the Borrower shall pay to the Trustee an amount equal to the greater of the amounts and credits received therefor or the fair market value thereof at the time of such sale, trade-in, or other disposition for deposit into the Redemption Fund.

All amounts deposited into the Redemption Fund pursuant to the provisions of this Section shall be used to redeem all or a portion of the Bonds issued to finance or refinance the acquisition of such inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary Equipment or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. With respect to the Series 2018 Bonds, such amounts shall be used to redeem Series 2018 Bonds in accordance with the provisions of the Indenture or, if the Series 2018 Bonds shall no longer be Outstanding, to redeem such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. Except to the extent that amounts are deposited into the Redemption Fund, the removal from the Housing Facility of any portion of the Equipment pursuant to the provisions of this Section shall not entitle the Borrower to any postponement, abatement, or diminution of the Basic Loan Payments payable above under “Loan Payments and Other Amounts Payable.”

In the event that prior to such removal and disposition of items of Equipment from the Building and the Property, the Borrower shall have acquired and installed machinery, furnishings, equipment, or related property with its own funds that become part of the Equipment and subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement and that have equal or greater utility (but not necessarily the same function) as the Equipment to be removed, the Borrower may take credit to the extent of the amount so spent by it against the requirement that it either substitute and install other machinery and equipment having equal or greater value (but not necessarily the same function) or that it make payment to the Trustee for deposit into the Redemption Fund.

The Borrower shall report or cause to be reported promptly to the Trustee each such removal, substitution, sale, or other disposition and shall pay or cause to be paid to the Trustee such amounts as are required by the provisions of the preceding paragraph (a) of this Section to be deposited into the Redemption Fund promptly after the sale, trade-in, or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be deposited into the Redemption Fund on account of all such sales, trade-ins, or other dispositions not previously reported shall equal, in the aggregate, at least \$50,000 in any Annual Period. All amounts deposited into the Redemption Fund pursuant to this Section as a result of the sale, trade-in, exchange, or other disposition of Equipment shall be applied to the redemption of all or a portion of the Bonds issued to finance or refinance the acquisition of such Equipment or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. With respect to the Series 2018 Bonds, such amounts shall be used to redeem Series 2018 Bonds in accordance with the provisions of the Indenture or, if the Series 2018 Bonds shall no longer be Outstanding, to redeem such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. The Borrower shall not remove, or permit the removal of, any of the Equipment from the Building or the Property except in accordance with the provisions of this Section.

Taxes, Other Governmental Charges, and Utility Charges

The Borrower shall pay as an Expense, as the same become due, (i) all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Housing Facility that, if not paid, will become a lien on the Housing Facility prior to or on a parity with the lien and security interest of the Leasehold Deed of Trust and the Security Agreement or a charge on the Pledged Revenues prior to or on a parity with the charge and security interest thereon and the pledge or assignment thereof created and made in the Security Agreement and including all ad valorem taxes or payments in lieu of such taxes lawfully assessed upon the Housing Facility; (ii) all utility and other charges incurred in the ownership, operation, maintenance, use, occupancy, and upkeep of the Housing Facility; and (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Housing Facility; provided, that with respect to special assessments or

other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the Agreement Term.

If the Borrower shall first notify the Trustee of its intention so to do, the Borrower may, at its own expense and in good faith, contest any such taxes, assessments, or other charges and, in the event of any such contest, may permit the taxes, assessments, or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided the Borrower shall furnish the Trustee with a bond or a cash deposit equal to at least the amount so contested plus any interest or penalties that might be payable as a result of any late payment, which, in the case of cash, shall be placed into an account with the Trustee and held for the purposes stated in this paragraph (b), or an Opinion of Counsel stating that by nonpayment of any such items, the lien and security interest of the Leasehold Deed of Trust and the Security Agreement will not be materially endangered and neither the Project nor any material part thereof will be subject to imminent loss or forfeiture. The proceeds of such bond or cash deposit may be used by the Trustee to satisfy the lien if action shall be taken to enforce the lien and such action shall not be stayed. Such bond or cash deposit shall be returned to the Borrower if the taxes, assessments, or other charges shall be successfully contested. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such Opinion of Counsel, such taxes, assessments, or charges shall be promptly satisfied and discharged by payment thereof.

Insurance

The Borrower agrees that it will, at all times during the construction of the Series 2018 Project, obtain and maintain or cause the Developer and/or cause the Developer to cause the General Contractor to obtain and maintain in full force and effect All Risk and Builder's Risk—Completed Value Form Property Insurance insuring all buildings, structures, boilers, equipment, facilities, fixtures, supplies, and other property constituting the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts on an "all risk of loss or damage basis," currently referred to as "special form," including coverage for soft costs (in an amount equal to or greater than the anticipated excess debt coverage anticipated for the first full year of operations) and lost rents (in an amount equal to or greater than the anticipated net rental revenue for the first full year of operations) due to damage and destruction prior to completion, including perils of theft, vandalism, malicious mischief, transit, materials stored off site, collapse, falsework, temporary buildings, debris removal, testing, and damage resulting from defective design, workmanship or material, fire, lightning, earth movement, (including, but not limited to, earthquake, landslide, subsidence, and volcanic eruption), flood, windstorm (including tornados), collapse, boiler and machinery accidents, strikes, riot, civil commotion, sabotage, and all other risks covered by the extended coverage endorsement then in use in the State to the full replacement cost of the Series 2018 Housing Facility, the Parking Lot and the Tennis Courts with a deductible provision not to exceed \$25,000.00 per occurrence, except in the event of a named windstorm, earthquake, or flood in which case the deductible shall not exceed 3% of the value at risk, but shall in any case be a minimum of \$100,000.

In addition to the insurance required above (except that insurance relating to earthquakes shall not be required subsequent to the completion of the construction of the Housing Facility), throughout the Agreement Term, the Borrower shall keep the Housing Facility 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, including, but not limited to:

- (a) commencing on the date on which the Borrower begins leasing the Housing Facility to proposed occupants thereof, insurance upon the repair or replacement basis in an amount of not less than 100% of the then actual cost of replacement (excluding costs of replacing excavations and foundations, but without deduction for depreciation) of the Housing Facility (with deductible provisions not to exceed \$25,000 per occurrence, except in the event of a named

windstorm or flood in which case the deductible shall not exceed 3% of the value at risk, but shall in any case be a minimum of \$100,000) against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke and such other risks as are now or hereafter included in the uniform standard extended coverage endorsement in common use for similar structures (including vandalism and malicious mischief);

(b) commencing on the date on which the Borrower begins leasing the Series 2018 Housing Facility to proposed occupants thereof, business interruption insurance (also referred to as “business income” or “loss of rents” insurance) covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in, the operation of the Housing Facility caused by covered damage to or destruction of the Housing Facility in an amount not less than the Maximum Annual Debt Service on the Bonds plus 12 months’ budgeted operating expenses minus those operating expenses avoided as a result of and during the period of interruption;

(c) comprehensive general liability insurance providing insurance (with deductible provisions not to exceed \$1,000 per occurrence) covering all claims for bodily injury and property damage, including not less than \$1,000,000 per occurrence and \$5,000,000 in the aggregate, to include personal and advertising injury, general aggregate, products and completed operations aggregate insurance beginning at the completion of each Housing Facility component, and contract liability to cover all insurable obligations under the Ground Lease;

(d) commencing on the date any vehicle is acquired or hired by the Borrower for use with respect to the Project, automobile liability insurance providing insurance (with deductible provisions not to exceed \$1,000 per occurrence) to the extent of not less than a combined single limit of \$1,000,000 per accident covering liability arising out of the use of any Borrower vehicle or such vehicles used in conjunction with the Project, whether owned, non-owned, or hired, and including personal injury protection and uninsured motorist protection in the minimum statutory limits where required by law;

(e) at all times, insurance under the Federal Flood Insurance Program within the minimum requirements and amounts required for federally financed or assisted loans under the Flood Disaster Protection Act of 1973, as amended, if the Housing Facility is eligible under such program;

(f) commencing on the date the first employee of the Borrower is hired, workers’ compensation coverage or other similar coverage covering all of the Borrower’s employees on the Premises, as required by the laws of the State, including, with respect to workers’ compensation insurance, Coverage B—Employer’s liability limits of: bodily injury by accident—\$500,000 each accident; and bodily injury by disease—\$500,000 each employee (and, in this regard, the Borrower shall require all subcontractors performing work on the Project to provide an insurance certificate showing proof of workers’ compensation insurance);

(g) to the extent that the Housing Facility contains a steam boiler, pressure vessels, or pressure piping, and commencing on the date on which the same are installed in the Housing Facility, boiler explosion insurance on steam boilers, if any, pressure vessels, and pressure piping in an amount not less than 100% of the then actual cost of replacement (excluding costs of replacing excavations and foundations, but without deduction for depreciation) of the Housing Facility (with deductible provisions not to exceed \$25,000 per occurrence);

(h) commencing on the Series 2018 Completion Date, fidelity bonds or employee dishonesty insurance in the amount of \$100,000 for all officers, agents, and employees of the Borrower with the responsibility of handling Pledged Revenues; and

(i) additional umbrella or excess liability coverage in the amount of \$10,000,000 in the aggregate, which shall include all coverages required by (c), (d) and (f) above in this Section.

Application of Net Proceeds of Insurance

The Net Proceeds of the insurance carried pursuant to provisions above under “Insurance Required” shall be paid and applied as provided below under “Destruction and Damage,” and the Net Proceeds of insurance carried pursuant to provisions above under “Insurance Required” shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid. The Net Proceeds of the insurance carried pursuant to provisions above under “Insurance Required,” up to an amount equal to the Debt Service Reserve Requirement on the Bonds (including any Mandatory Sinking Fund Redemption Requirement) for the succeeding 12-month period, shall be deposited into the Bond Fund and used as provided in the Indenture and the balance shall be deposited into the Revenue Fund.

Additional Provisions Respecting Insurance

All insurance required under “Insurance Required” be taken out and maintained in generally recognized responsible insurance companies qualified to do business in the State, that may include “captive” insurance companies or governmental insurance pools, and that have Best Policyholders Rating of “A-” or better and with a financial size rating of Class VIII or larger. All policies evidencing such insurance shall provide for payment to the Authority, the Borrower, and the Trustee as their respective interests may appear, the policies required above under “Insurance Required” shall name the Authority and the Trustee as additional insureds, and the policies required above under “Insurance Required” shall name the Trustee as mortgagee and loss payee under a standard loss payable endorsement providing that no act or omission by the Borrower shall in any way prejudice the rights of the Trustee under such policies and shall require that all Net Proceeds of insurance if in excess of \$250,000 for loss or damage covered thereby be paid to the Trustee and applied under “Destruction and Damage” below; provided, however, that prior to the occurrence of an Event of Default under the Loan Agreement, all claims regardless of amount may be adjusted by the Borrower with the insurers, subject to prior written approval of the Trustee as to any settlement of any claim in excess of \$250,000, which approval shall not be unreasonably withheld. In lieu of separate policies, the Borrower may maintain one or more blanket policies of insurance having the coverage required above under “Insurance Required.” All such policies shall provide that such insurance may not be canceled by the issuer thereof before the Bonds have been paid in full without at least 30 days’ written notice to the Borrower. The Borrower shall promptly forward any notice of cancellation received from an insurance carrier to the Authority and the Trustee.

Insurance Certification; Review by Insurance Consultant

The Borrower shall deliver to the Trustee within 90 days after the end of each Annual Period, beginning with the Annual Period ending June 30, 2021, a certificate of an Authorized Borrower Representative setting forth the particulars as to all insurance policies maintained by the Borrower above under “Insurance Required” and “Additional Provisions Respecting Insurance” and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of such Sections, and that all premiums then due thereon have been paid. The Trustee shall be entitled to rely upon said certification of the Borrower as to the Borrower’s compliance with the insurance requirements of the Loan Agreement. The Trustee shall not be responsible for the sufficiency of coverage or the amounts of any such policies.

At all times during the Agreement Term, an Insurance Consultant shall be designated by the Borrower. The Borrower shall procure from the Insurance Consultant a review of its insurance requirements not less than every two years along with a written recommendation, if necessary, for increasing or decreasing any of the insurance or coverages hereinabove required, and shall furnish a copy of such review to the Trustee. If any such review by the Insurance Consultant contains recommendations for increasing any of such insurance or coverages, the Borrower shall promptly increase such insurance or coverages in accordance with such recommendations, and if any such review by the Insurance Consultant contains recommendations for decreasing any of such insurance or coverages, the Borrower may decrease such insurance or coverages in accordance with such recommendations. In addition, on or before the execution and delivery of the Loan Agreement and, thereafter, upon the request of the Trustee, the Borrower shall furnish to the Trustee a certificate of the Insurance Consultant to the effect that the insurance procured by the Borrower satisfies in all respects the requirements above under “Insurance Required” and “Additional Provisions Respecting Insurance”. Prior to the Closing Date for a Series of Bonds, the Borrower shall deliver to the Trustee original ACORD Certificates of Insurance that evidence the coverages and endorsements required in the Loan Agreement.

Advances by the Authority or the Trustee

If the Borrower shall fail to make any payment or perform any act required of it under the Loan Agreement, the Authority or the Trustee may (but shall be under no obligation), after notifying the Borrower of its intention to do so and at the expiration of any applicable cure period, make such payment or perform such act. All amounts so paid by the Authority or the Trustee and all costs, fees, and expenses so incurred shall be payable as an additional obligation under the Loan Agreement and under the Notes, together with interest thereon from the date of payment by the Authority or the Trustee, as applicable, at the Default Rate, payment of which shall be secured by the Leasehold Deed of Trust and the Security Agreement. Any remedy vested in the Authority or the Trustee for the collection of the Loan Payments shall also be available to the Authority and the Trustee for the collection of all such amounts so advanced. The Trustee shall be under no obligation to make any such payment unless it shall be requested to do so by the Requisite Number of Bondholders and shall be provided with adequate funds paid in cash to the Trustee (from a source or sources approved by the Trustee) for the purpose of such payment.

Destruction and Damage

In the event that the Housing Facility shall be destroyed or damaged (in whole or in part) by fire or other casualty, the Borrower shall promptly notify the Authority and the Trustee in writing, and, unless the Bonds shall be paid in full from the Net Proceeds of insurance resulting from such destruction or damage, shall be obligated to continue to make the Loan Payments and shall not be entitled to any postponement, abatement, or diminution thereof.

If such Net Proceeds of insurance shall be less than \$250,000 (which amount shall be increased as of each July 1 by a percentage equal to the past year’s increase, if any, in the Consumer Price Index for the City (the “CPI Adjustment”) as provided in writing by the Borrower to the Trustee), all such insurance proceeds shall be paid to the Borrower, and the Borrower shall repair, replace, rebuild, restore, and/or re-equip the Housing Facility 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 function of the Housing Facility. In the event the Net Proceeds shall not be sufficient to pay in full the costs of any such repair, replacement, rebuilding, restoration, and/or re-equipping, the Borrower shall nonetheless complete said work and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

If such Net Proceeds of insurance shall be in excess of \$250,000 (plus the applicable CPI Adjustment, if any), all such insurance proceeds shall be paid to the Trustee and deposited and held in the Insurance Fund to be applied, as fully as practicable, in one or more of the following ways as shall be directed in writing by the Borrower within sixty days from the date of such deposit:

(i) subject to the requirements of “Conditions Precedent to Repair, Restoration or Replacement of the Housing Facility; Other Requirements” below, such Net Proceeds may be applied to the restoration of the Housing Facility; or

(ii) subject to the requirements of “Conditions Precedent to Repair, Restoration or Replacement of the Housing Facility; Other Requirements” below, 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 Housing Facility as conducted prior to such destruction or damage (which improvements shall be deemed a part of the Housing Facility and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as herein provided to the same extent as if such improvements were specifically described herein and shall 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 and the Security Agreement, 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 in this Section.

All Net Proceeds deposited into the Redemption Fund pursuant to this Section as a result of the destruction of or damage to the Housing Facility shall be applied to the redemption of all or a portion of the Bonds issued to finance or refinance the acquisition of such portion of the Housing Facility or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture.

All Net Proceeds so deposited into the Redemption Fund to be applied to the redemption of the Series 2018 Bonds shall be used to redeem Series 2018 Bonds in accordance with the provisions of the Indenture; provided, that no part of such Net Proceeds may be applied to a redemption of the Bonds in whole pursuant to the Indenture unless the requirements under “Option to Prepay Loan Upon the Occurrence of Certain Extraordinary Events” below shall have been met.

Any balance of such Net Proceeds of insurance remaining after application pursuant to this Section or remaining because of the failure of the Authorized Borrower Representative to furnish to the Authority and the Trustee the items required by “Conditions Precedent to Repair, Restoration or Replacement of the Housing Facility; Other Requirements” below shall be transferred to the Redemption Fund and used to redeem Bonds as provided in this Section.

Condemnation

In the event that title to or the temporary use of the Housing Facility or any part thereof shall 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 shall promptly notify the Authority and the Trustee in writing and, unless the Bonds shall be paid in full from the award made in such eminent domain proceedings, shall

be obligated to continue to make the Loan Payments and shall not be entitled any postponement, abatement, or diminution thereof.

Except for Net Proceeds received by the Borrower pursuant to the Loan Agreement, the Authority and the Borrower shall 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 the Trustee shall deposit such Net Proceeds received directly by it or received from the Authority or Borrower to be deposited and held in the Condemnation Fund to be applied, as fully as practicable, in one or more of the following ways as shall be directed in writing by the Borrower within 60 days from the date of such deposit:

(i) subject to the requirements of “Conditions Precedent to Repair, Restoration or Replacement of the Housing Facility; Other Requirements” below, such Net Proceeds may be applied to the restoration of the Housing Facility; or

(ii) subject to the requirements of “Conditions Precedent to Repair, Restoration or Replacement of the Housing Facility; Other Requirements” below, 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 Housing Facility as conducted prior to such taking (which improvements shall be deemed a part of the Housing Facility and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as herein provided to the same extent as if such improvements were specifically described herein and shall 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 and the Security Agreement, 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 this Section.

All Net Proceeds deposited into the Redemption Fund pursuant to this Section as a result of the condemnation of a portion of the Housing Facility shall be applied to the redemption of all or a portion of the Bonds issued to finance or refinance the acquisition of such portion of the Housing Facility or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture.

All Net Proceeds so deposited into the Redemption Fund to be applied to the redemption of the Series 2018 Bonds shall be used to redeem Series 2018 Bonds in accordance with the provisions of the Indenture; provided, that no part of such Net Proceeds may be applied to a redemption of the Bonds in whole pursuant to the Indenture unless the requirements under “Option to Prepay Loan Upon the Occurrence of Certain Extraordinary Events” below shall have been met.

Any balance of such Net Proceeds remaining after application pursuant to this Section or remaining because of the failure of the Authorized Borrower Representative to furnish to the Authority and the Trustee the items required under “Conditions Precedent to Repair, Restoration or Replacement of the Housing Facility; Other Requirements” below shall be transferred to the Redemption Fund and used to redeem Bonds as provided in this Section.

Conditions Precedent to Repair, Restoration or Replacement of the Project; Other Requirements

Before the Trustee may apply any Net Proceeds, pursuant to “Destruction and Damage” or “Condemnation” above, to pay the costs of repairing, restoring, or replacing the Housing Facility, the Borrower shall furnish to the Authority, the District and the Trustee (i) a construction contract and any architect’s agreement relating to such repair, restoration, or replacement; (ii) complete plans and specifications relating to such repair, restoration, or replacement (the “Restoration Plans and Specifications”); (iii) a certificate of an Independent Architect/Engineer that states that such repair, restoration, or replacement, if completed in accordance with the Restoration Plans and Specifications, will (A) restore the Housing Facility to substantially the condition thereof immediately preceding the damage, destruction, or condemnation; and (B) comply with all applicable statutes, codes, and regulations; (iv) a certificate of an Authorized Borrower Representative stating that sufficient moneys are available to (A) pay for such repair, restoration, or replacement; and (B) together with available business interruption insurance proceeds and other available Pledged Revenues, pay Debt Service Payments on the Bonds and Expenses during the period of repair, restoration, or replacement; (v) applicable lien waivers or conditional lien waivers; (vi) evidence of the existence of performance and payment bonds for the applicable contractor; and (vii) evidence that the Borrower has acquired all permits and licenses necessary for such construction; and, if such net proceeds are in excess of \$250,000 (plus the applicable CPI Adjustment, if any), in addition to those requirements listed in clauses (i) through (vii) above, the Borrower shall also deliver to the Trustee: (A) an endorsement to the applicable title insurance policy insuring the continued priority of the lien of the Leasehold Deed of Trust; and (B) an opinion of Bond Counsel to the effect that neither such repair, replacement, nor restoration nor such use of such casualty or condemnation proceeds will adversely affect the excludability from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. The Trustee shall not be required to review the documents provided to it under this Section 7.03 and shall return them solely as a repository for the Bondholders. The Borrower, in addition to the foregoing, shall provide the Trustee with an officer’s certificate stating that it has delivered all documents required pursuant to this Section.

