

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



**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS
(LOYOLA MARYMOUNT UNIVERSITY)**

**\$29,210,000
TAXABLE SERIES 2018A
(Green Bonds)**

**\$57,330,000
SERIES 2018B
(Green Bonds)**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover page

The California Educational Facilities Authority (the "Authority") is issuing the California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Taxable Series 2018A (the "2018A Bonds") and the California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Series 2018B (the "2018B Bonds," and together with the 2018A Bonds, the "Bonds") in book-entry form in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2019. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Principal of and interest on the Bonds will be payable directly to DTC, as the registered owner of the Bonds, by U.S. Bank National Association, as trustee (the "Trustee"). For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, all notices will be mailed only to Cede & Co. See APPENDIX C – "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are being issued by the Authority pursuant to an Indenture, dated as of November 1, 2018 (the "Indenture"), by and between the Authority and the Trustee. The Bonds are limited obligations of the Authority payable only out of Revenues, consisting primarily of Base Loan Payments to be made by

LOYOLA MARYMOUNT UNIVERSITY

pursuant to a Loan Agreement, dated as of November 1, 2018 (the "Loan Agreement"), by and between the Authority and Loyola Marymount University (the "University"). The University plans to use the proceeds of the Bonds to (i) finance costs of certain capital improvements and equipment (as further described herein, the "Project"), (ii) pay capitalized interest on the Bonds through April 1, 2020, and (iii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption" herein.

See the table on the inside cover page for a summary of certain terms of the Bonds.

The University's obligation under the Loan Agreement to pay principal of and interest on the Bonds constitutes an unsecured general obligation of the University. Moreover, the University is not restricted by the Loan Agreement from incurring additional indebtedness. See "INVESTMENT CONSIDERATIONS – University Indebtedness" herein.

The Bonds do not constitute a debt or liability of the State of California (the "State") or of any political subdivision thereof other than the Authority, or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds provided therefor by the University. Neither the State nor the Authority shall be obligated to pay the principal, premium (if any) or interest on the Bonds, except from the funds provided under the Loan Agreement and the Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal, premium (if any) or interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever or to make any appropriation for their payment. The Authority has no taxing power.

Investment in the Bonds involves risks. See "INVESTMENT CONSIDERATIONS" for a discussion of certain factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds. This cover page contains certain information for general reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used (but not defined) in this cover page shall have the meanings given to such terms herein.

The Bonds are offered by the Underwriters, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by the Honorable Xavier Becerra, the Attorney General of the State of California, for the University by Bridges & Bridges, Redondo Beach, California, and for the Underwriters by Hawkins Delafield & Wood LLP, San Francisco, California. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about November 7, 2018.

Honorable John Chiang
Treasurer of the State of California
as Agent for Sale

Morgan Stanley

BofA Merrill Lynch

Wells Fargo Securities

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS
(LOYOLA MARYMOUNT UNIVERSITY)**

MATURITY SCHEDULE

\$29,210,000 4.842% Term Taxable Series 2018A Bonds due October 1, 2048 Price: 100.00 CUSIP[†]: 130179 QH0

\$27,855,000 Series 2018B Serial Bonds

| Maturity Date (October 1,) | Principal Amount | Interest Rate | Yield | CUSIP[†] (Base: 130179) |
|---------------------------------------|-----------------------------|--------------------------|---------------------|---|
| 2020 | \$905,000 | 4.00% | 1.93% | QJ6 |
| 2021 | 945,000 | 5.00 | 2.00 | QK3 |
| 2022 | 995,000 | 5.00 | 2.08 | QL1 |
| 2023 | 1,045,000 | 5.00 | 2.19 | QM9 |
| 2024 | 1,100,000 | 5.00 | 2.32 | QN7 |
| 2025 | 1,155,000 | 5.00 | 2.44 | QP2 |
| 2026 | 1,215,000 | 5.00 | 2.55 | QQ0 |
| 2027 | 1,280,000 | 5.00 | 2.67 | QR8 |
| 2028 | 1,345,000 | 5.00 | 2.79 | QS6 |
| 2029 | 1,415,000 | 5.00 | 2.91 ^(c) | QT4 |
| 2030 | 1,485,000 | 5.00 | 3.01 ^(c) | QU1 |
| 2031 | 1,560,000 | 5.00 | 3.13 ^(c) | QV9 |
| 2032 | 1,640,000 | 5.00 | 3.20 ^(c) | QW7 |
| 2033 | 1,725,000 | 5.00 | 3.27 ^(c) | QX5 |
| 2034 | 1,815,000 | 5.00 | 3.35 ^(c) | QY3 |
| 2035 | 1,905,000 | 5.00 | 3.41 ^(c) | QZ0 |
| 2036 | 2,005,000 | 5.00 | 3.47 ^(c) | RA4 |
| 2037 | 2,105,000 | 5.00 | 3.51 ^(c) | RB2 |
| 2038 | 2,215,000 | 5.00 | 3.55 ^(c) | RC0 |