The Trustee shall retain 10% of the requested disbursements to be disbursed upon final completion of the repair, replacement, or restoration as certified by an Independent Architect/Engineer and receipt of certificates of occupancy, waivers of liens and, if such Net Proceeds shall be in excess of \$250,000 (plus the applicable CPI Adjustment, if any), an endorsement to the title insurance policy or policies required by the Loan Agreement insuring the continued priority of the Leasehold Deed of Trust. If at any time during the period of repair, restoration, or replacement, the insurance or casualty proceeds shall be less than the estimated remaining costs to restore, repair, or replace the Housing Facility, the Borrower shall provide the Trustee with cash or cash equivalents in an amount equal to the shortfall

General Option To Terminate Loan Agreement

The Borrower shall have, and is granted, the following option 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). 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 and expenses); (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 Authority any and all sums then due to the Authority under the Loan Agreement; and (d) otherwise complying with

the provisions of the Indenture. If the District shall exercise the option granted to it pursuant to the Ground Lease to purchase the Housing Facility, the Borrower shall exercise the option granted by this Section.

Option to Prepay Loan Upon the Occurrence of Certain Extraordinary Events

The Borrower shall have, and is granted, the option to prepay the Series 2018 Loan in full or in part prior to the full payment of all of the Series 2018 Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), (i) in full if the Series 2018 Housing Facility shall have been destroyed or damaged to such an extent that, in the opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2018 Housing Facility cannot reasonably be restored within a period of 12 months to the condition thereof immediately preceding such destruction or damage, or (B) the Borrower will thereby be prevented from carrying on its normal operations thereat for a period of not less than 12 consecutive months, or (C) the cost of restoration or replacement thereof would exceed the Net Proceeds of insurance payable in respect of such destruction or damage; (ii) in full if title to, or the temporary use of, a substantial portion of the Series 2018 Housing Facility shall have been taken under the exercise of the power of eminent domain by any governmental authority or Person acting under governmental authority to such an extent that, in the opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2018 Housing Facility 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 will thereby be prevented from carrying on its normal operations thereat for a period of not less than 12 consecutive months, or (C) the cost of restoration or replacement thereof would exceed the total amount of compensation for such taking; or (iii) in part in the event of partial condemnation or destruction of, or partial damage to, the Series 2018 Housing Facility, from the Net Proceeds received by the Borrower as a result of such taking, destruction, or damage to the extent such Net Proceeds are not used for the restoration of the Series 2018 Housing Facility or for the acquisition of substitute property suitable for the Borrower's operations at the Series 2018 Housing Facility as such operations were conducted prior to such taking, destruction, or damage if the Borrower furnishes to the Trustee and the Authority (A) a certificate of an Independent Architect/Engineer stating (1) that the property forming a part of the Series 2018 Housing Facility that was taken, destroyed or damaged is not essential to the Borrower's use or occupancy of the Series 2018 Housing Facility at substantially the same revenue-producing level as prior to such taking, destruction, or damage; or (2) that the Series 2018 Housing Facility has been restored to a condition substantially equivalent to its condition prior to such taking, destruction or damage; or (3) that the Borrower has acquired suitable land and improvements that are substantially equivalent to the property forming a part of the Series 2018 Housing Facility that was taken, destroyed or damaged; or (B) a written report of a Financial Consultant filed with the Trustee and the Authority certifying that the Fixed Charges Coverage Ratio for each of the two Annual Periods following the Annual Period following such taking, destruction, or damage will not be less than the lesser of (1) 1.20, and (2) the average Fixed Charges Coverage Ratio for the two most recent Annual Periods prior to such taking, destruction or damage for which audited financial statements are available.

In the case of the occurrence of any of the events described in the preceding paragraph (a), the Borrower, if it shall exercise its option to prepay the Series 2018 Loan, must prepay the Series 2018 Loan within 180 days after the receipt of the insurance or condemnation proceeds received by the Borrower as a result of such event.

To exercise such option, the Borrower shall, within 60 days following the event authorizing the exercise of such option, give written notice of the exercise of such option to the Authority and to the Trustee and shall specify therein the date of tender of such prepayment, which date shall not be less than 45, nor more than 120, days from the date such notice is mailed, and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

The amount payable by the Borrower in the event of its exercise of the option to prepay the Series 2018 Loan in full granted in the circumstances described above in this Section shall be the sum of the following:

(i) an amount of money that, when added to the amount then on deposit in the Bond Fund, the Redemption Fund, and the Debt Service Reserve Fund (taking into account the restrictions in the Indenture) will be sufficient to retire and redeem all the then Outstanding Series 2018 Bonds on the applicable redemption date provided by the Indenture, including, without limitation, principal, all interest to accrue to said redemption date, and redemption expense, but without premium, plus

(ii) an amount of money equal to the Trustee's and paying agents' fees and expenses, including reasonable attorneys' fees and expenses, under the Indenture accrued and to accrue until such final payment and redemption of the Series 2018 Bonds, plus

(iii) an amount of money equal to the Authority's reimbursable expenses under the Loan Agreement accrued and to accrue until such final payment and redemption of the Series 2018 Bonds.

The amount payable by the Borrower in the event of its exercise of the option to prepay the Series 2018 Loan in part granted in the circumstances described above in this Section shall be the sum of the following:

(i) an amount of money that, when added to the amount then on deposit in the Bond Fund and the Redemption Fund, will be sufficient to retire and redeem the Series 2018 Bonds that are to be redeemed on the applicable redemption date provided by the Indenture, including, without limitation, principal, all interest to accrue to said redemption date, and redemption expense, but without premium, plus

(ii) an amount of money equal to the Trustee's and paying agents' fees and expenses, including reasonable attorneys' fees and expenses relating to such redemption, plus

(iii) an amount of money equal to the Authority's reimbursable expenses under the Loan Agreement relating to such redemption.

Option to Prepay Loan in Connection With Optional Redemption of the Bonds

The Borrower shall have the option to prepay the Series 2018 Loan by prepaying Basic Loan Payments due under the Loan Agreement in such manner and amounts as will enable the Authority to redeem the Series 2018 Bonds prior to maturity in whole or in part on any date, as provided in the Indenture. The Basic Loan Payments payable by the Borrower in the event of its exercise of the option granted under this Section shall be, (i) in the case of partial redemption, the amount necessary to pay principal, all interest to accrue to the redemption date, the applicable redemption premium, as provided in the Indenture, 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.

To exercise such option, the Borrower shall give the Authority and the Trustee not less than 45 days' prior written notice of the exercise of such option and shall specify therein the date of tender of such prepayment and the amount thereof, shall direct the redemption of the corresponding amount of Series 2018 Bonds, and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

Covenant Regarding Financial Statements

The Borrower shall provide the Trustee, the Dissemination Agent, and the District annually, within 180 days after the end of each Annual Period, beginning with the Annual Period ending June 30, 2021, the financial statements of the Borrower with respect to the Housing Facility, including its balance sheet, statement of revenue, expenses, and changes in fund balance (deficit), and statement of cash flow, for the year then ended in comparative form for the preceding Annual Period, which financial statements shall be prepared in accordance with GAAP and accompanied by an Audit Report.

The financial statements to be furnished to the Trustee, the Dissemination Agent, and the District, annually pursuant to this Section shall be accompanied by a calculation of (i) the Fixed Charges Coverage Ratio; and (ii) the amount of the Operating Account Surplus, if any, and by a certificate of the Borrower to the effect that the Borrower is not then in default under any provisions of the Loan Agreement and has fully complied with all of the provisions thereof, or if the Borrower shall then be in default or shall have failed to so comply, setting forth the nature of the default or failure to comply.

Borrower and Corporation to Maintain Status; Conditions Under Which Exceptions Permitted

The Borrower (i) shall maintain its legal existence as a single member limited liability company organized under the laws of the State whose sole member is a Tax-Exempt Organization; (ii) shall cause the Corporation to maintain its legal existence as a Tax-Exempt Organization and a nonprofit corporation organized under the laws of the State of Texas; (iii) shall not, except as permitted by this Section, consolidate with or merge into another entity or permit another entity to consolidate with or merge into it; (iv) shall not dissolve or otherwise dispose of all or substantially all of its assets; (v) shall cause the Corporation to file all required reports and documents with the IRS so as to maintain its status as a Tax-Exempt Organization; (vi) shall not operate the Housing Facility in any manner nor engage in any activities or take any action that might reasonably be expected to result in the Corporation's ceasing to be a Tax-Exempt Organization or that would constitute an unrelated trade or business of the Corporation; (vii) shall promptly notify the Authority and the Trustee in writing of any loss of the Corporation's status as a Tax-Exempt Organization or of any investigation, proceeding, or ruling that might result in such loss of status; and (viii) shall use good faith efforts not to operate the Housing Facility or engage in activities or take action that might reasonably be expected to impair the Housing Facility's exemption from ad valorem taxation. The Borrower shall preserve and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

The Borrower covenants that none of its or the Corporation's revenues, income, or profits, whether realized or unrealized, will be distributed to any of its or the Corporation's directors or inure to the benefit of any private Person, other than for the lawful corporate purposes of the Borrower or the Corporation; provided, however, that the Borrower and the Corporation may pay to any Person the value of any service or product performed for, or supplied to, the Borrower or the Corporation by such Person. The Borrower further covenants that it and the Corporation will take such actions as are necessary or appropriate and within their respective control to take to comply with the provisions of the Code and the Regulations in order to preserve the exclusion of the interest paid on the Tax-Exempt 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.

The Borrower may, without violating the covenants contained in this Section, consolidate or merge with another Person or sell or otherwise transfer to another Person: the Housing Facility, all other property or assets pledged or assigned to the Trustee or in which the Trustee shall have been granted a security

interest pursuant to any of the other Bond Documents, and, without duplication, any and all amounts on deposit in the Operating Account on the date of such sale or transfer and in all Funds and Accounts on the date of such sale or transfer; provided (i) such consolidation, merger, sale, or other transfer shall not otherwise cause an Event of Default under the Loan Agreement; and (ii) the surviving, resulting, or transferee Person (A) shall be authorized to do business in the State; (B) shall be a domestic corporation, partnership, or other entity, or, if a natural person, a resident of the United States of America; (C) shall have the power to assume and shall assume in writing all of the obligations of the Borrower under the Loan Agreement, the Notes, and the other Borrower Documents and shall deliver to the Trustee any security agreement necessary to ensure that after such consolidation, merger, sale, or other transfer, the Trustee shall have a security interest in all assets that constitute, or would have constituted, the Collateral (as defined in the Security Agreement) 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) shall obtain, or cause to be obtained, all licenses and permits required by law to operate the Housing Facility; (E) shall deliver to the Trustee a title insurance policy or endorsement insuring that the surviving, resulting, or transferee Person has a valid leasehold interest in the Property and insuring the Leasehold Deed of Trust as a first lien subject only to the Permitted Encumbrances; (F) shall deliver to the Trustee an Opinion of Counsel to the effect that the Loan Agreement, the Notes, and the other Borrower Documents, as assumed by the surviving, resulting, or transferee Person, are valid and enforceable obligations of such Person, subject only to exceptions related to bankruptcy and other customary exceptions; (G) shall deliver a Favorable Opinion of Bond Counsel; (H) shall have either (1) 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; or (2) no indebtedness for borrowed money; and (I) shall have a Fixed Charges Coverage Ratio not less than that of the Borrower for the two 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 shall be accompanied by a report of the Accountant with respect to such historical pro forma basis financial statements stating the Fixed Charges Coverage Ratio for the periods reported on. The Borrower shall also deliver an officer's certificate and opinion of counsel stating that all conditions required in this Section have been complied with, to the Trustee. From and after the date of any sale or transfer effected in accordance with this paragraph (c), the Borrower shall, without any further action on the part of the Authority, the Trustee, or the Borrower, from and after the date of such sale or transfer, be released from, and relieved of, all liability and obligations under the Loan Agreement and under the other Borrower Documents.

The Borrower may also, without violating any covenants contained in the Loan Agreement, sell, or otherwise transfer the Housing Facility to another Person that is controlled solely by the Borrower or the Corporation and that, prior to such sale or transfer, has no assets or liabilities, upon completion or satisfaction of the conditions set forth above in this Section, and upon such completion or satisfaction shall be released from all liabilities and obligations under the Loan Agreement, the Notes, and the other Borrower Documents.

Rate Covenant

The Borrower covenants and agrees to operate the Housing Facility as a revenue producing student, faculty and staff 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 Housing Facility and to provide all payments required to be made by the Borrower under the Loan Agreement.

Such rates, fees, and charges in each Annual Period beginning with the first full Annual Period after the Series 2018 Completion Date, shall be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.20. In the event that it shall be determined, based upon the financial statements and calculation of the Borrower required by the Loan Agreement, that for any Annual Period such Fixed Charges Coverage Ratio shall not have been maintained, the Borrower shall, within 30 days of receipt of such financial statements, engage a Financial Consultant to submit to the Trustee a report of such firm containing recommendations, if any, as to changes in the operating policies of the Borrower designed to maintain such Fixed Charges Coverage Ratio, shall cause such Financial Consultant to prepare and submit such recommendations within 60 days of the date of its engagement, and shall promptly implement such recommendations to the extent permitted by law and by the Ground Lease. Provided that the Fixed Charges Coverage Ratio does not fall below 1.00, no Event of Default under the Loan Agreement shall occur if such recommendations shall be followed notwithstanding that such Fixed Charges Coverage Ratio shall not subsequently be re-attained, but the Borrower shall continue to be obligated to employ such a Financial Consultant for such purpose until such Fixed Charges Coverage Ratio shall be re-attained.

The Borrower shall, 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 Annual Period commencing with the Annual Period occurring when the Series 2018 Completion Date has occurred, the Borrower shall prepare the Annual Budget (after consultation with the District) for the immediately succeeding Annual Period which shall include the monthly budgeted Expenses of the Housing Facility for such Annual Period. If the Borrower shall fail to prepare the Annual Budget for any Annual Period, the Annual Budget for the immediately preceding Annual Period shall continue in effect until the Annual Budget shall be prepared for the remainder of the applicable Annual Period.

To the extent that the Borrower shall deem it necessary at any time during any Annual Period, the Borrower shall submit a revised Annual Budget to the Authority, the Trustee, and the District declaring that the revisions are necessary to operate or maintain the Housing Facility and setting forth the reasons therefor which revised Annual Budget shall, for all purposes of the Loan Agreement, be deemed the Annual Budget for the remainder of the applicable Annual Period.

A copy of each Annual Budget or revised Annual Budget shall be furnished to the Authority, the Trustee, and the District. The Annual Budget or revised Annual Budget shall be accompanied by a certificate of the Borrower to the effect that the Fixed Charges Coverage Ratio for the Annual Period to which such Annual Budget relates, based on the projected Revenues and Expenses set forth therein, will not be less than 1.20. The Trustee shall have no duty to review, verify or analyze such Annual Budget and shall hold such Annual Budget solely as a repository for the benefit of the Bondholders.

In the event the Borrower shall fail to provide the certificate required by this Section, a Financial Consultant shall be engaged by the Borrower to review and/or revise the Annual Budget and to so certify to the Authority, the Trustee, and the District and, to the extent such Financial Consultant shall revise the proposed Annual Budget, such revised Annual Budget shall, for all purposes of the Loan Agreement, be deemed the Annual Budget for the remainder of the applicable Annual Period.

Continuing Disclosure Agreement

The Borrower shall at all times remain party to the Continuing Disclosure Agreement, or if the Continuing Disclosure Agreement shall terminate, it shall enter into a similar agreement to provide for the dissemination of the financial statements and notices required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The Borrower shall perform its obligations under the Continuing Disclosure Agreement

Covenant Regarding Manager

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 the Manager, either (i) the District; or (ii) 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. Prior to entering into a contract with any successor Manager, the Borrower shall first deliver to the Trustee a Favorable Opinion of Bond Counsel.

Maintenance of Tax-Exempt Status of Tax-Exempt Bonds

The Borrower shall not (and shall not permit any Affiliate within its control to) take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on any Tax-Exempt Bond from the gross income, as defined in §61 of the Code, of the owner thereof for federal income tax purposes. The Borrower and the Authority shall execute amendments and supplements to the Loan Agreement (and shall comply with the provisions thereof) as may, in the Opinion of Counsel, be necessary to preserve or perfect such exclusion. The Borrower shall comply with each specific covenant in this Section at all times prior to the last maturity of the Tax-Exempt Bonds (and, in the case of this Section, until compliance therewith in full), unless and until there shall have been delivered to the Trustee and the Authority a Favorable Opinion of Bond Counsel to the effect that failure to comply with such covenant, either generally or to the extent stated therein, shall not adversely affect the excludability of interest on any Tax-Exempt Bond from the gross income, as defined in §61 of the Code, of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the Borrower, generally or to such extent as the case may be, anything in this Section to the contrary notwithstanding.

Assignment and Subleasing

The Borrower may enter into subleases with occupants of the Housing Facility (which shall include residence hall agreements, leases, licenses, or other similar agreements in accordance with District practice) or the District without complying with the provisions of this paragraph (a) other than clause (vii) below. The rights and obligations of the Borrower under the Loan Agreement may be assigned and delegated, and the Housing Facility may be subleased, as a whole or in part, by the Borrower without the necessity of obtaining the consent of either the Authority or the Trustee, but with the prior written consent of the District, subject, however, to each of the following conditions:

- (i) No assignment (other than pursuant to the Loan Agreement) or sublease shall 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 shall 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 herein provided to be performed and observed by it.

(ii) The assignee shall assume in writing the obligations of the Borrower under the Loan Agreement and shall confirm the representations and warranties of the Borrower under the Loan Agreement to the extent of the interest assigned.

(iii) The Borrower shall furnish or cause to be furnished to the Authority and the Trustee an officer's certificate to the Authority and the Trustee that the Housing Facility will continue to be operated as a student housing facility and related facilities.

(iv) No assignment or sublease with any Person shall be entered into by the Borrower without the Borrower's first furnishing to the Trustee a Favorable Opinion of Bond Counsel or a ruling from the IRS to the effect that such assignment or sublease will not bring about an Event of Taxability; provided, however, this requirement shall not apply to subleases to residents of the Housing Facility.

(v) No such assignment or sublease shall give rise to a novation.

(vi) The Borrower shall, within 30 days after the execution thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each such assignment or sublease, as the case may be. The Authority and the Trustee shall have the right, at any time and from time to time, to notify any assignee or sublessee of the rights of the Authority and the Trustee, as provided by this paragraph. From time to time, upon the request of the Authority or the Trustee, the Borrower shall specifically assign and grant a security interest to the Trustee, as additional security for the Loan Payments, by an amendment to the Security Agreement in writing and in the form approved by the Authority and the Trustee, all the right, title, and interest of the Borrower in and to any and all subleases hereafter on or affecting the Premises (other than any sublease to which the District is a party as the sublessee), 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. The Borrower and the Authority shall also execute and deliver to the Trustee any notification, financing statement, or other document reasonably required, upon the advice of Bond Counsel, to perfect the foregoing assignment and security interest created as to any such subleases and other properties.