\$12,905,000 5.00% Term Series 2018B Bonds due October 1, 2043 Yield: 3.65%^(c) CUSIP[†]: 130179 RD8

\$16,570,000 5.00% Term Series 2018B Bonds due October 1, 2048 Yield: 3.72%^(c) CUSIP[†]: 130179 RE6

[†] 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 Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. The Authority, the University, and the Underwriters do not take any responsibility for the accuracy of such numbers.

^(c) Yield calculated to the first optional redemption date of October 1, 2028 at par.

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the California Educational Facilities Authority (the "Authority"), Loyola Marymount University (the "University"), or Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated or Wells Fargo Bank, National Association (together, the "Underwriters"), to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

The information set forth herein under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" has been obtained from the Authority. All other information set forth herein has been obtained from the University and other sources (other than the Authority) which are believed to be current and reliable. The Authority does not warrant the accuracy of the statements contained herein relating to the University, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the University, (2) the sufficiency of the security for the Bonds, or (3) the value or investment quality of the Bonds. The accuracy or completeness of any information other than that contained under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" is not guaranteed by, and is not to be construed as a representation by, the Authority.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget" or other similar words. The achievement of 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 Authority nor the University plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University since the date hereof.

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

In connection with this offering, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS
(LOYOLA MARYMOUNT UNIVERSITY)**

**\$29,210,000
TAXABLE SERIES 2018A
(Green Bonds)**

**\$57,330,000
SERIES 2018B
(Green Bonds)**

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a full review should be made of the entire Official Statement, including the cover page and the appendices in order to make an informed investment decision. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “State”) or any documents referred to herein do not purport to be complete and such references are qualified in their entirety to the complete provisions thereof.

General

This Official Statement, including the cover page and appendices hereto (this “Official Statement”), provides certain information in connection with the offering of the \$29,210,000 California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Taxable Series 2018A (the “2018A Bonds”) and the \$57,330,000 California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Series 2018B (the “2018B Bonds,” and together with the 2018A Bonds, the “Bonds”).

The Bonds will be issued pursuant to the provisions of the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State, as amended (the “Act”), and the Indenture (defined below). All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – Definitions” for definitions of certain words and terms used but not otherwise defined herein.

The Bonds will be issued pursuant to and will be secured by an Indenture, dated as of November 1, 2018 (the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Authority will lend the proceeds of the Bonds to Loyola Marymount University (the “University”) pursuant to a Loan Agreement, dated as of November 1, 2018 (the “Loan Agreement”), between the Authority and the University.

Plan of Finance

The Authority will lend the proceeds of the Bonds to the University to (i) finance the costs of acquisition, construction, expansion, rehabilitation, renovation, remodeling, furnishing and equipping of various capital projects on the University’s Westchester Campus (as further described herein, the “Project”), (ii) pay capitalized interest on the Bonds through April 1, 2020, and (iii) pay costs of issuance of the Bonds, all as further described herein. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds

The Bonds will bear interest from the date of their initial delivery at the interest rates as set forth on the inside cover page hereof, and will be payable on each April 1 and October 1, commencing April 1, 2019. The Bonds will be issued in authorized denominations of \$5,000 or any integral multiple thereof.

Redemption

The Bonds are subject to redemption prior to maturity as described herein. While the Indenture provides for the Trustee to give notice of the redemption of Bonds, the failure of a Bondholder to receive such notice, or the insufficiency of any such notice, will not affect the validity of the proceedings for redemption, and if moneys are available on the redemption date to pay the redemption price, interest on the Bonds to be redeemed will cease to accrue from and after the date of redemption. See “THE BONDS – Redemption” and “– Redemption Procedures” herein.

Security and Sources of Payment of the Bonds

The Bonds will be payable solely from the Revenues received by the Authority or the Trustee from the University. “Revenues” means all payments received by the Authority or the Trustee from the University pursuant to the Loan Agreement (except Additional Payments, as defined in the Indenture, and certain other payments described in the Loan Agreement), including, without limiting the generality of the foregoing, Base Loan Payments (including both timely and delinquent payments), prepayments and all income derived from the investment of any moneys in any fund or account established pursuant to the Indenture, but not including amounts, including investment income, received for or on deposit in the Rebate Fund. The obligation of the University to make Base Loan Payments under the Loan Agreement is an unsecured general obligation of the University. The Loan Agreement contains certain covenants for the protection of the Bondholders and the Authority. **The Bonds are not secured by a reserve fund, or a lien on, or security interests in, any funds, revenues or other assets of the University, except for certain funds and accounts held from time to time by the Trustee for the benefit of the Bondholders under the Indenture.**

The Indenture provides that revenues received by the Trustee are to be held in trust and are exclusively and irrevocably pledged for the security and payment of the principal of and interest on the Bonds.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The Bonds do not constitute a debt or liability of the State of California (the “State”) or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds provided therefor by the University. Neither the State nor the Authority shall be obligated to pay the principal, premium (if any) or interest on the Bonds, except from the funds provided under the Loan Agreement and the Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal, premium (if any) or interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever or to make any appropriation for their payment. The Authority has no taxing power.

Book-Entry Only System

When delivered, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) which will act as securities depository for the Bonds. Purchases of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not receive physical delivery of certificated securities. Principal of and interest on the Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, the selection of Bonds held by Beneficial Owners in book-entry form for redemption will be made pursuant to the procedures of DTC. See “THE BONDS – Redemption” and APPENDIX C – “BOOK-ENTRY ONLY SYSTEM.”

The University

The University is a nonprofit, coeducational, privately endowed university offering undergraduate liberal arts, as well as professional and graduate education. University enrollment for the fall term of the 2017-18 academic year was 9,034 full time equivalent students. See APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY” for a description of the University.

Financial Condition of the University

For the fiscal year ended May 31, 2018, the University had total operating revenues, gains and other additions of approximately \$390.7 million and total operating expenses of approximately \$370.8 million. At May 31, 2018, the aggregate of all University net assets was approximately \$1.01 billion. In addition, important information on the financial condition of the University is set forth in APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY” and in the University’s financial statements and notes thereto set forth in APPENDIX B, all of which should be carefully reviewed.

Covenants of the University

The University has agreed to certain covenants for the protection of the Bondholders, including certain covenants to maintain its accredited status, and not to take any action that would impair the tax-exempt status of interest on the Bonds. These and other covenants of the University are discussed further in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – Loan Agreement.”

As long as the Prior University Bonds (as defined below) are outstanding under their respective indentures, the University is subject to limitations on encumbrances in accordance with loan agreements entered into in connection with such Prior University Bonds. The University will not be subject to this restriction once all Prior University Bonds are legally defeased or are no longer outstanding. See “INVESTMENT CONSIDERATIONS – University Indebtedness.”

Outstanding Long-Term Indebtedness

As of May 31, 2018, the University had outstanding long-term indebtedness as summarized below (collectively, the “Prior University Bonds”):

- California Educational Facilities Authority Refunding Revenue Bonds (Loyola Marymount University) Series 2001A (the “2001A Bonds”), consisting of capital appreciation bonds with an accreted value of \$32,294,000 (the “2001A Bonds”);
- California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Series 2010A (the “2010A Bonds”), outstanding in the principal amount of \$44,010,000;
- California Educational Facilities Authority Refunding Revenue Bonds (Loyola Marymount University) Series 2011 (the “2011 Bonds”), outstanding in the principal amount of \$8,010,000;
- California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Taxable Series 2013A (the “2013A Bonds”), outstanding in the principal amount of \$33,330,000; and
- California Educational Facilities Authority Refunding Revenue Bonds (Loyola Marymount University) Series 2015 (the “2015 Bonds”), outstanding in the principal amount of \$26,825,000.

The University holds one derivative instrument in the form of an interest rate swap, which serves as a cash flow hedge on interest payments with respect to the 2015 Bonds. See “INVESTMENT

CONSIDERATIONS – Interest Rate Swaps and Other Hedge Risk” and APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY – Debt” herein.

The University is not prohibited by the Indenture or the Loan Agreement from incurring additional indebtedness in the future. See “INVESTMENT CONSIDERATIONS – University Indebtedness” herein.