(vii) All subleases shall, to the extent required by the laws of the State, contain an attornment clause providing in effect that if at any time during the term of the sublease, the Trustee, the designee of the Trustee, or a subsequent purchaser at a foreclosure sale from the Trustee, shall become the owner of the Housing Facility, such sublessee agrees, at the election and upon demand of any owner of the Housing Facility, to attorn, from time to time, to any such owner upon the terms and conditions set forth in the sublease. To the extent required by the laws of the State, such sublessee shall be required to agree that at the request of the party to whom it has attorned, it will execute, acknowledge, and deliver, without charge, from time to time, instruments acknowledging such attornment. The attornment clause shall also provide that upon such attornment, the sublease shall 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 shall 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 shall have been expressly approved in writing by the Authority; or (C) have any liability for refusal or failure to perform or complete the landlord's work or otherwise prepare the demised premises for occupancy in accordance with the provisions of the sublease.

The Authority confirms and recognizes that the right of possession of sublessees of the Borrower to the Premises and their other rights arising out of the subleases shall not be affected or disturbed in any

way by the Authority or the Trustee or by the exercise of any rights or remedies by the Authority or the Trustee for any reason other than one that would entitle the Borrower under the subleases to dispossess the sublessees from the Premises or that would constitute an event of default under the subleases. Further, in the event of a foreclosure or such other exercise of the Authority's or the Trustee's rights under the Loan Agreement and the Indenture, the Authority agrees that so long as any sublessee is not in default under the terms of its sublease, it shall recognize such sublessee as the sublessee under such sublease.

Events of Default Defined

The following shall be "Events of Default" under the Loan Agreement, and the term "Event of Default" shall mean, whenever it is used in the Loan Agreement, any one or more of the following events:

(a) The Borrower shall fail to pay the Basic Loan Payments required to be paid above under "Loan Payments and Other Amounts Payable" at the times specified in the Loan Agreement and such failure shall continue for a period of five days after notice by mail, facsimile transmission, or personal delivery in the manner provided in the Loan Agreement, given to the Borrower by either the Trustee or the Authority, that the payment referred to in such notice has not been received, or, without regard to notice, for a period of 10 days (eight days in the case of Basic Loan Payments due in February) after any such amount shall become due, whichever shall occur first.

(b) The Borrower shall fail to pay the Basic Loan Payments required to be paid above under "Loan Payments and Other Amounts Payable" at the times specified in the Loan Agreement and such failure shall continue for a period set forth in the amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds.

(c) Any representation or warranty made by the Borrower in any statement or certificate furnished to the Authority 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, shall prove to have been inaccurate as of the date of the issuance or making thereof and shall not have been corrected within 30 days after written notice specifying such inaccuracy shall have been given to the Borrower by the Authority, 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 that can be wholly corrected within a period of time not materially detrimental to the rights of the Trustee, as certified by the Borrower, it shall not constitute an Event of Default under the Loan Agreement if corrective action shall be instituted by the Borrower within the applicable period and diligently pursued until the inaccuracy shall have been corrected within one hundred eighty (180) days of the delivery date of the default notice.

(d) The Borrower shall fail to perform or cause to be performed any other covenant, condition, or provision of the Loan Agreement, other than as referred to above in this Section or any covenant contained above under "Continuing Disclosure Agreement," and to correct such failure within 30 days' after written notice specifying such failure shall have been given to the Borrower by the Authority or the Trustee. In the case of any such failure that cannot with due diligence be corrected within such 30-day period, but that can be wholly corrected within a period of time not materially detrimental to the rights of the Trustee, as certified by the Borrower, it shall not constitute an Event of Default under the Loan Agreement if corrective action shall be instituted by the Borrower within the applicable period and diligently pursued until the failure shall have been corrected within one hundred eighty (180) days after the date of the default notice.

(e) The Borrower shall (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 Housing Facility; (ii) fail to lift or bond promptly (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 Housing Facility; (iii) enter into an agreement of composition with its creditors; (iv) admit in writing its inability to pay its debts as such debts shall 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 (as now or hereafter in effect); or (ix) take any action for the purpose of effecting any of the foregoing.

(f) A proceeding or case shall 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 its assets; 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 shall continue undismissed, or an order, judgment, or decree approving or ordering any of the foregoing shall be entered and shall continue unvacated and unstayed and in effect, for a period of 90 days, whether consecutive or not.

(g) The Fixed Charges Coverage Ratio for any Annual Period shall be less than 1.00.

(h) The occurrence of an Event of Default under any of the Bond Documents other than the Continuing Disclosure Agreement.

Remedies on Event of Default

Whenever any Event of Default referred to above under “Events of Default Defined” shall have happened and be subsisting, the Authority, or the Trustee as the assignee of the Authority (and subject to its rights and protections under the Indenture), to the extent permitted by law, may:

(i) at its option, which may be exercised separately and independently from any similar option under the Indenture, declare all unpaid installments of Basic Loan Payments and other amounts payable above under “Loan Payments and Other Amounts Payable” for the remainder of the Agreement Term to be immediately due and payable whereupon the same shall become immediately due and payable, it being understood that upon a declaration of acceleration by the Trustee under the Indenture, all unpaid Basic Loan Payments payable under the Loan Agreement shall become immediately due and payable; provided, however, that if acceleration of the Bonds shall have been rescinded and annulled pursuant to the Indenture, acceleration of the Basic Loan Payments and other amounts payable above under “Loan Payments and Other Amounts Payable” required by this Section shall similarly be rescinded and annulled and the Event of Default occasioning such acceleration shall be waived, but no such waiver, rescission, and annulment shall extend to or affect any subsequent Event of Default or impair or exhaust any right, power, or remedy consequent thereon; or

(ii) 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) 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.

Amounts collected pursuant to action taken under this Section shall be applied in accordance with the provisions of the Indenture, or, if the Bonds shall have been paid in full (or provision for payment thereof shall have been made in accordance with the provisions of the Indenture) and the Borrower shall have paid all amounts due under the Loan Agreement, then any amounts remaining shall be paid to the Borrower.

No Remedy Exclusive

No remedy herein conferred upon or reserved to the Trustee, as assignee of the Authority, is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Authority under the Loan Agreement shall also extend to the Trustee, and the Trustee and the owners of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

Waiver of Events of Default

The Trustee, on behalf of the Authority, may waive any Event of Default under the Loan Agreement and its consequences or rescind any declaration of acceleration of payments of the Basic Loan Payments due under the Loan Agreement. In case of any such waiver or rescission, or in case any proceeding taken by the Authority or the Trustee on account of any such Event of Default shall be discontinued or abandoned or determined adversely to the Authority or the Trustee, then and in every such case the Authority and the Borrower shall be restored to their former position and rights under the Loan Agreement, but no such waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Limited Liability, Authority, and Recourse

Notwithstanding anything to the contrary contained in any Bond Document or other instrument executed in connection with the issuance of the Bonds (other than the Bond Purchase Agreement and the Borrower/Corporation Indemnity Letters), except as set forth in this Section, the liability of the Borrower under any such Bond Document or instrument shall be limited to its interest in the Project and the other Security, and except as specifically provided in this Section, no Person shall have the right to obtain payment from the Borrower or from any assets of the Borrower other than the Project and the other Security and any other property or moneys pledged to the payment of the Loan and the Bonds, whether herein or in any other Bond Documents. Neither the Authority nor the Trustee (either as a party to the Security Documents or as the assignee of the Authority), shall enforce the liability and obligation of the Borrower to perform and observe the obligations contained in the Loan Agreement, any of the other Bond Documents (other than the Bond Purchase Agreement and the Borrower/Corporation Indemnity Letters), or any other documents delivered in connection with the issuance of the Bonds (other than the Bond Purchase

Agreement and the Borrower/Corporation Indemnity Letters) in any action or proceeding wherein a money judgment shall be sought against the Borrower, except that the Trustee may bring a foreclosure action, action for specific performance, or other appropriate action or proceeding to enable the Trustee to enforce and realize upon the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements, and the interest in the Security; 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 Housing Facility and the other Security and any other property or moneys pledged to the payment of the Loan and the Bonds, whether herein or in any other Bond Documents.

The Authority agrees that it will not sue for, seek, or demand any money from, or deficiency judgment against, the Borrower in such action or proceeding, under or by reason of or in connection with the Loan Agreement, any of the other Bond Documents, or any other documents delivered in connection with the issuance of the Bonds. The provisions of this Section shall not, however, (i) constitute a waiver, release, or impairment (except for the foregoing restriction on obtaining any money from, or deficiency judgment against, the Borrower) of any obligation evidenced or secured by the Loan Agreement or any of the other Bond Documents (except as hereinafter set forth); or (ii) impair the right of the Authority to obtain insurance proceeds or condemnation awards due to the Borrower.

Notwithstanding the foregoing, the Borrower shall be liable for (i) any (A) fraud or intentional misrepresentation by the Borrower or any of its officers in connection with its representations contained in the Loan Agreement, the Leasehold Deed of Trust, and the Security Agreement; or (B) intentional failure by the Borrower or any of its officers to disclose a material fact actually known by the Borrower or any of its officers in connection with the issuance and delivery of Bonds, to the extent of actual losses or damages actually suffered by the Authority, the Trustee, or the owners of such Bonds as a result of such fraud, intentional misrepresentation, or intentional failure to state a material fact; (ii) intentional misapplication after the date of the Loan Agreement of (A) proceeds of any insurance covering any portion of the Security actually received by the Borrower or any of its officers, (B) proceeds from the sale or condemnation of any portion of the Security actually received by the Borrower or any of its officers, or (C) rentals or other proceeds from the lease of any portion of the Security actually received by the Borrower or any of its officers; and (iii) any indemnity owed to the Trustee under the Loan Agreement. Any liability of the Borrower arising under this clause (c) shall not be limited as described in clause (a) above.

No Liability of the Borrower's or the Corporation's Officers or the Authorized Borrower Representative

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

Restoration to Original Positions

In case the Authority or the Trustee shall have proceeded to enforce any right under the Loan Agreement, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Authority, the Borrower, and the Trustee shall be restored to their former positions and rights under the Loan Agreement, and all rights, remedies, and powers of the Authority and the Trustee shall continue as if no such proceedings had been taken. To the extent that the Authority or the Trustee shall waive or rescind any Event of Default under the Loan Agreement, or in case any proceeding taken by the Authority or the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, and the Borrower shall be restored to their former positions and rights under the Loan Agreement, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Delay or Omission Not a Waiver

No delay or omission of the Authority or the Trustee to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Loan Agreement to the Authority or the Trustee may be exercised from time to time and as often as may be deemed expedient by the Authority or the Trustee.

Waiver of Extension, Stay, and Redemption Laws

To the extent permitted by law, the Borrower shall not, during the continuance of any Event of Default under the Loan Agreement, insist upon, or plead, or in any manner whatever, claim or take any benefit or advantage of, any extension or stay law wherever enacted, now or at any time hereafter in force, that may affect the covenants and terms of performance of the Loan Agreement; nor after any sale or sales of the Project that may be made pursuant to any provision in the Loan Agreement contained, or pursuant to the decree, judgment, or order of any court of competent jurisdiction, claim or exercise any right under any statute heretofore or hereafter enacted by the United States of America or by any state or territory, or otherwise, to redeem the property so sold or any part thereof, and the Borrower expressly waives all benefits or advantages of any such law or laws and covenants not to hinder, delay or impede the execution of any power in the Loan Agreement granted or delegated to the Authority, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted.

Remedies Subject to Provisions of Laws

All rights, remedies, and powers provided by the Loan Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of the Loan Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling in the premises and to be limited to the extent necessary so that they will not render the Loan Agreement invalid or unenforceable under the provisions of any applicable law.

No Right to Conduct Affairs of the Borrower

Nothing contained in the Loan Agreement shall be construed to grant to the Authority or the Trustee the right to conduct the business and affairs of the Borrower, whether or not an Event of Default shall have occurred.

THE SERIES 2018 NOTE

Introduction

The Series 2018 Note of the Borrower, dated as of September 1, 2018, will be executed and delivered by the Borrower to the Authority and endorsed without recourse by the Authority to the Trustee to evidence the obligation of the Borrower to make Basic Loan Payments under the Loan Agreement in order to repay the Loan.

Payment Terms

The Series 2018 Note in the original principal amount equal to the Series 2018 Bonds bear interest at the same rates as the rates on the Series 2018 Bonds. The Series 2018 Note requires payments of interest and principal sufficient to pay, when due, the Debt Service Payments on the Series 2018 Bonds to which it relates. See “**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable.**”

Prepayment Terms

The Series 2018 Note will be subject to prepayment in whole or in part under the same circumstances that permit or require prepayment of Loan Payments under the Loan Agreement. See “**THE LOAN AGREEMENT - Option to Prepay the Series 2018 Loan Upon the Occurrence of Certain Extraordinary Events**” herein.

CONSTRUCTION LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS AND SUBLEASES, AND FIXTURE FILING

Introduction

The Leasehold Deed of Trust will provide security for the Borrower’s obligations under the Loan Agreement and any loan, financing, or similar agreement between the Authority and the Borrower relating to Additional Bonds and the Notes.

Security

To secure the Borrower’s obligations to the Authority under Loan Agreement and any loan, financing, or similar agreement between the Authority and the Borrower relating to Additional Bonds and the Notes, the Borrower will execute and deliver to the Deed of Trust Trustee for the benefit of the Trustee the Leasehold Deed of Trust pursuant to which the Borrower will, subject to Permitted Encumbrances, convey to the Deed of Trust Trustee for the benefit of the Trustee a first deed of trust lien on its interest in the Project and the Property and all leases of all or part of the Project and will grant to the Deed of Trust Trustee for the benefit of the Trustee a security interest in all rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits of and from the Project and from and in connection with its ownership, occupancy, use, or enjoyment of the Project, subject to Permitted Encumbrances.

Remedies

Upon the occurrence and continuation of an Event of Default under the Indenture or the Loan Agreement, the Trustee will be entitled to exercise the remedies provided by the Leasehold Deed of Trust which will permit the Trustee (i) to declare the outstanding principal amount of the Series 2018 Bonds, the interest accrued thereon, and all other amounts payable with respect thereto to be due and payable immediately, and upon such declaration, such amounts shall immediately become and be due and payable, (ii) by itself, or by such officers or agents as it may appoint, to enter and take possession of the Project and

to exclude the Borrower and their respective agents and employees wholly therefrom, (iii) to demand, collect, and sue for, in its own name, or in the name of the Borrower all of the rents, issues, profits, revenues, royalties, earnings, income, and benefits derived from the Project as they become due and payable, including those past due and unpaid and to apply such rents, issues, profits, revenues, royalties, earnings, income, and benefits to the payment of the Series 2018 Bonds, and (iv) with or without entry or taking possession, to proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy (a) to enforce payment of the Series 2018 Bonds or the performance of any term of the Loan Agreement, the Leasehold Deed of Trust, or any of the other Bond Documents or any other right; (b) to foreclose the Leasehold Deed of Trust and to sell, as an entirety or in separate lots or parcels, the Project, under the judgment or decree of a court or courts of competent jurisdiction; and (c) to pursue any other remedy available to it. All proceeds from the exercise of the remedies provided by the Leasehold Deed of Trust will be applied as provided in the Indenture.

THE SECURITY AGREEMENT

Introduction

The Security Agreement will provide security for the Borrower's obligations under the Loan Agreement and the Notes.

Security

To secure the Borrower's obligations to the Authority under Loan Agreement and the Notes, the Borrower will execute and deliver to the Trustee the Security Agreement pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the following (the "**Collateral**"): (a) the Pledged Revenues, (b) all accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership and/or operation of the Project, (c) the Equipment, (d) the Inventory, (e) all accounts, books, records, and other property relating or referring to any of the foregoing, and (f) all proceeds of any of the foregoing.

Remedies

Upon the occurrence and continuation of an Event of Default under the Indenture or the Loan Agreement, the Trustee will be permitted to exercise in respect of the Collateral, in addition to other rights and remedies provided for in the Security Agreement or otherwise available to it, all rights and remedies permitted under the Loan Agreement or otherwise permitted in law or in equity, to protect and dispose of the Collateral and to protect its rights to payment under the Loan Agreement and the Notes, and all the rights and remedies of a secured party on default under the California Uniform Commercial Code (the "**UCC**") (whether or not the UCC applies to the affected Collateral) and also may (i) require the Borrower to, and the Borrower will agree that it will at its own expense, gather or assemble all or part of the Collateral not in the possession of the Trustee as directed by the Trustee and make it available to the Trustee at a place to be designated by the Trustee that is reasonably convenient to both parties and (ii) without notice, except as specified below, sell the Collateral, or any part thereof, in one or more parcels at public or private sale, at any of the Trustee's offices or elsewhere, for cash, or credit, or for future delivery, and at such price or prices and upon such other terms as the Trustee may deem commercially reasonable. Any cash held by the Trustee as collateral and all cash proceeds received by the Trustee in respect of any sale of, collection from, or other realization upon all or any part of the collateral subject to the Security Agreement will be applied as provided in the Indenture.

THE INDENTURE

Introduction

The Indenture will be a contract for the benefit of the Owners that will specify the terms and details of the Series 2018 Bonds and which will define the security therefor.

Establishment of Funds

The following trust funds will be established with the Trustee under the Indenture:

Revenue Fund
Bond Fund
Redemption Fund
Issuance Cost Fund
Construction Fund
Debt Service Reserve Fund
Repair and Replacement Fund
Insurance and Condemnation Funds
Cash Trap Fund
Operations Contingency Fund
Surplus Fund
Rebate Fund

Revenue Fund

The Borrower has agreed to deposit or cause to be deposited the Pledged Revenues on a weekly basis into Revenue Fund. The Manager is authorized to request withdrawals of amounts held in the Revenue Fund to pay operating costs of the Series 2018 Housing Facility when due (other than amounts payable to the Manager as its fee under the Management Agreement) if amounts then held in the Operating Account are insufficient for such purpose. Any such request shall be in writing and countersigned by the Borrower. In addition, the amounts deposited into the Revenue Fund shall be transferred or paid by the Trustee to the following Funds and/or Persons in the order and amounts and on the dates indicated:

- (a) there shall be transferred to the Bond Fund:
 - (i) on or before October 20, 2018, and on or before the twentieth day of each month thereafter to and including April 20, 2019, a sum equal to one-seventh of the amount payable on May 1, 2019, as interest on the Series 2018 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor and any amounts to be transferred from the Capitalized Interest Account on such date, will be sufficient to pay interest on the Series 2018 Bonds to become due on May 1, 2019, as provided in the Indenture;
 - (ii) on or before May 20, 2019, and on or before the twentieth day of each month thereafter, a sum equal to one-sixth of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2018 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor and any amounts to be transferred from the Capitalized Interest Account on such date, will be sufficient to pay interest on the Series 2018 Bonds to become due on the immediately succeeding Interest Payment Date, as provided in the Indenture;

(iii) 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;

(iv) on or before August 20, 2020, and on or before the twentieth day of each month thereafter, to and including April, 20, 2021, a sum equal to one-ninth of the principal due on May 1, 2021;

(v) on or before May 20, 2021, and on or before the twentieth day of each month thereafter, to and including April 20, 2022, a sum equal to the sum of (A) one-twelfth of the principal due on the immediately succeeding May 1 that is a maturity date of the Series 2018 Bonds; and (B) one-twelfth of the Mandatory Sinking Fund Redemption Requirement;

(vi) 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 such Additional Bonds);

(vii) on the Business Day immediately preceding any date on which the Series 2018 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant to the Indenture), an amount equal to the Redemption Price of the Series 2018 Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund available to be used for the payment of such Series 2018 Bonds to be redeemed); and

(viii) on the Business Day immediately preceding 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 Redemption Price of such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund available to be used for the payment of such Additional Bonds to be redeemed);

(b) there shall be transferred to the Rebate Fund and the Account(s) therein on the dates that the Borrower provides any calculation of the Rebate Amount to the Trustee in accordance with the provisions of the Indenture relating to the "Rebate Fund" referenced below, the amounts determined by the Borrower to be equal to the excess, if any, of the Rebate Amount so calculated over the amount then in the Rebate Fund;

(c) there shall be paid to the Trustee:

(i) 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 and under the other Bond Documents as and when the same shall become due;

(ii) 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 shall become due; and

(iii) promptly upon request, the reasonable fees and charges of the Trustee for the Extraordinary Services of the Trustee rendered by it, and the Extraordinary Expenses of the Trustee incurred by it, under the Indenture and under the other Bond Documents as and when the same shall become due; provided, that the Borrower may, without creating an Event of Default under the Indenture, contest in good faith the reasonableness of any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses;

(d) there shall be paid or transmitted to the Authority (as certified in writing to the Trustee by the Authority) (i) on the due date therefor, the Authority Annual Fee; and (ii) on the twentieth day of each month (or the immediately succeeding Business Day if the twentieth day of a month is not a Business Day), any other Authority Additional Payments;

(e) there shall be paid to the Borrower on the twentieth day of each month (or the immediately succeeding Business Day if the twentieth day of a month is not a Business Day) for deposit into the Operating Account an amount as calculated by the Borrower equal to the lesser of (i) the greater of (A) the amount budgeted in the Annual Budget for Expenses (other than those Expenses, provision for the payment of which has otherwise been made either in this Section or below under "Surplus Fund") for the immediately succeeding month; or (B) any amount necessary to meet the minimum balance requirement, which, for purposes of the Indenture shall be an amount equal to 10% of the Expenses (other than those Expenses, provision for the payment of which has otherwise been made either in this Section or below under "Surplus Fund") shown in the then current Annual Budget; or (ii) the excess, if any, of (A) the amount budgeted in the Annual Budget for such Expenses for the then current Annual Period through the last day of the immediately succeeding month; over (B) the amount theretofore deposited into the Operating Account pursuant to this clause (e) for the then current Annual Period; provided, however, if, during any Annual Period, it shall be determined that an Operating Account Surplus shall have been created with respect to the immediately preceding Annual Period, such payment to the Borrower shall be reduced by the amount of such Operating Account Surplus, if any, and the amount of the Operating Account Surplus, if any, shall then be adjusted by the amount of such reduction;

(f) if any funds shall be withdrawn from the Debt Service Reserve Fund, if there shall be a diminution in Value of the cash and investments held in the Debt Service Reserve Fund as of any Valuation Date, or if any net losses shall result from the investment of amounts held in the Debt Service Reserve Fund that shall reduce the Value of the cash and investments in the Debt Service Reserve Fund to less than the Debt Service Reserve Requirement as of any Valuation Date, there shall be transferred to the Debt Service Reserve Fund, beginning on the twentieth day of the month following notice from the Trustee of such withdrawal, diminution in Value, or losses and on the twentieth day of each month thereafter, 12 consecutive monthly payments, each equal to one-twelfth of the amount of such withdrawal, diminution in Value, or losses;

(g) if any funds shall be withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture, there shall be transferred to the Repair and Replacement Fund, beginning on the twentieth day of the month following any such withdrawal and continuing on the twentieth day of each month thereafter the greater of (i) the lesser of (A) one-twelfth of the amount of such withdrawal, or (B) such amount that is necessary to reimburse the Repair and Replacement Fund for all such withdrawals; or (ii) such amount as shall be directed by the Borrower;

(h) there shall be transferred to the Repair and Replacement Fund, commencing on August 20, 2020, and on the twentieth day of each month thereafter to and including June 20, 2021, in equal monthly installments, one-eleventh of the amounts scheduled on the Series 2018 Note which, by this reference thereto, is incorporated herein as “Total Reserves” for such Annual Period, and on the twentieth day of each month thereafter, in equal monthly installments, one-twelfth of the amounts scheduled on the “Schedule of Payments to the Repair and Replacement Fund” as “Total Reserves” for each such Annual Period, and any and all additional amounts required to be deposited therein by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds;

(i) there shall be transferred to the appropriate fund or funds other than the Repair and Replacement Fund, the Cash Trap Fund, the Operations Contingency Fund, and the Surplus Fund, any and all additional amounts required to be deposited into such fund or funds by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds on the date(s) specified therein; and

(j) provided no Event of Default (to the Trustee’s actual knowledge) shall have occurred and then be continuing under the Indenture, any amounts remaining therein on the last Business Day of each month shall be transferred to the Operations Contingency Fund.

(k) Notwithstanding anything contained in the Indenture to the contrary, the Trustee may open such additional Funds, Accounts and subaccounts as directed by the Authority or the Borrower.

Bond Fund

There shall be deposited into the Bond Fund from the sale of the Series 2018 Bonds the amounts specified in the Indenture. In addition, there shall be deposited into the Bond Fund from the Revenue Fund all amounts specified above under “Revenue Fund” 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 this Section and in the Indenture, moneys in the Bond Fund shall be used solely to pay the Debt Service Payments on the Bonds. Subject to the provisions of the Indenture, not later than 1:00 p.m. on any date Debt Service Payments on the Bonds are due (other than principal of Bonds to be paid from moneys in the Redemption Fund pursuant to the Indenture), the Trustee shall withdraw moneys from the Bond Fund sufficient to make such Debt Service Payment and shall make such Debt Service Payment to the Owner of such Bond entitled thereto.

There is created by the Authority and ordered established a separate Account within the Bond Fund, to be designated the “Capitalized Interest Account.” The Trustee shall also establish separate subaccounts within the Capitalized Interest Account with respect to each Series, or, if applicable Subseries of Additional Bonds. The Trustee may, at any time and from time to time, transfer cash and investments from the Bond Fund to the Capitalized Interest Account and from the Capitalized Interest Account to the Bond Fund, in each case, for equivalent value. For purposes of this Section, investments shall be valued at par plus interest accrued to the date of the transfer.

There shall be deposited into the Capitalized Interest Account from the sale of the Series 2018 Bonds the amounts specified in the Indenture. On each date that transfers to the Bond Fund are required above under “Revenue Fund” while there are funds on deposit in the Capitalized Interest Account, the Trustee shall transfer (i) from the Capitalized Interest Account to the Bond Fund the lesser of (A) an amount equal to any such transfer required in respect of the Series 2018 Bonds on that date; or (B) the amount remaining in the Capitalized Interest Account; and (ii) from any other subaccount of the Capitalized Interest Account created in respect of a Series or Subseries of Additional Bonds to the Bond Fund the lesser of (A)

an amount equal to any such transfer required in respect of such Series or Subseries of Additional Bonds on that date; or (B) the amount remaining in such subaccount.

Upon the written request of the Borrower, all of the proceeds of the Series 2018 Bonds, or any portion thereof designated in writing by the Borrower, remaining in the Capitalized Interest Account on the Series 2018 Completion Date shall be transferred to the 2018 Account of the Construction Fund and used for the payment of the Costs of the Project.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may use moneys in the Bond Fund to pay the fees and expenses of the Trustee prior to the making of any payments to the Bondholders. Except as provided in the Indenture or any corresponding article in an indenture supplemental to the Indenture, no part of the Basic Loan Payments in the Bond Fund shall 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, together with the amount in the Redemption Fund, 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 Authority 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.

The Authority authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay Debt Service Payments 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 Debt Service Payments, which authorizations and directions the Trustee accepts.

If on any Bond Payment Date there are insufficient funds in the Bond Fund and the Redemption Fund available therefor to pay Debt Service Payments on the Bonds then due, the Trustee shall transfer to the Bond Fund an amount equal to such insufficiency from the following funds in the following order of priority: first, the Cash Trap Fund; second, the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund); third, the Operations Contingency Fund; fourth, the Debt Service Reserve Fund; and fifth, the Repair and Replacement Fund.

Redemption Fund

There shall be deposited into the Redemption Fund all moneys required to be transferred thereto or deposited therein pursuant to “Construction Fund” referenced below, the Loan Agreement, and the Leasehold Deed of Trust. Except as otherwise provided in this Section and in the Indenture, moneys in the Redemption Fund shall be used only to pay the principal of Bonds or that portion of the Redemption Price of Bonds corresponding to principal in the manner specified in this Section, below under “Construction Fund,” in the Loan Agreement, and in the Leasehold Deed of Trust. Not later than 1:00 p.m. on any date principal or Redemption Price of any Bond is due, the Trustee shall withdraw moneys from the Redemption Fund sufficient to make such payment and shall make such payment to the Owner of such Bond entitled thereto.

The Trustee shall establish a separate Account within the Redemption Fund (i) with respect to each Series of Bonds; and (ii) if more than one Subseries of Bonds shall be issued on the same date, with respect to each such Subseries of Bonds. Subject to the provisions of this Section, but notwithstanding anything else contained in the Indenture to the contrary, any amounts required to be deposited in the Redemption Fund for the redemption of a particular Series or Subseries of Bonds in accordance with any of the Bond Documents shall be deposited in the applicable Account or Accounts thereof, and, prior to the occurrence of an Event of Default (to the Trustee’s actual knowledge) under the Indenture, any amounts in an Account

of the Redemption Fund may be used only to make payments on the Subseries of Bonds in respect of which such Account was established.

All amounts transferred to the Redemption Fund from the Capitalized Interest Account or the Construction Fund, as referenced below, to redeem Bonds shall be used to redeem only the principal portion thereof.

When (i) the amount of the remaining Debt Service Payments on the Outstanding Bonds shall be equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, the balance of the Debt Service Reserve Funds and the balance of the Repair and Replacement Fund; (ii) the amount of the remaining Debt Service Payments on any Outstanding Additional Bonds that are Taxable Bonds shall be equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, and the balance of the Repair and Replacement Fund; and (iii) all other amounts owed under the Loan Agreement and the Indenture shall have been paid, moneys held in the Redemption Fund may, with the consent of the District, be deposited into the Bond Fund and credited against payments of Loan Payments required under the Loan Agreement or may be used in such other manner for which a Favorable Opinion of Bond Counsel shall have been obtained.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may use moneys in the Redemption Fund to pay the fees and expenses of the Trustee prior to the making of any payments to the Bondholders.

The Authority authorizes and directs the Trustee to withdraw sufficient funds from the Redemption Fund to pay the principal of Bonds or that portion of the Redemption Price of Bonds corresponding to principal in the manner specified in this Section, below under "Construction Fund," in the Loan Agreement, and in the Leasehold Deed of Trust and to make said funds so withdrawn available to the paying agent or agents, if any, for the purpose of paying said principal or portion of said Redemption Price, which authorizations and directions accepted by the Trustee.

Issuance Cost Fund

The Issuance Cost Fund shall be used only to pay the Corporation Acquisition Fee and Issuance Costs. Within the Issuance Cost Fund, there is a separate Account to be designated the "2018 Account." There shall be deposited into the 2018 Account of the Issuance Cost Fund the amounts specified in the Indenture. Moneys in the Issuance Cost Fund shall be disbursed upon receipt of a requisition for payment (on which the Trustee may conclusively rely), executed by the Authorized Borrower Representative, and the Trustee is authorized and directed to so disburse funds upon receipt of such a requisition. If any funds remain in the 2018 Account of the Issuance Cost Fund on the earlier of the receipt by the Trustee of a certificate of the Borrower stating that all Issuance Costs relating to the Series 2018 Bonds have been paid or the first anniversary of the Closing Date, the Trustee shall transfer any funds remaining in the 2018 Account of the Issuance Cost Fund to the 2018 Account of the Construction Fund.

Construction Fund

The Construction Fund shall be used solely for the purposes set forth in this Section. Within the Construction Fund, there is an Account to be designated the "2018 Account." There shall be deposited into the 2018 Account of the Construction Fund the amounts specified in the Indenture. The Trustee shall 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 shall be expended to pay the Costs of the Project in accordance with the provisions of the Loan Agreement. Moneys in the Construction Fund shall be disbursed upon receipt of a requisition for

payment (on which the Trustee may conclusively rely), executed by the Authorized Borrower Representative, in the case of Construction Costs (other than Construction Costs related to the Monitoring Well), approved by the Authorized Developer Representative and the Independent Architect/Engineer; in the case of non Construction Costs, approved by the Authorized Developer Representative, and recommended by the Independent Architect/Engineer; and in the case of Construction Costs charged by the Water District related to the Monitoring Well, executed by the Authorized Borrower Representative and approved by the Authorized District Representative. The Trustee is authorized and directed to so disburse funds upon receipt of such a requisition. The Trustee is authorized and directed to issue its checks or transfer by wire transfer in accordance with written instructions for each disbursement required by the aforesaid provisions of the Loan Agreement.

The Trustee shall establish a separate Account within the Construction Fund with respect to each Series or, if applicable, Subseries of Additional Bonds issued under the Indenture.

All proceeds of the Series 2018 Bonds and investment earnings thereon remaining in the Construction Fund on the Series 2018 Completion Date, less amounts retained or set aside to meet costs not then due and payable or that are being contested, shall be used for other capital expenditures unrelated to the Series 2018 Project that constitute “public capital improvements” under the Act approved in writing by the District with the written consent of the Borrower; provided, however, that, a Favorable Opinion of Bond Counsel with respect to such expenditures shall have been delivered to the Trustee. If there are no such additional capital expenditures or insufficient capital expenditures to exhaust the excess amounts in the 2018 Account of the Construction Fund such excess shall be transferred (i) to the Bond Fund and used for the payment of principal of the Series 2018 Bonds provided the Borrower shall deliver to the Trustee a Favorable Opinion of Bond Counsel; or (ii) if the Borrower shall fail to deliver such an opinion, to the Redemption Fund by the Trustee and used to redeem Series 2018 Bonds in accordance with the provisions of the Indenture on the first date that the Series 2018 Bonds may be redeemed at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus interest accrued to the redemption date.

Debt Service Reserve Fund

The Debt Service Reserve Fund shall be used solely for the purposes set forth in the Indenture as described below.

There shall be deposited into the Debt Service Reserve Fund from the sale of the Series 2018 Bonds pursuant to the Indenture cash in an amount equal to the Debt Service Reserve Requirement for the Series 2018 Bonds on and as of the Closing Date. The Trustee shall deposit in the Debt Service Reserve Fund any funds paid to the Trustee in accordance with the provisions of the Loan Agreement or the Indenture for credit or transfer to the Debt Service Reserve Fund. If the Borrower shall have exercised its option or shall have become obligated to prepay the Loan in whole and not in part pursuant to the terms of the Loan Agreement and shall have paid the sums as provided therein, all of the funds then in the Debt Service Reserve Fund, subject to the provisions of paragraph (g) below, shall be deposited into the Bond Fund to be used to pay principal of the Issue of Bonds to which such proceeds relate. The Trustee shall give written notice to the Authority and the Borrower of (i) any withdrawals from the Debt Service Reserve Fund, (ii) any diminution in Value as of any Valuation Date, or (iii) net losses from the investment of funds in the Debt Service Reserve Fund as of any Valuation Date that reduce the Value of the cash and investments deposited therein or credited thereto to less than the Debt Service Reserve Requirement for the Bonds.

The Authority authorizes and directs the Trustee to withdraw funds from the Debt Service Reserve Fund to pay the Debt Service Payments then due on the Series 2018 Bonds and on any Additional Bonds to the extent that there are insufficient funds for said purposes in the Cash Trap Fund, the Bond Fund, the

Redemption Fund, the Surplus Fund, and the Operations Contingency Fund available therefor on the date such Debt Service Payments are due, which authorization and direction are accepted by the Trustee.

When (i) the remaining amount of Debt Service Payments on the Outstanding Bonds shall be equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, the balance of the Debt Service Reserve Fund, and the balance of the Repair and Replacement Fund; and (ii) all other amounts owed under the Loan Agreement and the Indenture shall have been paid, moneys held in the Debt Service Reserve Fund may, with the consent of the District, be deposited into the Bond Fund and, subject to the provisions of paragraph (f) below, credited against payments of Loan Payments required under the Loan Agreement or may be used in such other manner for which a Favorable Opinion of Bond Counsel shall have been obtained.

Subject to the provisions of paragraph (g) below, on the final maturity date of the Bonds any moneys in the Debt Service Reserve Fund may be used upon receipt of written instruction from the Borrower to pay the Debt Service Payments on the Bonds on such final maturity date. In the event of the redemption of the Bonds in whole, any moneys in the Debt Service Reserve Fund shall be transferred upon receipt of written instruction from the Borrower to the Bond Fund and applied to the payment of the principal of and premium, if any, on the Bonds.

If, as a result of the valuation of the investments held in the Debt Service Reserve Fund as of any Valuation Date pursuant to “Investment of Funds and Accounts” below, the balance of the Debt Service Reserve Fund shall be greater than the Debt Service Reserve Requirement for the Bonds, all amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for the Bonds shall be transferred pro rata to the Accounts of the Bond Fund corresponding to the Series 2018 Bonds (to the extent Outstanding) and to any Outstanding Subseries of Additional Bonds; provided, however, if (i) on any date on which all or any portion of a Series or Subseries of Bonds shall be defeased, in accordance with the provisions of “Discharge; Release of Indenture” below, the balance of the Debt Service Reserve Fund shall be no less than the Debt Service Reserve Requirement (after such defeasance); and (ii) the Borrower shall give written instructions to the Trustee, all amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement (after such defeasance) may be used to pay the principal of or premium on the defeased Bonds or, if the Borrower shall provide the Authority and the Trustee with a Favorable Opinion of Bond Counsel, in such other manner as shall be directed by the Borrower.

Amounts on deposit in the Debt Service Reserve Fund shall not be used to pay the Debt Service Payments on any Additional Bonds that are not Tax-Exempt Bonds

Repair and Replacement Fund

The Repair and Replacement Fund shall, except as provided in the final paragraph of this Section and in the Indenture, be used solely for the purposes set forth in this Section. The Trustee shall deposit into the Repair and Replacement Fund as and when received by the Trustee any moneys paid to the Authority under the Loan Agreement, or the Indenture for credit or transfer to the Repair and Replacement Fund.

The Authority authorizes and directs the Trustee to withdraw funds from the Repair and Replacement Fund to pay (i) the maintenance and repair costs related to the Housing Facility that the Borrower shall be obligated to pay pursuant to the Loan Agreement or, to the extent that the Net Proceeds shall be insufficient for such purposes, to the costs of restoration or replacement of the Housing Facility (or any portion thereof) pursuant to the Loan Agreement; and (ii) the Debt Service Payments on the Bonds to the extent there are insufficient funds in the Cash Trap Fund, the Bond Fund, the Redemption Fund, the Surplus Fund, the Operations Contingency Fund, and the Debt Service Reserve Fund available therefor on the date such Debt Service Payments are due, which authorization and direction accepted by the Trustee.

Moneys in the Repair and Replacement Fund to be used for the purpose described in clause (i) of the preceding paragraph shall be disbursed upon receipt of a requisition for payment (on which the Trustee may conclusively rely), executed by the Authorized Borrower Representative, however, upon the occurrence of an Event of Default under the Indenture or a failure by the Borrower to pay Basic Loan Payments required by the Loan Agreement, the Trustee shall not be obligated to disburse funds from the Repair and Replacement Fund for such purposes. The Trustee is authorized and directed to withdraw funds from the Repair and Replacement Fund for the purpose described in clause (ii) of the preceding paragraph automatically, without any requisition from the Borrower.

When (i) the remaining amount of the Debt Service Payments on the Outstanding Bonds shall be equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, the balance of the Debt Service Reserve Fund, and the balance of the Repair and Replacement Fund; (ii) the remaining amount of the Debt Service Payments on any Outstanding Additional Bonds that are not Tax-Exempt Bonds shall be equal to or less than the sum of the balance of the Bond Fund, the balance of the Redemption Fund, the balance of the Taxable Debt Service Fund and the balance of the Repair and Replacement Fund; and (iii) all other amounts owed under the Loan Agreement and the Indenture shall have been paid, moneys held in the Repair and Replacement Fund may, with the consent of the District, be deposited into the Bond Fund and credited against payments of Loan Payments required under the Loan Agreement.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may use moneys in the Repair and Replacement Fund to pay the fees and expenses of the Trustee prior to the making of any other payments required or authorized by this Section.