Continuing Disclosure

For purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Act of 1934, as amended (the “Rule”), so long as the Bonds are Outstanding or are otherwise subject to the Rule, the University will covenant for the benefit of the Bondholders to provide (i) certain financial information and operating data relating to the University by no later than 180 days following the end of each fiscal year of the University (which fiscal year currently begins on June 1 of each year and ends on the next succeeding May 31), commencing with the report for the fiscal year ending May 31, 2019, and (ii) notice of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” and APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

Certain Information Related to this Official Statement

The descriptions herein of the Indenture, the Loan Agreement and other agreements relating to the Bonds are qualified in their entirety by reference to such documents and the description herein of the Bonds is qualified in its entirety by the form thereof and the information with respect thereto included in such documents. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Indenture” for a brief summary of the rights and duties of the Authority, the respective rights and remedies of the Trustee and the Bondholders upon an event of default, provisions relating to amendments of the Indenture and procedures for defeasance of the Bonds and certain other provisions of the Indenture.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University.

PLAN OF FINANCE

The University plans to use the proceeds of the Bonds for the purpose of financing the acquisition, construction, expansion, rehabilitation, renovation, remodeling, furnishing and equipping of residence halls, academic buildings, administrative buildings, athletic facilities, recreational facilities, information technology equipment and the infrastructure improvements relating thereto, located on or immediately adjacent to the University’s Westchester Campus at One LMU Drive, Los Angeles, California 90045 (collectively, the “Project”), as further described below and in Appendix A – “INFORMATION CONCERNING THE UNIVERSITY – Capital Projects.” The Project will be owned and operated by the University.

The University currently plans to use a portion of the proceeds of the Bonds to demolish two housing structures with 169 beds, and construct one or more housing structures on the University’s Westchester campus that would accommodate 625 beds. The existing residence halls will be placed out of service by June 2019, and the new residence halls are expected to be available for occupancy in August 2020. The University is in the process of making arrangements for alternative housing facilities for its students during this period.

A portion of the proceeds of the Bonds will also be used to pay capitalized interest on the Bonds through April 1, 2020 and to pay costs of issuance related to the issuance of the Bonds.

DESIGNATION AS GREEN BONDS

The University is committed to environmental sustainability as reflected in the strategic plan, master plan, and public commitments. The University has become a leader in sustainability and currently has over 90,000 square feet of solar panels on campus and recycles over 75% of its waste, among many other green campus initiatives. These initiatives include an annual Greenhouse Gas inventory and biannual Climate Action Plan. Through these initiatives, the University has set a goal of climate neutrality by 2050.

Further, reaffirming its commitment to social justice and environmental sustainability, the University signed onto the United Nations-supported Principles for Responsible Investment in 2017. This action places the University among just a handful of university signatories across the country, and more than 1,700 investors, financial firms, and other institutions, who have agreed to the global network's guidelines for incorporating environmental, social, and governance factors into investment decisions.

The University is issuing the Bonds as "Green Bonds" due to the nature of the use of the proceeds for environmental beneficial projects. The University's designation is designed to track the generally accepted Green Bond Principles updated as of June 2018 and as promulgated by the International Capital Market Association.

Use of Proceeds

The Bonds will finance one large capital project totaling approximately \$90 million. The project entails the construction of approximately 625 new undergraduate housing beds on the main Westchester campus. The total new building square footage is estimated at slightly over 190,000. The new buildings will replace two smaller and fully depreciated housing structures originally established in the 1940's that total 169 beds. See Appendix A – "INFORMATION CONCERNING THE UNIVERSITY – Capital Projects."

The University intends to pursue LEED® (Leadership in Energy & Environmental Design) for the Project. LEED is a building certification program offered by the U.S. Green Building Council. Projects submitted for LEED certification are reviewed by the Green Building Certification Institute, a third-party organization, and assigned points based on the project's implementation of strategies for achieving high performance in several categories of sustainable design. The University intends to achieve a minimum certification level of LEED Silver for the project in accordance with the University's Master Plan by seeking points in the following categories:

- "Location and Transportation" strategies will include sensitive land protection, surrounding density and diverse uses, access to transit, bicycle facilities, reduced parking footprints and access for green vehicles.
- "Sustainable Sites" strategies will include site assessment, open space, rainwater management and heat island reduction, with additional options for light pollution reduction.
- "Water Efficiency" strategies will include both outdoor and indoor water use reduction as well as metering.
- "Energy and Atmosphere" strategies will include enhanced commissioning, optimized energy performance, advanced energy metering and refrigerant management.
- "Materials and Resources" strategies will include waste management, environmentally-responsible materials and selection of materials in terms of their life cycles.