Insurance and Condemnation Funds

Reference is made to the Loan Agreement under which it is provided that under certain circumstances the Net Proceeds of insurance and condemnation awards are to be paid to the Trustee and deposited into the Insurance Fund and the Condemnation Fund, respectively, and are to be disbursed and paid out as therein provided. The Trustee accepts and agrees to perform the duties and obligations specified in the Indenture. There is a trust fund to be designated the "Insurance Fund" and a trust fund to be designated the "Condemnation Fund," and, within each of such Funds, a separate Account to be designated the "2018 Account," all of which shall be opened only if funds are required to be deposited therein as provided in the Loan Agreement. The Trustee shall also establish a separate Account within the Insurance Fund and within the Condemnation Fund with respect to each Series of Additional Bonds issued under the Indenture. Funds held in the Insurance Fund or in the Condemnation Fund shall be disbursed in accordance with the Loan Agreement upon receipt of a requisition for payment (on which the Trustee may conclusively rely), executed by the Authorized Borrower Representative, and the Trustee is authorized and directed to issue its checks or transfer by wire transfer in accordance with written instructions for each disbursement upon receipt of such a requisition. Notwithstanding anything contained in the Indenture to the contrary, 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 (to the Trustee's actual knowledge) under the Indenture, 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.

The Trustee will also establish a separate Account within the Insurance Fund and within the Condemnation Fund with respect to each Series of Additional Bonds issued under the Indenture. Any amounts required to be deposited in the Insurance Fund or in the Condemnation Fund in accordance with

the Loan Agreement will be deposited in the applicable Account thereof, and, prior to the occurrence of an Event of Default under the Indenture, 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.

Cash Trap Fund

The Cash Trap Fund shall contain moneys transferred from the Surplus Fund in accordance with provisions below under “Surplus Fund.”

Moneys in the Cash Trap Fund may be used to pay Expenses of, or to make capital expenditures in respect of, the Housing Facility and to make Debt Service Payments on the Bonds and shall be disbursed upon receipt of a requisition for payment (on which the Trustee may conclusively rely), executed by the Authorized Borrower Representative, and the Trustee is authorized and directed to issue its checks or transfer by wire transfer in accordance with written instructions for each disbursement upon receipt of such a requisition.

Moneys in the Cash Trap Fund may also be used to make the transfers and deposits required above under “Revenue Fund,” and the Authority authorizes and directs the Trustee to withdraw funds from the Cash Trap Fund to make such transfers and deposits to the extent that there are insufficient funds in the Revenue Fund available therefor, which authorization and direction is accepted by the Trustee.

If amounts are required to be transferred to the Cash Trap Fund for three (3) consecutive years from the Surplus Fund as described below under “Surplus Fund,” then the Trustee shall apply amounts on deposit in the Cash Trap Fund at any time to redeem Bonds pursuant to the Indenture upon receipt of a written direction from a Majority of the Bondholders which specifies the amount to be applied for such redemption.

All amounts remaining in the Cash Trap Fund after the Fixed Charges Coverage Ratio for the prior Annual Period is at least 1.20 as shown by the Borrower’s calculation of the Fixed Charges Coverage Ratio provided to the Trustee in accordance with the Loan Agreement shall be transferred to the Surplus Fund.

Operations Contingency Fund

The Operations Contingency Fund shall receive moneys transferred from the Revenue Fund after disbursements described above under “Revenue Fund” provided no Event of Default (to the Trustee’s actual knowledge) shall have occurred and then be continuing under the Indenture.

Moneys in the Operations Contingency Fund may be used to pay Expenses of, or to make capital expenditures in respect of, the Housing Facility and shall be disbursed upon receipt of a requisition for payment (on which the Trustee may conclusively rely), executed by the Authorized Borrower Representative and approved by the District, and the Trustee is authorized and directed to issue its checks or transfer by wire transfer in accordance with written instructions for each disbursement upon receipt of such a requisition.

Moneys in the Operations Contingency Fund may also be used to make the transfers and deposits required below under “Revenue Fund,” and the Authority authorizes and directs the Trustee to withdraw funds from the Operations Contingency Fund to make such transfers and deposits to the extent that there are insufficient funds in the Revenue Fund, the Cash Trap Fund, the Bond Fund, the Redemption Fund, and

the Surplus Fund (in such order of priority) available therefor, which authorization and direction is accepted by the Trustee.

All amounts remaining in the Operations Contingency Fund at the close of business on the last day of each Annual Period shall be transferred to the Surplus Fund; provided however that the Borrower may direct the Trustee to retain an amount in the Operations Contingency Fund as a reserve for payment of operating expenses of the Housing Facility in an amount not to exceed three months of budgeted operating expenses for the next Annual Period.

Surplus Fund

There is created by the Authority and established with the Trustee a trust fund to be designated the "Surplus Fund."

Provided (i) no Event of Default shall have occurred and then be continuing under the Indenture; (ii) all amounts withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds, in accordance with "Repair and Replacement Fund" above, shall have been reimbursed in full; and (iii) all amounts withdrawn from the Debt Service Reserve Fund to pay Debt Service Payments on the Bonds, in accordance with "Debt Service Reserve Fund" above, shall have been reimbursed in full, the Trustee shall pay to the Manager from moneys on deposit in the Surplus Fund all unpaid Subordinated Management Fees, as specified in writing by the Manager and the Borrower to the Trustee, which writing shall also certify compliance with clauses (i), (ii) and (iii) set forth above.

After any payments for the Subordinated Management Fees shall have been made, if the annual financial statements, Audit Report, and accompanying calculation indicate a Fixed Charges Coverage Ratio of at least 1.20, the Trustee shall transfer all amounts in the Surplus Fund to the District as payment for lease payments under the Ground Lease and to reimburse the District for any of its fees and expenses related to the Housing Facility.

If the Borrower's calculation of the Fixed Charges Coverage Ratio provided to the Trustee indicate a Fixed Charges Coverage Ratio of less than 1.20 or an Event of Default (to the Trustee's actual knowledge) shall have occurred and then be continuing under the Indenture, the Trustee shall transfer all amounts in the Surplus Fund after payments for the unpaid Subordinated Management Fees to the Cash Trap Fund.

Moneys in the Surplus Fund may also be used to make the transfers and deposits required above under "Revenue Fund," and the Authority authorizes and directs the Trustee to withdraw funds from the Surplus Fund to make such transfers and deposits to the extent that there are insufficient funds in the Revenue Fund, the Bond Fund, and the Redemption Fund available therefor on such date, which authorization and direction is accepted by the Trustee.

Non-presentment of Bonds

In the event any Bonds shall not be presented for payment when the principal thereof shall become due, either at maturity, at the date fixed for redemption thereof, or otherwise, if funds sufficient to pay such Bonds shall have been made available to the Trustee for the benefit of the Owner or Owners thereof, all liability of the Authority and the Borrower to the Owner or Owners thereof for the payment of such Bonds shall forthwith cease, determine, and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Owner or Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her, or their part under the Indenture or on, or with respect to, said Bonds.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds, if any, within two years after the date on which the same shall have become due (or such earlier date as immediately precedes the date on which such funds would be required to escheat or be payable to the State or any other governmental unit under any laws governing unclaimed funds) shall, upon the written request of the Borrower, be paid by the Trustee to the District at such times and in such amounts as shall be set forth in a written invoice approved by the District and the Borrower, and thereafter Bondholders shall be entitled to look only to the District for payment, and then only to the extent of the amount so repaid, and neither the Authority, the Borrower, nor the District shall be liable for any interest thereon and shall not be regarded as a trustee of such money. If the Borrower shall fail to make the aforementioned written request, the Trustee shall apply such moneys in accordance with applicable laws governing unclaimed funds.

Amounts Remaining in Funds and Accounts

Subject to the provisions of the Indenture, any amounts remaining in the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Cash Trap Fund, the Operations Contingency Fund, the Surplus Fund, or any other Fund, Account, or reserve created under the Indenture, with the exception of the Rebate Fund, after payment in full of the Debt Service Payments on the Bonds (or provision for payment thereof as provided in the Indenture), the fees, charges, and expenses of the Trustee, any paying agents, and the Authority, the amounts required to be paid to the United States pursuant to the Loan Agreement, and all other amounts required to be paid under the Indenture, shall be promptly paid to the District as set forth in a written invoice by the District and the Borrower.

Rebate Fund

The Rebate Fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including, without limitation, the Owners. The Rebate Fund is established for the purpose of complying with § 148 of the Code and the Regulations promulgated thereunder. The money deposited in the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section. The Rebate Fund is not a portion of the Trust Estate and is not subject to the lien of the Indenture. Amounts in the Rebate Fund shall not be used to make Debt Service Payments.

There shall be deposited in each Account of the Rebate Fund as and when received (i) moneys required to be paid by the Borrower pursuant to the Loan Agreement; (ii) moneys transferred from the Cash Trap Fund, the Surplus Fund, the Operations Contingency Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Issuance Cost Fund, the Construction Fund, and/or the Bond Fund pursuant to the provisions of this Section; and (iii) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into the Account of the Rebate Fund designated therein.

With respect to each Issue of Tax-Exempt Bonds, promptly after each Calculation Date, and not later than 30 days after all Bonds of such Issue shall have been Discharged, the Borrower shall engage, and furnish information to, the Rebate Analyst and cause the Rebate Analyst to calculate the Rebate Amount with respect to such Issue of Tax-Exempt Bonds. The Borrower shall provide, or cause the Rebate Analyst to provide, to the Authority and the Trustee a copy of the report of the Rebate Analyst. The Trustee shall determine if the amount in the applicable Account(s) of the Rebate Fund is then equal to the calculated Rebate Amount. If the amount in such Account(s) of the Rebate Fund shall be in excess of the amount required to be therein in accordance with the report of the Rebate Analyst, then such excess shall be transferred to the Bond Fund. If the amount in such Account(s) of the Rebate Fund shall be less than the amount required to be deposited therein, the Trustee shall transfer to such Account(s) of the Rebate Fund

such amounts as shall be necessary to reserve for the anticipated Rebate Amount payment to the United States Treasury from the Revenue Fund in accordance with “Revenue Fund” below.

If at any time the Borrower shall be required to retain the Rebate Analyst, but shall fail to do so, then the Authority shall retain a Rebate Analyst, at the expense of the Borrower, to calculate the Rebate Amount. If the Authority shall be required to retain or to pay the Rebate Analyst, then the Authority, after delivering to the Borrower a demand for payment of an amount sufficient to pay the Rebate Analyst, shall direct the Trustee to withdraw such amount as may be needed to pay the Rebate Analyst from the following funds in the following order of priority: first, the Revenue Fund; second, the Cash Trap Fund; third, the Surplus Fund; fourth, the Operations Contingency Fund; fifth, the Debt Service Reserve Fund; sixth, the Repair and Replacement Fund; seventh, the Issuance Cost Fund; eighth, the Construction Fund; and ninth, the Bond Fund.

The Trustee shall have the right, but shall not be obligated, to seek written instructions from any Rebate Analyst as it shall deem necessary, concerning any payments to be made by it from the Rebate Fund and shall be free from any liability for acting in accordance with such reasonable instructions.

The Trustee, on behalf of the Authority, is directed to pay to the United States Treasury from time to time the amounts as required by the report of the Rebate Analyst, provided that the Trustee shall pay over to the United States Treasury: (i) at least once each five years after the Closing Date of an Issue of Tax-Exempt Bonds within 60 days of the date as of which the Rebate Amount shall have been calculated, an amount equal to 90% of the Rebate Amount allocable to that Issue of Tax-Exempt Bonds as of such date (and not theretofore paid to the United States Treasury); and (ii) not later than 60 days after the last bond of an Issue of Tax-Exempt Bonds shall have been Discharged, 100% of the Rebate Amount allocable to such Issue of Tax-Exempt Bonds.

If, at any time when the Trustee shall be required to withdraw money from any Account(s) of the Rebate Fund, the amount on deposit in such Account(s) of the Rebate Fund shall be insufficient for the purposes thereof, notwithstanding any investment of moneys requirements in the Indenture, the Trustee, after first delivering a demand for such deficiency to the Borrower and no money for such purpose having been provided by the Borrower, shall transfer moneys to such Account(s) of the Rebate Fund from the following funds in the following order of priority: first, the Revenue Fund; second, the Cash Trap Fund; third, the Surplus Fund; fourth, the Operations Contingency Fund; fifth, the Debt Service Reserve Fund; sixth, the Repair and Replacement Fund; seventh, the Issuance Cost Fund; eighth, the Construction Fund; and ninth, the Bond Fund.

The Trustee shall comply with the instructions contained in the Indenture provided that computations and payments may be made on other bases, at other times, and in other amounts, or omitted altogether, all as shall be set forth in a Favorable Opinion of Bond Counsel (the “Subsequent Rebate Instructions”), even if such Subsequent Rebate Instructions shall be different from or inconsistent with this Section. The Trustee shall be entitled to rely conclusively on the calculations made pursuant to this Section and any Subsequent Rebate Instructions and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in reliance upon those calculations.

Within 60 days after each Calculation Date, the Trustee shall deliver a certificate to the Authority stating (i) whether or not it has received the required annual arbitrage rebate calculations of the Rebate Analyst and the certificate of the Borrower required by the Loan Agreement, respectively; and (ii) that payment of the Rebate Amount, if any, has been made in accordance with instructions received from the Rebate Analyst.

The provisions of this Section shall supersede the provisions of all other Sections of the Indenture, to the end that the excludability from gross income for the purposes of federal income taxation of interest on Series of Tax-Exempt Bonds shall not be adversely affected as a result of the inadequacy at any time of the Rebate Fund, unless the total amount held by the Trustee under all Funds established under the Indenture shall be insufficient.

The Trustee shall retain records of the determination of the amount required to be deposited in the Rebate Fund, of the proceeds of any investments of money in the Rebate Fund, and of the amounts paid to the United States Treasury until the date six years after all of the Bonds shall have been Discharged, or for such longer period as required by the Trustee's policies and procedures.

Investment of Funds and Accounts

Subject to the Indenture, any moneys held as part of the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Cash Trap Fund, the Operations Contingency Fund, the Surplus Fund, the Rebate Fund, reserves in connection with contested liens, other special trust funds created under the Indenture, or other Funds or Accounts held by the Trustee shall be invested and reinvested by the Trustee, at the written direction of, and as specified by, the Authorized Borrower Representative in accordance with the provisions of the Loan Agreement. Any such investments shall be held by or under the control of the Trustee and shall 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 Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Cash Trap Fund, the Operations Contingency Fund, the Surplus Fund, the Rebate Fund, reserves in connection with contested liens, other special trust funds, or other Funds or Accounts held by the Trustee, as the case may be, the interest accruing thereon and any profit realized from such investments shall be credited as set forth below under "Allocation of Income from Investments," and any loss resulting from such investments shall 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 shall be insufficient for the uses prescribed for moneys held in such Fund or Account. The Trustee may transfer investments from any Fund or Account to any other Fund or Account in lieu of cash when required or permitted by the provisions of the Indenture. The Trustee shall value the investments held in the Debt Service Reserve Fund as of the close of business on each Valuation Date and shall promptly deliver copies of such valuation to the Authority and the Borrower. For the purpose of valuing Permitted Investments held in any account held by the Trustee under the Indenture, the Trustee shall value all investments at market. In determining market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it. In computing the assets of any Fund or Account, investments and accrued interest thereon shall be deemed a part thereof. The Trustee shall not be liable for any depreciation in the Value of any obligations in which moneys of Funds or Accounts shall be invested, as aforesaid, or for any loss arising from any investment. Such investments shall be made only as follows:

- (i) moneys in the Revenue Fund, the Issuance Cost Fund, the Construction Fund, the Repair and Replacement Fund, the Operations Contingency Fund, the Surplus Fund, the Rebate Fund, and any other Funds or Accounts (other than as described in clauses (ii) through (v) below), only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from each such respective Fund or Account as may be specified by the Authorized Borrower Representative;

(ii) moneys in the Bond Fund, only in Permitted Investments of the type described in clauses (a) and (b) of the definition thereof maturing or redeemable at the option of the holder not later than the immediately succeeding Bond Payment Date;

(iii) moneys in the Redemption Fund and the Cash Trap Fund, only in Permitted Investments of the type described in clauses (a) through (h) of the definition thereof maturing or redeemable at the option of the holder not later than the immediately succeeding Bond Payment Date and (A) in obligations the interest on which is excluded from the gross income of the owners thereof for federal income tax purposes; or (B) with respect to the Redemption Fund at a yield that is not greater than the yield on the Tax-Exempt Bonds for the redemption of which such moneys shall have been deposited therein and, with respect to the Cash Trap Fund, at a yield that is not greater than the yield on the Outstanding Tax-Exempt Bonds;

(iv) moneys in the Insurance Fund and the Condemnation Fund, only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from each such respective Fund and (A) in obligations the interest on which is excluded from the gross income of the owners thereof for federal income tax purposes; or (B) at a yield that is not greater than the yield on the Tax-Exempt Bonds the proceeds of which were used to finance or refinance the portion of the Project relating to such insurance or condemnation proceeds; and

(v) moneys in the Debt Service Reserve Fund, only in Permitted Investments maturing or redeemable at the option of the holder not later than two years from the date of purchase thereof; provided, however, if moneys in the Debt Service Reserve Fund shall be invested in a Permitted Investment of a type that permits the Borrower to withdraw amounts invested thereunder at any time without penalty, such Permitted Investment may have a term of up to 10 years.

The Trustee may conclusively rely upon the Authorized Borrower Representative's written instructions to make the directed investments, including as to the suitability and legality of the directed investments. To the extent that the Trustee shall not have received written directions from the Authorized Borrower Representative regarding investment of moneys, the Trustee shall, until such written directions are received, invest such moneys pursuant to standing written instructions delivered to the Trustee by the Authorized Borrower Representative upon the original issuance of the Series 2018 Bonds as such written instructions may be amended from time to time; provided, however, if no such written standing instructions shall be received by the Trustee upon the original issuance of the Series 2018 Bonds, then the Trustee shall solicit written instructions from the Authorized Borrower Representative regarding investment of moneys, but if no such instructions shall then be received, the Trustee shall not be responsible or liable for keeping the moneys held by it under the Indenture invested.

Notwithstanding any provision of the Indenture to the contrary, the Trustee shall not be liable or responsible for any calculation or determination that may be required in connection with or for the purpose of complying with the provisions of §148 of the Code or any applicable Regulations, including, without limitation, the calculation of amounts required to be paid to the United States under the provisions of §148 of the Code and applicable Regulations and the fair market value of any investments made under the Indenture (except as provided in the Indenture with respect to the calculation of amounts on deposit in the Debt Service Reserve Fund), and the sole obligation of the Trustee with respect to the investment of funds under the Indenture shall be to invest the moneys received by the Trustee in accordance with the written instructions of the Authorized Borrower Representative and the further provisions of the Indenture. The Trustee shall have no responsibility for determining whether or not the investments made pursuant to the direction of the Authorized Borrower Representative comply with the requirements of the Loan Agreement.

The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment that at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter.

Allocation of Income from Investments

All interest accruing from investments of moneys in the following Funds and Accounts and any profit realized therefrom shall be allocated as follows:

(i) interest and profits from the investments of moneys in the Revenue Fund shall be retained in the Revenue Fund;

(ii) interest and profits from the investments of moneys in the Bond Fund and in the Account(s) and subaccount(s) therein shall be retained in the Bond Fund and in such Account(s) and subaccount(s), respectively;

(iii) interest and profits from the investments of moneys in the Redemption Fund and any Account(s) therein shall be deposited into the Bond Fund;

(iv) interest and profits from the investments of moneys in the Accounts of the Issuance Cost Fund shall be deposited into the corresponding (by Series and Subseries) Accounts of the Construction Fund;

(v) interest and profits from the investment of moneys in the Construction Fund and the Accounts therein shall be retained in the Construction Fund and in such Accounts, respectively;

(vi) interest and profits from the investment of moneys in the Debt Service Reserve Fund shall be retained in the Debt Service Reserve Fund to the extent the deposit therein is less than the Debt Service Reserve Requirement, and otherwise shall be transferred first, to the Capitalized Interest Fund through the Capitalized Interest Period, and second, to the Revenue Fund;

(vii) interest and profits from the investment of moneys in the Repair and Replacement Fund shall be retained in the Repair and Replacement Fund;

(viii) interest and profits from the investment of moneys in the Insurance Fund and the Account(s) therein shall be retained in the Insurance Fund and in such Account(s), respectively;

(ix) interest and profits from the investment of moneys in the Capitalized Interest Fund shall be retained in the Capitalized Interest Fund;

(x) interest and profits from the investment of moneys in the Condemnation Fund and the Account(s) therein shall be retained in the Condemnation Fund and in such Account(s), respectively;

(xi) interest and profits from the investment of moneys in the Operations Contingency Fund shall be retained in the Operations Contingency Fund;

(xii) interest and profits from the investment of moneys in the Cash Trap Fund shall be retained in the Cash Trap Fund until such time as the Value of the cash and investments therein shall equal \$1,000,000 and thereafter deposited in the Revenue Fund;

(xiii) interest and profits from the investment of moneys in the Surplus Fund shall be retained in the Surplus Fund;

(xiv) interest and profits from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund; and

(xv) interest and profits from the investment of moneys in any other Funds or Accounts shall, at the written direction of the Authorized Borrower Representative, be retained in the respective Funds or Accounts or deposited into the Bond Fund.

Notwithstanding the foregoing provisions of this Section, any interest or other gain from any Fund or Account shall be transferred to the Rebate Fund to the extent required on behalf of the Borrower as described under "Rebate Fund," except that no such transfer shall be made from any Fund or Account if such transfer would cause the amount then on deposit in such Fund or Account to be less than required by the provisions, if any, of the Indenture.

Discharge of Lien

When:

(i) if the Bonds or a Series or Subseries of Bonds shall have become due and payable in accordance with the terms thereof or otherwise as provided in the Indenture, the whole amount of the Debt Service Payments so due and payable on all such Bonds shall be paid; or

(ii) if the Bonds or a Series or Subseries of Bonds shall not have become due and payable in accordance with the terms thereof, but:

(A) the Trustee shall hold cash and/or Defeasance Obligations, the principal of and the interest on which, when due and payable, will, together with such cash, provide sufficient money to pay the Debt Service Payments 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 Authority shall cause to be delivered to the Trustee a verification or other appropriate report to such effect issued by an Accountant; and

(B) if such Bonds are to be called for redemption, irrevocable written instructions to call such Bonds for redemption shall have been given by the Authority to the Trustee;

and in either of such event sufficient funds shall also have been provided or provision shall have been made for paying all other obligations payable under the Bond Documents with respect thereto, including any Rebate Amount,

then and in that case, the Bonds or such Series or Subseries of Bonds shall no longer be, or considered to be, Outstanding and the right, title, and interest of the Trustee in the Funds and Accounts, if any, established with respect to the Bonds or such Series or Subseries of Bonds shall then cease, determine, and become void and, on demand of the Authority and upon being furnished with an Opinion of Counsel, in form and substance satisfactory to the Trustee, to the effect that all conditions precedent to the release of the Indenture or that portion, if any, of the Trust Estate relating to such Series or Subseries of Bonds shall have been satisfied, the Trustee shall release the Indenture or that portion, if any, of the Trust Estate relating to such Series or Subseries of Bonds, shall execute such documents to evidence such release as may be reasonably required by the

Authority, and shall transfer any surplus in, and all balances remaining in, all such Funds and Accounts pursuant to the Indenture.

If Defeasance Obligations shall be deposited with and held by the Trustee as provided above, (i) in addition to the requirements set forth in the Indenture but not as a condition to defeasance, the Trustee, within 30 days after such cash and/or Defeasance Obligations shall have been deposited with it, shall cause a notice to be mailed, postage prepaid, to all Owners of Bonds to be paid or redeemed, setting forth (A) the date or dates, if any, designated for the redemption of such Bonds; (B) a description of the Defeasance Obligations so held by it; and (C) that the Indenture or that portion, if any, of the Trust Estate relating to such Series or Subseries of Bonds has been released in accordance with the provisions of this Section; and (ii) the Trustee shall nevertheless retain such rights, powers, and privileges under the Indenture as may be necessary and convenient in respect of such Bonds (A) for the payment of the Debt Service Payments for which such Defeasance Obligations shall have been deposited; and (B) for the registration, transfer, and exchange of such Bonds.

All cash and Defeasance Obligations held by the Trustee under this Section shall be held in trust and applied to the payment, when due, of the obligations payable therewith.

Notwithstanding anything contained in the Indenture to the contrary, provision shall not be made for the payment of any Bonds if such provision would constitute an “advance refunding” under the Code, unless simultaneously with such provision for payment, the Borrower shall deliver to the Authority and the Trustee a Favorable Opinion of Bond Counsel in form and substance satisfactory to the Authority and the Trustee.

Anything in the Indenture to the contrary notwithstanding, if such cash and/or Defeasance Obligations shall have been deposited or set aside with the Trustee pursuant to the Indenture for the payment of the Debt Service Payments on the Bonds or a Series or Subseries of Bonds shall not have in fact been actually paid in full, no amendment to the provisions of the Indenture shall be made without the consent of the Owner of each Bond affected thereby.

Additional Bonds

So long as no Event of Default under the Indenture shall then be existing, Additional Bonds may, in the Authority’s sole discretion, be issued by the Authority upon the request of the Borrower to provide funds to pay any one or more of the following: (i) the costs of completing a portion of the Project; (ii) the costs of making such Additions or Alterations as the Borrower may deem necessary or desirable and as will not impair the nature of the Housing Facility as a student housing facility and as will be located on the Property; (iii) the costs of refunding any Bonds; and (iv) 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 Authority. Such Additional Bonds shall be issued on a parity with the Series 2018 Bonds and any Additional Bonds theretofore or thereafter issued, shall be secured by the lien and security interests granted by the Leasehold Deed of Trust and the Security Agreement, equally and ratably with the Series 2018 Bonds and any Additional Bonds theretofore or thereafter issued, and shall be payable from the Bond Fund and the Redemption Fund. An amount equal to any increase of the Debt Service Reserve Requirement attributable to such Additional Bonds shall be deposited into the Debt Service Reserve Fund.

Prior to the issuance of any Additional Bonds to finance the cost of completing a portion of the Project or making Additions or Alterations to the Housing Facility, there shall be prepared and filed with the Trustee a certificate of the Borrower approved by an Independent Architect/Engineer setting forth the estimated costs of the proposed completion or the proposed Additions or Alterations to the Housing Facility,

including an allowance for contingencies, the estimated date on which the completed Project or such Additions or Alterations will be placed in service or completed, and the amount, if any, provided or to be provided by the Borrower from other sources toward payment of the costs of such completion or such Additions or Alterations to the Project or such additional Housing Facility and the manner in which such funds will be provided.

Prior to the issuance of any Additional Bonds to finance the costs of completing a portion of the Project, the Borrower shall furnish to the Trustee a written certificate of a Financial Consultant stating that (giving effect to the issuance or incurrence of such Additional Bonds) (i) the expected Fixed Charges Coverage Ratio for each of the three Annual Periods immediately following the Annual Period in which the completed Project is expected to be placed in operation is not less than 1.20; and (ii) the expected Revenue Available for Fixed Charges for each Annual Period until the completed Project is expected to be placed in operation plus any capitalized or funded interest is sufficient to pay the Fixed Charges, including the Fixed Charges that relate to the proposed Additional Bonds, for each Annual Period until the completed Project is expected to be placed in operation.

Prior to the issuance of any Additional Bonds to finance the cost of Additions or Alterations to the Housing Facility, there shall be prepared and filed with the Trustee:

- (i) the prior written consent of a Majority of the Bondholders; or
- (ii) a certificate of an Authorized Borrower Representative stating that such Additions or Alterations were ordered by a governmental body or required by the District and amounts then available for such purpose in the Repair and Replacement Fund are insufficient therefor.

Prior to the issuance of any Additional Bonds to refund any Bonds that results in the refunding of less than all of the then Outstanding Bonds, there shall be prepared and filed with the Trustee a written certificate of an Accountant stating that the debt service requirements on all Bonds (assuming no more Bonds are issued after the proposed refunding) for any Annual Period subsequent to the refunding to and including the Annual Period of the final maturity of Bonds outstanding prior to the refunding will not, as a result of such refunding, exceed the debt service requirements for any such Annual Period had such refunding not occurred.

Any Additional Bonds shall be secured by the lien and security interests granted by the Leasehold Deed of Trust and the Security Agreement and shall, subject to the provisions of the Indenture, be equal, without preference or priority, to the lien and security interest provided for the Series 2018 Bonds.

Such Additional Bonds shall be issued in such Series, Subseries, and principal amounts, shall be dated, shall bear interest at such rate or rates, shall be subject to redemption at such times and prices, and shall mature in such years as the indenture supplemental hereto authorizing the issuance thereof shall fix and determine and shall be deposited with the Trustee for authentication and delivery.

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

Notwithstanding the foregoing provisions of this Section, any Series of Additional Bonds the proceeds of which will be used to pay, discharge, or defease in accordance with the provisions of the

Indenture all Outstanding Bonds may be issued in the Authority's sole discretion and with the consent of the District without complying with the foregoing terms and provisions of this Section.

Delivery of Additional Bonds

Upon the execution and delivery in each instance of an appropriate indenture supplemental to the Indenture, the Authority shall execute and deliver to the Trustee, and the Trustee shall register and authenticate, Additional Bonds and deliver them to the purchaser or purchasers as may be directed by the Authority, as provided below.

Prior to the delivery by the Trustee of any such Additional Bonds, there shall be filed with the Trustee:

(a) a valid and effective amendment to the Loan Agreement providing for the inclusion within the Housing Facility of any real estate and interests therein and any buildings, structures, facilities, machinery, equipment, and related property to be acquired by purchase or construction from the proceeds of the Additional Bonds, providing for an increase in the Basic Loan Payment obligations of the Borrower, which shall be evidenced by Additional Notes, and providing any other changes required by the issuance of Additional Bonds;

(b) a valid and effective supplemental indenture providing for the issuance of such new Series of Additional Bonds and subjecting to the lien and security interest of the Indenture, the amendments to the Loan Agreement, the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements (if any);

(c) a valid and effective amendment to the Leasehold Deed of Trust (A) subjecting to the lien of the Leasehold Deed of Trust the Borrower's interest in and to any real estate and/or interests therein acquired by purchase or construction with the proceeds of the Additional Bonds; and (B) assigning and pledging to the Trustee the Borrower's interest in and to the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits thereof and therefrom;

(d) a valid and effective amendment to the Security Agreement, granting a security interest to the Trustee in the Borrower's interest in (A) any Equipment and/or Inventory acquired by purchase or construction with the proceeds of the Additional Bonds; (B) any buildings, structures, facilities, and related property to be acquired by purchase or construction from the proceeds of the Additional Bonds; and (C) any accounts, documents, chattel paper, instruments, general intangibles (including payment intangibles), supporting obligations, investment property, and deposit accounts arising in any manner from the Borrower's ownership and/or operation of any property acquired by purchase or construction with the proceeds of the Additional Bonds;

(e) a valid and effective amendment to the Assignment of Contracts and Agreements, granting a security interest to the Trustee in the Borrower's interest in any contract documents and/or agreements entered into in connection with the use of proceeds of such Additional Bonds and assigning and pledging to the Trustee the Borrower's interest, rights, and benefits thereof and therefrom;

(f) a copy, duly certified by an Authorized Signatory, of a resolution of the Authority theretofore adopted and approved authorizing the execution and delivery of such supplemental indenture and such amendment to the Loan Agreement, and such promissory notes, and the issuance of such Additional Bonds;

(g) a request and authorization to the Trustee on behalf of the Authority, signed by the Chair or an Authorized Signatory, to authenticate and deliver such Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee, for the account of the Authority, of a specified sum plus any accrued interest; the proceeds of such Additional Bonds shall be paid over to the Trustee and deposited to the credit of the Bond Fund or to such other Funds as are provided and created by the supplemental indenture;

(h) a certificate signed by an officer of the Borrower to the effect that no Event of Default under this Indenture or the Loan Agreement is then existing or will result from the issuance of such Additional Bonds;

(i) a Favorable Opinion of Bond Counsel and an Opinion of Counsel to the effect that the Additional Bonds are of equal lien and dignity to the Bonds and that the Additional Bonds have been legally issued;

(j) an endorsement of the mortgagee's title insurance policy required by the Loan Agreement, which endorsement increases the face amount of the policy to an amount equal to the Outstanding principal amount of the Series 2018 Bonds, if any, and the Additional Bonds, a new policy in the amount of the Series 2018 Bonds Outstanding, if any, and the Additional Bonds, or a separate policy in the amount of the Additional Bonds; and

(k) such other documents as the Trustee (who has no duty to require any additional documents) or the applicable underwriter(s) for the Additional Bonds may require.

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 shall not be made by or on behalf of the Authority when the same shall become due and payable; or

(b) payment of the principal of or the redemption premium, if any, on any Bond shall not be made by or on behalf of the Authority when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a Mandatory Sinking Fund Redemption Requirement or otherwise; or

(c) the failure by the Authority 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 and the continuation of such failure for 30 days after receipt by the Authority of a written notice from the Trustee specifying such failure 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, no Event of Default shall be deemed to have occurred or to exist under the Indenture if, and so long as, the Authority shall begin such performance within such period and shall diligently and continuously prosecute the same to completion within one hundred eighty (180) days of the delivery date of the default notice; or

(d) an "Event of Default" shall have occurred under any of the other Bond Documents other than the Continuing Disclosure Agreement.

Acceleration of Maturities

On the happening and continuance of any Event of Default under the Indenture, the Trustee may, and, on the written request of the Requisite Number of Bondholders, shall, by notice in writing to the Authority, the Borrower, and, if the Trustee is not the Dissemination Agent, the Dissemination Agent, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration, the same shall become and be immediately due and payable. In such event, there shall be due and payable on the Bonds an amount equal to the total principal of all Outstanding Bonds plus interest accrued thereon to the date of payment thereof. If at any time after the principal of the Bonds shall 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 shall have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and all arrearages 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 Authority under the Indenture shall have been paid or a sum sufficient to pay the same shall 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, in the Indenture (other than a failure to pay the principal of such Bonds then due only because of a declaration under this Section), and in the other Bond Documents (other than the Continuing Disclosure Agreement) shall have been remedied to the satisfaction of the Trustee, then and in every such case, the Trustee may, and on the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under this Section will not be deemed to be due and payable by their terms) shall, by written notice to the Authority, the Borrower, the Owners of the Bonds, each Rating Agency, and, if the Trustee is not the Dissemination Agent, the Dissemination Agent, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default under the Indenture or impair any right consequent thereon. Upon any declaration of acceleration under the Indenture, the Trustee shall 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.

Trustee May Bring Suit

Upon the happening and continuance of any Event of Default under the Indenture, then and in every such case, the Trustee may, and on the written request of the Requisite Number of Bondholders shall, proceed, subject to the provisions of the Indenture, to protect and enforce its rights and the rights of the Owners under the laws of the State and under the Indenture, the other Security Documents, and the Notes 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 herein or in the other Security Documents or the Notes 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, shall deem most effectual to protect and enforce such rights. Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Bondholder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding without the approval of the Bondholders so affected.

Application of Funds

All money received by the Trustee pursuant to any right given or action taken under the Indenture (other than amounts held in the Rebate Fund) shall, after payment of the costs and expenses (including legal fees 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 Debt Service Payments on the Bonds then due and unpaid 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 shall not be sufficient to pay the interest on or the principal of the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of "Acceleration of Maturities" above), such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Indenture or otherwise, shall be applied as follows:

(i) if the principal of all Bonds shall not have become, or shall not have been declared, due and payable, all such money shall 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 shall 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 shall have become due and payable (other than Bonds deemed to have been paid under the Indenture), in the order of their due dates, and, if the amount available shall 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 shall have become, or shall have been declared, due and payable, all such money shall 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 preference; and

(iii) if the principal of all Bonds shall have been declared due and payable and if such declaration thereafter shall have been rescinded and annulled above under "Acceleration of Maturities," then, subject to clause (ii) of this Section, if the principal of all Bonds shall later become due and payable or shall be declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund shall be applied in accordance with clause (i) of this Section.

Whenever money is to be applied by the Trustee under this Section, the Trustee shall apply such money at such times and from time to time, as the Trustee in its sole discretion determines, having due regard for the amount of such money available for such application and the likelihood of additional money

becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, constitutes proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, the Borrower, and any Owner or to any other Person for any delay in applying any such money so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such money, it shall set the date (which must be an Interest Payment Date unless the Trustee deems another date more suitable) on which such application is to be made. The Trustee shall give notice by first-class mail, postage prepaid, to all Owners of the setting of any such date, and shall not be required to make payment to the Owner of any Bonds until such Bonds are surrendered to the Trustee for cancellation if fully paid.

Effect of Discontinuance of Proceedings

If any proceeding taken by the Trustee or the Owners on account of any Event of Default under the Indenture shall have been discontinued or abandoned for any reason, then, and in every such case, the Authority, the Trustee, and the Owners shall be restored to their former positions and rights under the Indenture and under the other Security Documents, respectively, and all rights, remedies, powers, and duties of the Trustee shall continue as though no proceeding had been taken.

Control of Proceedings by a Majority of the Bondholders

Anything else in the Indenture to the contrary notwithstanding, a Majority of the Bondholders shall have the right, subject to the Indenture, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon the Trustee's receipt of indemnity satisfactory to it, (a) to direct the time, method, and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture or under any other Security Document, whether before or after the occurrence of an Event of Default under the Indenture, if such direction shall be in accordance with law and the Indenture; and (b) to approve any consent, approval, or waiver requested to be given by the Trustee under the Indenture.

Restrictions Upon Actions by Individual Owners

Except as provided in the Indenture, no Owner shall have any right to institute any suit, action, or proceeding in equity or at law on any Bond or for the execution of any trust under the Indenture or for any other remedy under the Indenture unless the Authority or the Requisite Number of Bondholders previously shall have given to the Trustee written notice of the Event of Default under the Indenture on account of which such suit, action, or proceeding is to be instituted, and unless also the Authority or the Owners shall have made a written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit, or proceedings in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request, and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy under the Indenture. Notwithstanding the foregoing provisions of this Section and without complying therewith, the Requisite Number of Bondholders may institute any such suit, action, or proceeding in their own names for the benefit of all Owners under the Indenture. It is understood and intended that, except as otherwise above provided, no one or more Owners shall have any right in any manner whatsoever by his, her, its, or their action to affect, disturb, or prejudice the security of the Indenture, or to enforce any right under the Indenture except in the manner provided, that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the benefit of all Owners and that any individual rights of action or

other right given to one or more of such Owners by law shall be restricted by the Indenture to the rights and remedies provided in the Indenture.

Appointment of Receiver

Upon the occurrence of an Event of Default under the Indenture and on the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the amounts payable under the Loan Agreement and the Notes as assigned to the Trustee under the Indenture, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not any such amounts shall be sufficient ultimately to satisfy the Bonds then Outstanding under the Indenture.

Enforcement of Rights of Action

All rights of action (including the right to file proof of claim) under the Indenture or under any Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee must be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners secured by the Indenture, and any recovery of judgment shall be for the equal benefit of the Owners.

No Remedy Exclusive

No remedy in the Indenture conferred on or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy or remedies provided in the Indenture, and each and every such remedy shall be cumulative and in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity.

Waivers

No delay or omission by the Trustee or any Owner in the exercise of any right or power accruing on any Event of Default under the Indenture shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power or remedy given by the Indenture to the Trustee and the Owners may be exercised from time to time and as often as may be deemed expedient.

No Enforcement Obligation of the Authority

Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to, and instead the Trustee may, without further direction from the Authority, take any and all steps, actions, and proceedings to enforce any or all rights of the Authority (other than those specifically relating to the Unassigned Rights) under the Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Corporation under the Loan Agreement.

Acceptance of the Trusts

The Trustee accepts the trusts and obligations imposed upon it by the Indenture and by the other Security Documents, represents and covenants that it is fully empowered under applicable laws and regulations to accept said trusts and obligations, and agrees to perform said trusts and obligations, but only

upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Indenture or any of the other Bond Documents against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default under the Indenture and after the waiving or curing of all Events of Default that may have occurred under the Indenture, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and in the other Bond Documents. In case an Event of Default under the Indenture of which the Trustee shall have been notified or of which it is deemed to have knowledge shall have occurred (that shall not have been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Indenture and by the other Bond Documents, and use the same degree of care and skill in their exercise, as a prudent corporate trustee would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee may execute any of the trusts or powers of the Indenture and of the other Bond Documents and perform any of its duties by or through attorneys, accountants, agents, receivers, or employees, and shall not be responsible for the acts of any attorneys, accountants, agents, or receivers appointed by it in good faith and without negligence, and shall be entitled to advice of counsel concerning all matters of trusts of the Indenture and the other Bond Documents and the duties under the Indenture and may in all cases pay such reasonable compensation, subject to reimbursement, to all such attorneys, accountants, agents, receivers and employees as may be reasonably employed in connection with the trusts of the Indenture. As to matters of law, the Trustee may act upon the opinion or advice of any attorneys (who may be the attorney or attorneys for the Authority or the Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action taken in good faith in reliance upon such opinion or advice.

(c) The Trustee may rely and shall be protected in acting in good faith upon any notice, request, resolution, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail, or other paper or electronic document or any oral communication or direction reasonably believed to be genuine and correct and to have been signed or sent or given by the proper Person or Persons in accordance with the provisions of any of the Bond Documents. Any action taken by the Trustee pursuant to the Indenture or any of the other Bond Documents upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Owner of any Bond shall be conclusive and binding upon all future Owners of the same Bond and of any Bond or Bonds issued in exchange therefor or upon transfer of or in place thereof.

(f) The Trustee shall not be required to take notice or be deemed to have notice of any failure on the part of the Authority to comply with the terms of the Indenture or any other Authority Document or the Borrower to comply with the terms of the Loan Agreement or any other Borrower Document except:

(i) failure by the Authority to cause to be made any of the payments to the Trustee required to be made by the Indenture; and

(ii) failure by the Borrower to make any of the Loan Payments to the Trustee required to be made by the Loan Agreement,

unless the Trustee shall be specifically notified in writing of such failure by the Authority or by the Requisite Number of Bondholders. All notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered to a Responsible Officer at the Office of the Trustee, and in the absence of such notice so delivered the Trustee, may conclusively assume there is no such failure to comply except as aforesaid. Notwithstanding any other provision of the Indenture, no right of the Trustee to indemnification shall relieve the Trustee from responsibility for making Debt Service

Payments on the Bonds when due from money available to it or accelerating the Bonds as required pursuant to “Acceleration of Maturities” above.

Fees, Charges, and Expenses of the Trustee

The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for Ordinary Services of the Trustee rendered under the Indenture or under any of the other Bond Documents, and all advances, attorneys’ fees, and other Ordinary Expenses of the Trustee reasonably made or incurred by the Trustee in connection with such Ordinary Services of the Trustee, and in the event that the Trustee performs Extraordinary Services of the Trustee, it shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable Extraordinary Expenses of the Trustee in connection therewith; provided, that if such Extraordinary Services of the Trustee or Extraordinary Expenses of the Trustee shall be the result of the negligence or willful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as bond registrar and paying agent for the Bonds. Notwithstanding any other provision of the Indenture or of the Loan Agreement to the contrary, at all times while any Bonds shall be Outstanding, payments to the Trustee for services under the Indenture shall be superior to the payment of Debt Service Payments on the Bonds, and the Trustee shall have a first and prior lien on the Trust Estate for payment of its fees and expenses.

Notice if Payment Default Occurs

If a failure to comply shall occur of which the Trustee is required to take notice or if notice of a failure to comply shall be given under the Indenture, provided the Trustee shall give such notice to the Authority as specified in the Indenture and such notice to the Borrower as is specified in the Loan Agreement, and shall give written notice thereof by first-class mail, within 15 days (unless such failure to comply shall have been cured or waived), to all Bondholders; provided that, except in the case of a failure to make due and punctual payment of the Debt Service Payments on the Bonds, 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 shall determine that the withholding of such notice is in the interests of the Bondholders.

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 Authority, to the Borrower, to each Rating Agency, and, by first-class mail, to each Bondholder, and such resignation shall take effect at the appointment of a successor Trustee pursuant to the provisions under “Appointment of Successor Trustee; Temporary Trustee,” below and acceptance by the successor Trustee of such trusts. If no successor Trustee shall have been so appointed by the Authorized Borrower Representative or the Bondholders pursuant to “Appointment of Successor Trustee; Temporary Trustee” below within 30 days after delivery of such notices, a temporary Trustee may be appointed by the Authority pursuant to “Appointment of Successor Trustee; Temporary Trustee” below. In the event that no successor Trustee shall have been appointed and shall have accepted appointment within 30 days of the giving of written notice by the resigning Trustee as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee

Removal of the Trustee

The Trustee may be removed at any time upon 30 days’ written notice (i) by the Authority for any breach of the trusts set forth herein or for any failure or refusal to act as Trustee; (ii) by an instrument or

concurrent instruments in writing delivered to the Trustee and to the Authority and signed by a Majority of the Bondholders; or (iii) by an instrument in writing delivered to the Trustee and to the Authority signed by the Authorized Borrower Representative, provided no Event of Default under the Indenture or the Loan Agreement shall have occurred and be continuing. Removal of the Trustee shall not be effective until a successor or temporary Trustee shall have been appointed pursuant to “Appointment of Successor Trustee; Temporary Trustee” below and the Trustee shall have been 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. The Authority or the Borrower, on behalf of the Authority, shall give written notice of removal of the Trustee to each Rating Agency.

Appointment of Successor Trustee; Temporary Trustee

In case the Trustee shall (i) resign or be removed; or (ii) be dissolved or shall be in the course of dissolution or liquidation, or in case it shall 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 Chair or an Authorized Signatory under seal and executed by the Authorized Borrower Representative; provided, that if a successor Trustee shall not be so appointed within 10 days after notice of resignation shall have been mailed or an instrument of removal shall have been delivered as provided above under “Resignation by the Trustee” and “Removal of the Trustee,” respectively, or within 10 days of the Authority’s knowledge of any of the events specified in clause (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 certified or registered mail to the Authority and the Borrower, may designate a successor Trustee. Until a successor Trustee shall be appointed by the Bondholders in the manner above provided, the Authority, by resolution and upon written notice to the Borrower, shall appoint a temporary Trustee to fill such vacancy, and any such temporary Trustee so appointed by the Authority shall immediately and without further act be superseded by the successor Trustee so appointed by the Bondholders. Notice of the appointment of a successor Trustee shall be given in the same manner as provided above by “Resignation by the Trustee” with respect to the resignation of the Trustee. Every such successor Trustee appointed pursuant to the provisions of this Section shall 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; shall be eligible to serve as trustee, bond registrar, and paying agent under applicable law; shall be duly authorized to exercise trust powers and subject to examination by federal or state authority; shall have a reported combined capital, surplus, and undivided profits of not less than \$75,000,000; and shall be an institution willing, qualified, and able to accept the trusteeship upon the terms and conditions of the Indenture.

In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Indenture prior to the date specified in the notice of resignation as the date when such resignation shall 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.

Indemnification of Trustee

Before taking any action under the Indenture at the direction or request of the Bondholders or in connection with a default or Event of Default, the Trustee may require that a reasonably satisfactory indemnity bond be furnished for reimbursement of all expenses it may incur and to protect it against all liabilities, except for liability that is adjudicated to have resulted from the negligence or willful misconduct of the Trustee by reason of any action so taken.

Borrower's Financial Statements

Upon the written request of any Owner, the Trustee, at the expense of such Owner, shall deliver to such Owner a copy of any of the financial statements of the Borrower that shall be delivered to the Trustee by the Borrower pursuant to the Loan Agreement. The Trustee shall have no duty to review, verify or analyze such financial statements (or any accompanying documentation) and shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.”

Amendments to Indenture and Supplemental Indentures Not Requiring Consent of the Bondholders

The Authority 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 the limitations and restrictions upon, the Authority in the Indenture other covenants, agreements, limitations, and/or restrictions to be observed by the Authority for the protection of the Bondholders or to surrender or limit any right or power reserved or conferred upon the Authority;
- (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 or any of the other Security Documents 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 as 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 modify, amend or supplement the Indenture in such a manner as shall be necessary in connection with the appointment of a successor Securities Depository under the Indenture;

- (ix) to modify, amend or supplement the Indenture for the purpose of obtaining or retaining a rating on the Bonds or a Series or Subseries of Bonds from a Rating Agency;
- (x) to modify, amend or supplement the Indenture in such a manner as shall be necessary to provide for the issuance of Additional Bonds;
- (xi) to comply with any provisions of the Securities Act, the Exchange Act, or any rules or regulations promulgated thereunder;
- (xii) to reflect a revision to the “Schedule of Payments to the Repair and Replacement Fund” in accordance with the provisions of the Loan Agreement;
- (xiii) to reflect a change in applicable law provided that the Trustee shall determine that such amendment or supplemental indenture does not materially adversely affect the Bondholders;
- (xiv) in connection with the issuance of Additional Bonds in accordance with the provisions of the Indenture, to make any other change herein as to which the Borrower and the District shall have given their prior written consent; and
- (xv) to make any change herein that, in the judgment of the Trustee, does not prejudice the Trustee or, as evidenced by an Opinion of Counsel, does not materially adversely affect the Bondholders.

The Authority and the Trustee shall, 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 (i) in connection with the issuance of any Additional Bonds in accordance with the Indenture and the inclusion of additional Security in connection therewith; (ii) to the extent necessary with respect to the land and interests in land, buildings, furnishings, machinery, equipment, and all other real and personal property that may form a part of the Project, so as to identify the same more precisely or to substitute or add additional land or interests in land, buildings, furnishings, machinery, equipment, or real or personal property as Security; or (iii) with respect to any changes required to be made in the description of the Security in order to conform with similar changes made in the Loan Agreement as permitted below under “Amendments to Other Bond Documents Not Requiring Consent of the Bondholders.”

In executing any amendment or supplemental indenture under this Section, the Trustee may, as to matters of law, conclusively rely on an Opinion of Counsel to the effect that such amendment or supplemental indenture is authorized or permitted under the Indenture and complies with the provisions of the Indenture.

Amendments to Indenture and Supplemental Indentures Requiring Consent of the Bondholders

Exclusive of amendments and indentures supplemental to the Indenture governed by “Amendments to Indenture and Supplemental Indentures Not Requiring Consent of the Bondholders” above and subject to the terms and provisions contained in this Section and not otherwise, a Majority of the Bondholders shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of an amendment to the Indenture or such indenture supplemental to the Indenture as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture, in any amendment to the Indenture, or in any supplemental indenture; provided, however, that nothing contained in this Section shall 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 (other than a change in a variable rate as provided in the Indenture) 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 the Owners of all of such Bonds; or

(ii) the creation of any lien or security interest (other than any Permitted Encumbrances) prior to or on a parity with the lien and security interests of the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding; 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 of 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 of the Bonds at the time Outstanding; 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, without the consent of the Owners of all of the Bonds at the time Outstanding; or

(vii) the release of the Indenture or requirements for the release of the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding.

If at any time the Authority shall request the Trustee to enter into any such amendment or supplemental indenture for any of the purposes allowed by this Section, the Trustee shall, upon being reasonably indemnified with respect to expenses, cause notice of the proposed execution of such amendment or supplemental indenture to be given in substantially the manner provided in the Indenture with respect to redemption of Bonds. Such notice shall briefly set forth the nature of the proposed amendment or supplemental indenture and shall state that copies thereof are on file at the Office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be reasonably prescribed by the Authority following the giving of such notice, the Bondholders required by the provisions of this subsection shall have consented thereto and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein or to the operation thereof or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment or supplemental indenture as in this Section permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may rely upon an Opinion of Counsel as conclusive evidence that execution and delivery of an amendment or supplemental indenture shall have been effected in compliance with the provisions of this Section.

Anything in the Indenture to the contrary notwithstanding, if the Borrower shall not be 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 shall not become effective unless and until the Borrower shall have consented to the execution and delivery of such amendment or supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such amendment or supplemental

indenture, together with a copy of such amendment or supplemental indenture, to be mailed by certified or registered mail or personally delivered to the Borrower at least 15 days prior to the proposed date of execution and delivery of any such amendment or supplemental indenture. Under such circumstances, the Borrower shall be deemed to have consented to the execution and delivery of any such amendment or supplemental indenture if the Trustee shall not have received a letter of protest or objection thereto signed by or on behalf of the Borrower on or before 4:30 p.m., local time of the Trustee, on the fifteenth day after the mailing of such notice and a copy of the proposed amendment or supplemental indenture.

The Trustee shall not be obligated to sign any amendment or supplement to the Indenture or the Bonds as authorized by the Indenture if such amendment or supplement, in the judgment of the Trustee, might adversely affect the rights, duties, liabilities, protections, indemnities or immunities of the Trustee.

Notice to Rating Agencies

The Trustee shall, prior to execution, give written notice of, and, after execution, copies of any amendment to the Indenture or to any indenture supplemental to the Indenture to each Rating Agency.

Amendments to Other Bond Documents Not Requiring Consent of the Bondholders

The Authority and the Trustee may, without the consent of, or notice to, the Bondholders, consent to any amendment, change, or modification of the Bond Documents other than the Indenture for any one or more of the following purposes: (i) as may be required by the provisions of the Loan Agreement or the Indenture; (ii) to provide for the issuance of Additional Bonds as provided in the Indenture; (iii) to cure any error, ambiguity, or formal defect or omission therein, or to correct or supplement any defective provision thereof; (iv) to add to the covenants and agreements of, and the limitations and restrictions upon, the Borrower therein other covenants, agreements, limitations, and/or restrictions to be observed by the Borrower for the protection of the Bondholders or to surrender or limit any right or power herein reserved or conferred upon the Borrower; (v) in connection with the land and interests in land, buildings, machinery, equipment, and other real or personal property described in the Loan Agreement, the Leasehold Deed of Trust, and/or the Security Agreement so as to identify more precisely the same or to substitute or add additional land or interests in land, buildings, machinery, equipment, or other real or personal property; (vi) to reflect a revision to the "Schedule of Payments to the Repair and Replacement Fund" in accordance with the provisions of the Loan Agreement; (vii) to reflect a change in applicable law provided that such amendment, change, or modification does not materially adversely affect the Bondholders as evidenced by an Opinion of Counsel delivered to the Trustee; (viii) to amend, change, or modify such Bond Documents in such manner as 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; (ix) to modify, amend, or change such Bond Documents in such a manner as shall be necessary in connection with the appointment of a successor Securities Depository under the Indenture; (x) to modify, amend, or change such Bond Documents for the purpose of obtaining or retaining a rating on the Bonds or a Series or Subseries of Bonds from a Rating Agency; (xi) to modify, amend, or change such Bond Documents in such a manner as shall be necessary to provide for the issuance of Additional Bonds; (xii) to substitute a new "Borrower" under the Loan Agreement as provided therein; (xiii) to comply with any provisions of the Securities Act, the Exchange Act, or any rules or regulations promulgated thereunder; (xiv) in connection with the issuance of Additional Bonds in accordance with the provisions of the Indenture, to make any change herein as to which the Borrower and the District shall have given their prior written consent; (xiv) to modify, amend, or change such Bond Documents in such manner as to evidence the release of the Series 2018 Additional Space upon the completion thereof from the terms of the Ground Lease; or (xv) to make any other change therein that, in the judgment of the Trustee, does not prejudice the Trustee or, as evidenced by an Opinion of Counsel, does not materially adversely affect the Bondholders.

In executing any amendment under the Indenture, the Trustee may, as to matters of law, conclusively rely on an Opinion of Counsel to the effect that such amendment is authorized or permitted under the Indenture and complies with the terms of the Indenture.

Amendments to Other Bond Documents Requiring Consent of the Bondholders

Except for the amendments, changes, or modifications as provided above under “Amendments to Other Bond Documents Not Requiring Consent of the Bondholders,” neither the Authority nor the Trustee shall consent to any other amendment, change, or modification of the Bond Documents or any of them other than the Indenture without giving notice to, and obtaining the written approval or consent of, a Majority of the Bondholders given and procured as in this Section provided; provided, however, that nothing in this Section or above under “Amendments to Other Bond Documents Not Requiring Consent of the Bondholders” shall permit or be construed as permitting, (i) an extension of the time for payment of any amounts payable under the Loan Agreement or a reduction in the amount of any payment or in the total amount due under the Loan Agreement, without the consent of the Owners of all of the Bonds at the time Outstanding; or (ii) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment, change, or modification of such other Bond Documents, without the consent of the Owners of all of the Bonds at the time Outstanding. If at any time the Authority and the Borrower shall request the consent of the Trustee to any such proposed amendment, change, or modification of such other Bond Documents, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be given in the same manner as provided above under “Amendments to Indenture and Supplemental Indentures Requiring Consent of the Bondholders” with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file at the Office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Authority following the giving of such notice, the Trustee and the Bondholders required by the provisions of this subsection shall have consented thereto and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein or to the operation thereof or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee from consenting to the execution thereof or to enjoin or restrain the Authority or the Borrower from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment, change, or modification as in this Section permitted and provided, such other Bond Documents shall be and be deemed to be modified, changed, and amended in accordance therewith. The Trustee may rely upon an Opinion of Counsel as conclusive evidence that execution and delivery of an amendment, change, or modification has been effected in compliance with the provisions of this Section.

The Trustee shall not be obligated to sign any amendment or supplement to the Bond Documents if such amendment or supplement, in the judgment of the Trustee, might adversely affect the rights, duties, liabilities, protections, indemnities, or immunities of the Trustee.

Notwithstanding anything contained in the Section to the contrary, no consent of any Bondholder or the Trustee shall be required (i) in connection with any amendment or modification of the Tax Certificate as shall be necessary, in the opinion of Bond Counsel, to preserve the exclusion of interest on any Tax-Exempt Bonds from the gross income of the Owners thereof for federal income tax purposes; (ii) in connection with any amendment or modification of the Development Agreement or the General Construction Contract if such amendment or modification shall not affect the obligation of the Developer or the General Contractor to pay liquidated damages thereunder (including, without limitation, a delay of the commencement date or a decrease in the amount thereof); (iii) in connection with any amendment or modification of the Development Agreement or the General Construction Contract that either shall not increase the Cost of the Project or, to the extent that the Cost of the Project shall be increased by such

modification or amendment, the Authorized Developer Representative shall have certified in writing to the Trustee that such increase is not in excess of the amount deposited into the Construction Fund in connection with such amendment or modification; (iv) in connection with any amendment or modification of the Coordination Agreement that shall not decrease the payment obligations of the District thereunder; or (v) in connection with any amendment or modification of the Management Agreement that shall not increase the management fee or the percentage of the management fee that is not subordinated to the payment of Annual Debt Service.

Notice to Rating Agencies

The Trustee shall, prior to execution, give written notice of, and, after execution, copies of any amendment, change, or modification of the Bond Documents other than the Indenture to each Rating Agency.

APPENDIX H

BOOK-ENTRY SYSTEM

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Series 2018 Bonds, payment of principal, interest and other payments on the Series 2018 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Series 2018 Bonds, other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2018 Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com, provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Bond Documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 shall be sent to DTC. If less than all of the Securities within an issue 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 Authority or the Trustee, on 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but none of the Authority, the Borrower, the Corporation or the District takes any responsibility for the accuracy thereof.

APPENDIX I

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2018 Bonds, Kutak Rock LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2018 Bonds in substantially the following form:

September __, 2018

California Community College Financing Authority
Sacramento, California

\$ _____
California Community College Financing Authority
College Housing Revenue Bonds
(NCCD – Orange Coast Properties LLC—Orange Coast College Project)
Series 2018

Ladies and Gentlemen:

We have acted as Bond Counsel to the California Community College Financing Authority (the “Authority”), a joint powers authority organized pursuant to the laws of the State of California (the “State”), in connection with the issuance of its \$ _____ College Housing Revenue Bonds (NCCD – Orange Coast Properties LLC—Orange Coast College Project), Series 2018 (the “Bonds”).

The Bonds are being issued by the Authority pursuant to the provisions of (i) Chapter 5 of Division 7 of Title 1 of the California Government Code (commencing with Section 6500) (the “Act”), (ii) the Trust Indenture dated as of September 1, 2018 (the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and (iii) a resolution duly adopted by the Authority on August 8, 2018. The Bonds are being issued for the purpose of loaning the proceeds therefrom to NCCD – Orange Coast Properties LLC (the “Borrower”), a California limited liability company, the sole member of which is National Campus and Community Development Corporation (the “Corporation”), a Texas nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), for the purpose of (a) financing the acquisition, construction, improvement, furnishing and equipping of a certain college housing facility to be located on the campus of Orange Coast College, together with certain other improvements to be located on such campus (collectively, the “Facility”); (b) funding a debt service reserve fund with respect to the Bonds; (c) paying capitalized interest on the Bonds; and (d) paying certain expenses incurred in connection with the issuance of the Bonds (collectively, the “Project”). The Project is subject to the terms of the Tax Regulatory Agreement, dated September __, 2018 by and between the Authority and the Borrower. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed thereto in the Indenture.

The Bonds are issued only as fully registered bonds without coupons in denominations as provided in the Indenture. The Bonds are dated and mature as set forth in the Indenture.

The proceeds from the sale of the Bonds will be loaned to the Borrower pursuant to the Loan Agreement, dated as of September 1, 2018 (the “Loan Agreement”), by and between the Authority and the Borrower. The land upon which the Facility is being constructed will be leased to the Borrower by Coast

Community College District (the “District”) pursuant to the Ground Lease Agreement, dated as of September 1, 2018 (the “Ground Lease”), by and between the Borrower and the District. The Bonds and the payment of amounts owed thereon are secured by the Indenture and, upon recordation, by that certain Construction Leasehold Deed of Trust, Assignment of Rents and Subleases and Fixture Filing, dated as of September 1, 2018, executed by the Borrower, and other Bond Documents referenced in the Indenture.

As Bond Counsel, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including all documents constituting the record of proceedings with respect to the issuance of the Bonds and the opinion of Waller Lansden Dortch & Davis LLP, counsel to the Borrower and the Corporation, dated the date hereof) as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon the aforesaid instruments, certificates and documents.

Based on the foregoing, we are of the opinion that:

1. The Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Authority, constitute valid and binding agreements of the Authority and are enforceable against the Authority in accordance with their terms.

2. The Bonds have been duly issued by the Authority in accordance with applicable law, and are valid and binding special limited obligations of the Authority, the principal of, premium, if any, and interest on which are payable solely from the revenues and other moneys of the Authority pledged therefor pursuant to the Indenture. The Bonds are enforceable in accordance with their terms and are entitled to the benefit of the Act and the Indenture.

3. The Bonds do not constitute or give rise to a general obligation or liability of the Authority or a charge against its general credit. Neither the faith and credit nor the taxing power of the State or any public agency or any member of the Authority is pledged to the payment of the principal of or interest or any redemption premium on the Bonds. The Authority has no taxing power. Payment of the principal of or interest or any redemption premium on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

4. Under the existing laws, regulations, rulings and judicial decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not specific preference item for purposes of the federal alternative minimum tax; however, for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years beginning before January 1, 2018, interest on the Bonds will be included in the “adjusted current earnings” of such corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation’s adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). The opinions set forth in the preceding sentence are subject to the condition that the Authority, the Borrower, the Corporation and the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority, the Borrower, the Corporation and the District have covenanted and agreed to comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

5. Interest on the Bonds is exempt from State of California personal income taxes.

In rendering the opinions expressed in paragraph 4 above, we have relied on representations of the Authority, the Borrower, the Corporation and the District with respect to matters solely within the knowledge of the Authority, the Borrower, the Corporation and the District, which matters we have not independently verified. We have assumed continuing compliance with covenants in the Indenture, the Loan Agreement, the Ground Lease and the Tax Certificate pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Authority, the Borrower, the Corporation or the District fails to comply with the foregoing covenants in the Indenture, the Loan Agreement, the Ground Lease and the Tax Certificate, interest on the Bonds could become included in gross income for federal income tax purposes from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Although we have rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property and casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations should consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

In addition, Corporation's counsel has opined that the Corporation is a 501(c)(3) organization and that the Borrower is a disregarded entity for federal income tax purposes. The possible modification or repeal of certain existing federal income tax laws, the change of Internal Revenue Service policies or positions, the change of the Corporation's method of operations, purposes or character or other factors could result in loss by the Corporation of such tax-exempt status. The Corporation is subject to a number of requirements affecting its operations to maintain such exempt status and not to be considered a "private foundation" (as defined in Section 509(a) of the Code). The failure of the Corporation to maintain such tax-exempt status could result in the loss of the exemption of interest on the Bonds for federal income taxation purposes.

The foregoing opinion is qualified to the extent that the enforceability of the Bonds, the Indenture and the other instruments enumerated above may be subject to valid bankruptcy, insolvency, reorganization, moratorium, liquidation, readjustment of debt and other laws affecting creditors' rights and laws affecting the remedies for the enforcement of the rights and security provided for therein, including the remedy of specific performance, and that their enforcement may also be subject to the exercise of the sovereign police powers of the State, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

In rendering the foregoing opinions, we are not passing upon the matters of (i) title to or description of the facilities or properties of the District, the Borrower or the Corporation or the nature or extent of any liens thereon, (ii) the corporate status of the Borrower or the Corporation, (iii) the power of the District, the Borrower or the Corporation to execute and deliver the Loan Agreement or the Ground Lease or to perform their obligations thereunder, (iv) the enforceability of the Loan Agreement or the Ground Lease against the District, the Borrower or the Corporation or (v) the accuracy, completeness or sufficiency of any official statement, offering memorandum, or any other disclosure material prepared or distributed with respect to the Bonds or any statements made in connection with the offer and sale of the Bonds.

This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transaction specifically referred to herein, provided that a copy of this letter may be included in the transcript for the Bonds. No person other than the above addressees may rely upon this letter without our express written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent.

Respectfully submitted,

APPENDIX J

FORM OF BORROWER CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of September 1, 2018, is by and between NCCD - ORANGE COAST PROPERTIES LLC, a single member limited liability company organized and existing under the laws of the State of California (the “Borrower”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as dissemination agent (the “Dissemination Agent”).

WITNESSETH:

WHEREAS, the California Community College Financing Authority (the “Authority”) has issued \$_____ aggregate principal amount of its California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018 (the “Series 2018 Bonds”), pursuant to the Trust Indenture, dated as of September 1, 2018 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”);

WHEREAS, the Authority and the Borrower have entered into the Loan Agreement, dated as of September 1, 2018 (the “Loan Agreement”), specifying the terms and conditions of the loan by the Authority to the Borrower of the proceeds of the Series 2018 Bonds and the payment by the Borrower to the Authority of amounts sufficient for the payment of the principal of, premium, if any, and interest on the Series 2018 Bonds, and costs incidental thereto, as and when due and payable; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the owners and beneficial owners of the Series 2018 Bonds and in order to assist the underwriters of the Series 2018 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

“Annual Report” means any Annual Report provided by the Borrower pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the ninth month after the end of the Borrower’s Fiscal Year, which date, as of the date of this Disclosure Agreement, is April 1.

“Authority” means the California Community College Financing Authority, a joint powers authority organized and existing under the laws of the State of California (the “State”) that is separate and distinct from, and independent of, the State and its political subdivisions, and its successors and assigns.

“Borrower” means NCCD - Orange Coast Properties LLC, a single member limited liability company organized and existing under the laws of the State, and its successors and assigns, the sole member of which is the Corporation.

“Corporation” means National Campus and Community Development Corporation, a nonprofit corporation duly organized and existing under the laws of the State of Texas and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and its successors and assigns.

“Disclosure Representative” means the President of the Borrower, or his or her designee, or such other person as the Borrower shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

“District” means Coast Community College District, and its successors and assigns.

“Fiscal Year” means any period of 12 consecutive months adopted by Borrower as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year (other than the first fiscal year which shall begin on the date of the Borrower’s formation) and ending on June 30 of the same calendar year; provided, however, that the first Fiscal Year shall begin on the date that the Borrower’s articles of organization (or equivalent document) were filed with the Texas Secretary of State and end on June 30, 2019.

“Indenture” means the Trust Indenture, dated as of September 1, 2018 by and between the Authority and the Trustee, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

“Loan Agreement” means the Loan Agreement, dated as of September 1, 2018, by and between the Authority and the Borrower, as originally executed and as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms and the terms of the Indenture.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, 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>.

“Participating Underwriter” means any of the original underwriters of the Series 2018 Bonds required to comply with the Rule in connection with the offering of the Series 2018 Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2018 Housing Facility” shall have the meanings ascribed thereto in the Loan Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports and Periodic Reports. (a) The Borrower shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof under the caption “*Annual Financial Information,*” not later than the Annual Report Date, commencing with the report for Fiscal Year 2018-19 (which Fiscal Year, as of the date of this Disclosure Agreement, ends on June 30, 2019). The Annual Report may include by reference other information as provided in Section 3 hereof under the caption “*Annual Financial Information*”; provided, however, that the audited financial statements of the Borrower, if any, 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 if they are not available by that date. If the Borrower's Fiscal Year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

The Borrower shall, or shall cause the Dissemination Agent to, provide to the MSRB that periodic financial disclosure that is consistent with the requirements of Section 3 hereof under the caption “*Periodic Information Disclosure,*” on the dates and in substantially the form specified under such caption.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Borrower shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Borrower and the Dissemination Agent to determine if the Borrower is in compliance with the first sentence of this subsection (b). The Trustee and the Dissemination Agent shall have no duty to review, verify or analyze such Annual Report and the Trustee shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide each Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Borrower and (if the Dissemination Agent is not the Trustee) the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports and Periodic Reports. The Borrower’s Annual Reports and Periodic Reports, respectively, shall contain or incorporate by reference the following:

Annual Financial Information. The Borrower’s Annual Report shall contain or incorporate by reference the following:

(a) The Borrower’s audited financial statements, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Borrower’s audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements, in a format similar to that used for the Borrower’s audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the Borrower, the following information:

(i) The principal amount of Series 2018 Bonds Outstanding as of the December 31 next preceding the Annual Report Date;

(ii) The principal amount of any Additional Bonds Outstanding as of the December 31 next preceding the Annual Report Date;

(iii) The balance in the Debt Service Reserve Fund, and a statement of the Debt Service Reserve Requirement, as of the December 31 next preceding the Annual Report Date;

(iv) Commencing with the Annual Report submitted for the Borrower's fiscal year ended June 30, 2020, the Annual Budget for the current Fiscal Year;

(v) An unaudited profit and loss statement showing the results of Project operations for such applicable period prepared in accordance with generally accepted accounting principles;

(vi) A statement of revenue, expenses and changes in fund balance (deficit);

(vii) A statement of cash flow for the year ended in comparative form for the preceding year (except such comparative form requirement shall not be applicable for the first fiscal year with respect to such statement of which cash flow is provided); and

(viii) The description of any a material change in the dimensions, character, quality or location of any part of the Series 2018 Housing Facility.

(c) In addition to any of the information expressly required to be provided under the preceding paragraphs (a) and (b), the Borrower shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Periodic Information Disclosure. The Borrower's periodic posted information shall contain or incorporate by reference the following:

(i) no later than November 30, 2019, and thereafter, on or prior to the last day of each calendar month until the Series 2018 Completion Date, (a) a calculation of the cumulative percentage of completion of the Series 2018 Housing Facility as of the end of the prior month, (b) the monthly report of the Independent Architect/Engineer to the Borrower as to (1) the status of the construction of the Series 2018 Housing Facility in accordance with the Plans and Specifications and the requirements of the General Construction Contract and the Series 2018 Housing Facility schedule as of the end of such prior month and (2) any variances from the Plans and Specifications or the Series 2018 Housing Facility schedule, and (c) to the extent there are variances from the Series 2018 Housing Facility schedule, a schedule recovery plan of the Developer to the Borrower; and

(ii) no later than March 31, 2020, and thereafter, on or prior to the last day of each calendar month until the Series 2018 Completion Date, a calculation of the number

of beds in the Series 2018 Housing Facility as to which leases shall have been entered into with residents as of the end of the prior month;

(iii) no later than November 1, 2020, and thereafter, on no later than each March 1 and November 1 until the Series 2018 Bonds shall have been paid in full, a calculation of the percent of beds in the Series 2018 Housing Facility that were occupied as of the immediately preceding February 1 or October 1, as applicable;

(iv) no later than November 1, 2020, and thereafter, on no later than November 1 until the Series 2018 Bonds shall have been paid in full, the then current unit mix, occupancy, and applicable rents for the Series 2018 Housing Facility as of the end of the prior month;

(v) within sixty (60) days after each December 31 and June 30 until the Series 2018 Bonds shall have been paid in full, unaudited financial statements of the Borrower for the six (6) months ended December 31 and the year ended June 30, respectively, prepared by the Borrower in accordance with generally accepted accounting principles for non-profit corporations consistently applied, and such other accounting principles approved by an Accountant; and

(vi) within one hundred eighty (180) days after the end of each fiscal year of the Borrower, commencing December 31, 2021, until the Series 2018 Bonds shall have been paid in full, a copy of the Borrower's financial statements for such fiscal year, including its balance sheet, statement of revenue, expenses, and changes in fund balance (deficit), and statement of cash flow, for such fiscal year in comparative form for the preceding fiscal year (except for the first fiscal year that financial statements are provided, in which case the comparative form requirement shall not be applicable), which financial statements shall be prepared in accordance with generally accepted accounting principles for non-profit corporations consistently applied, and such other accounting principles approved by an Accountant and accompanied by an audit report.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Borrower or related public entities that have been made available to the public on the MSRB's website. The Borrower shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018 Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (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) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the Borrower.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governmental 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 of the Borrower.

(b) Pursuant to the provisions of this Section, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018 Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph (v) of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2018 Bonds or other material events affecting the tax status of the Series 2018 Bonds.
- (ii) Modifications to rights of holders of the Series 2018 Bonds.
- (iii) Optional, unscheduled or contingent Series 2018 Bond calls.
- (iv) Release, substitution, or sale of property securing repayment of the Series 2018 Bonds.
- (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 of the Borrower 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.
- (vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event. The Trustee shall have no responsibility for determining the materiality of any such Listed Event or whether unscheduled draws reflect financial difficulties.

(d) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the Borrower (including with the advice of counsel and/or upon consultation with the District) shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the Borrower shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2018 Bonds pursuant to the Indenture.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2018 Bonds. If such termination occurs prior to the final maturity of the Series 2018 Bonds, the Borrower shall give, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Borrower. If at any time there is not any other designated Dissemination Agent, the Borrower shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Borrower, so long as such amendment does not adversely affect the rights or increase the obligations of the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2018 Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Series 2018 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Series 2018 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being

presented by the 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 a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall 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 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the Borrower, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Series 2018 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article XI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall not be liable except for its negligence or willful misconduct hereunder. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement and shall be reimbursed for its reasonable expenses (including attorneys' fees and expenses) incurred by it in the exercise or performance of its powers and duties hereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities incurred by it in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the Borrower. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the Borrower has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the Borrower's duty to comply with its continuing disclosure requirements hereunder. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with

the Borrower shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Borrower. The Dissemination Agent shall have the same rights and protections hereunder as accorded to it as Trustee under the Indenture; provided, however, the Dissemination Agent shall not be liable except for its negligence or willful misconduct hereunder.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Series 2018 Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Laws. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

NCCD - ORANGE COAST PROPERTIES LLC

By: _____
Charles G. Eden, President

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Dissemination
Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: California Community College Financing Authority
Name of Obligated Person: NCCD - Orange Coast Properties LLC
Name of Issue: California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018
Date of Issuance: September __, 2018

NOTICE IS HEREBY GIVEN that NCCD - Orange Coast Properties LLC (the “Borrower”) has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement, dated as of September 1, 2018, by and between the Borrower and The Bank of New York Mellon Trust Company, N.A., as trustee. [The Borrower anticipates that such Annual Report will be filed by _____.]

Dated: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee, on
behalf of NCCD - Orange Coast Properties LLC

cc: NCCD - Orange Coast Properties LLC
California Community College Financing Authority

APPENDIX K

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Coast Community College District (the “District”) in connection with the issuance by the California Community College Financing Authority (the “Authority”) for the benefit of NCCD - Orange Coast Properties LLC (the “Borrower”) of \$_____ aggregate principal amount of California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018 (the “Series 2018 Bonds”).

WITNESSETH:

WHEREAS, the Authority has issued the Series 2018 Bonds pursuant to the Trust Indenture (the “Indenture”) dated as of September 1, 2018, between the California Community College Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”);

WHEREAS, the Borrower is cooperating with the District for the design, acquisition, construction, furnishing, equipping, and operation of the Project (as defined in the Ground Lease defined below), including the Borrower’s request of the Authority for the issuance of the Series 2018 Bonds;

WHEREAS, the Project will be operated by the Borrower, a California single member limited liability company whose sole member is National Campus and Community Development Corporation (the “Corporation”), a Texas non-profit corporation, and will be located on a site leased to the Borrower by the District pursuant to a Ground Lease Agreement (the “Ground Lease”) dated as of the date of issuance and delivery of the Series 2018 Bonds;

WHEREAS, the Authority and the Borrower have entered into the Loan Agreement, dated as of September 1, 2018 (the “Loan Agreement”), specifying the terms and conditions of the loan by the Authority to the Borrower of the proceeds of the Series 2018 Bonds and the payment by the Borrower to the Authority of amounts sufficient for the payment of the principal of, premium, if any, and interest on the Series 2018 Bonds, and costs incidental thereto, as and when due and payable; and

WHEREAS, this Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and beneficial owners of the Series 2018 Bonds and in order to assist the underwriters of the Series 2018 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”);

NOW, THEREFORE, the District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Series 2018 Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Ground Lease, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018 Bonds (including persons holding Series 2018 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018 Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially The Bank of New York Mellon Trust Company, N.A., as dissemination agent, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Series 2018 Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2018 Bonds required to comply with the Rule in connection with offering of the Series 2018 Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2017-18 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District 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 if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change shall be given in a filing with the MSRB and in the Annual Report for the year in which the change is made.

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Trustee and the Dissemination Agent shall have no duty to review, verify or analyze such Annual Report and the Trustee shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repository to which it was provided.

Section 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the College of the type included in Appendix A to the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) FTES of the District for the last completed fiscal year;
- (c) Student Enrollment Data, Geographic Origin of Students and International Student Enrollment for the then current academic year;
- (d) Tuition and Enrollment Fees for the last completed fiscal year;
- (e) Retention Rate and for the then last completed academic year;
- (f) Student Success Rate for the last completed fiscal year;
- (g) Outstanding District indebtedness;
- (h) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the then-current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

Section 5. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series

2018 Bonds. If such termination occurs prior to the final maturity of the Series 2018 Bonds, the District shall give notice of such termination to the Repository.

Section 6. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a) or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2018 Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2018 Bonds; and
- (d) No duties, rights and protections of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, 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 Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Certificate. If the District

chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report.

Section 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Series 2018 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a Lessor Event of Default under the Ground Lease, and the sole remedy under this Disclosure Certificate in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018 Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the District. The Dissemination Agent shall have the same rights and protections hereunder as accorded to it as Trustee under the Indenture; provided, however, the Dissemination Agent shall not be liable except for its negligence or willful misconduct hereunder.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Holders and Beneficial Owners from time to time of the Series 2018 Bonds, and shall create no rights in any other person or entity.

Dated: September __, 2018

COAST COMMUNITY COLLEGE DISTRICT

By: _____
Vice Chancellor
Finance and Administrative Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: California Community College Financing Authority
Name of Bond Issue: California Community College Financing Authority College Housing Revenue Bonds (NCCD - Orange Coast Properties LLC - Orange Coast College Project) Series 2018
Date of Issuance: September __, 2018

NOTICE IS HEREBY GIVEN that the Coast Community College District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

COAST COMMUNITY COLLEGE DISTRICT

By: _____

cc: NCCD - Orange Coast Properties LLC
California Community College Financing Authority



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