- “Indoor Environmental Quality” strategies will include enhanced Indoor Air Quality (IAQ), low-emitting materials, construction IAQ management, thermal comfort, interior lighting, quality views and acoustic performance.
- “Innovation” credits will be achieved by having accredited LEED professionals on the design-build team, as well as strategies such as public education and exemplary performance in construction waste management.
- “Regional Priority” credit may be achieved through indoor water use reduction.

Process for Project Evaluation and Selection

The University developed a 20-year Master Plan in 2011. The University also maintains an annual capital budget for ongoing capital needs and expects this budget to satisfy necessary upgrades and improvements to the University’s facilities. As part of its ongoing planning, the Project was designed to eliminate old housing structures and address increasing student enrollment, as well as incorporating sustainable building elements. The new student housing structure is expected to open in August of 2020 when the University’s higher enrollment target is expected to have been reached.

Management of Proceeds

The proceeds of the Bonds will be tracked by the University and deposited into a segregated Project Fund account. Should the undergraduate housing project described herein come in under budget, remaining Bond proceeds may be used for improvements to various existing campus facilities. The University does not anticipate significant additional proceeds, but cannot guarantee that any reappropriation of any such excess proceeds will possess the same sustainable elements as the undergraduate housing project.

Reporting

The University plans to post voluntary annual updates on the use of the proceeds of the Bonds on <https://admin.lmu.edu/greenlmu/>. The University plans to post a final list of projects funded when all proceeds of the Bonds have been spent. Once such proceeds have been spent, no further updates will be provided. The information available on such website is not incorporated herein by reference.

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ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the proceeds of the Bonds.

| Estimated Sources of Funds: | 2018A Bonds | 2018B Bonds | Total |
|-------------------------------------|--------------|--------------|--------------|
| Par Amount | \$29,210,000 | \$57,330,000 | \$86,540,000 |
| Original Issue Premium | – | 7,121,816 | 7,121,816 |
| Total Sources | \$29,210,000 | \$64,451,816 | \$93,661,816 |
| | | | |
| Estimated Uses of Funds: | | | |
| Project Fund | \$27,000,000 | \$60,000,000 | \$87,000,000 |
| Capitalized Interest ⁽¹⁾ | 1,980,087 | 4,000,430 | 5,980,517 |
| Costs of Issuance ⁽²⁾ | 229,913 | 451,386 | 681,298 |
| Total Uses | \$29,210,000 | \$64,451,816 | \$93,661,816 |

⁽¹⁾ The University plans to pay capitalized interest on the Bonds through April 1, 2020.

⁽²⁾ Includes Underwriters' discount and fees and expenses of the Authority, the Trustee, Bond Counsel, Underwriters' Counsel, University Counsel, the University's independent accountant, the municipal advisor, rating agency fees, printing costs and other fees and expenses incurred in connection with the execution and delivery of the Bonds.

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DEBT SERVICE SCHEDULE

The following table shows the estimated debt service schedule for the University's outstanding bonds upon the issuance of the Bonds:

| Maturity Date (October 1,) | Debt Service on Outstanding Bonds ^{(1),(2)} | Principal on 2018A Bonds | Interest on 2018A Bonds | Principal on 2018B Bonds | Interest on 2018B Bonds | Total Debt Service ⁽³⁾ |
|-------------------------------|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------------|
| 2019 | \$15,877,639 | – | \$1,272,913 | – | \$2,571,705 | \$19,722,257 |
| 2020 | 15,913,393 | – | 1,414,348 | \$905,000 | 2,857,450 | 21,090,192 |
| 2021 | 15,824,531 | – | 1,414,348 | 945,000 | 2,821,250 | 21,005,129 |
| 2022 | 15,852,823 | – | 1,414,348 | 995,000 | 2,774,000 | 21,036,171 |
| 2023 | 15,924,033 | – | 1,414,348 | 1,045,000 | 2,724,250 | 21,107,632 |
| 2024 | 15,815,405 | – | 1,414,348 | 1,100,000 | 2,672,000 | 21,001,753 |
| 2025 | 16,012,640 | – | 1,414,348 | 1,155,000 | 2,617,000 | 21,198,988 |
| 2026 | 16,024,209 | – | 1,414,348 | 1,215,000 | 2,559,250 | 21,212,807 |
| 2027 | 16,026,938 | – | 1,414,348 | 1,280,000 | 2,498,500 | 21,219,786 |
| 2028 | 14,012,065 | – | 1,414,348 | 1,345,000 | 2,434,500 | 19,205,913 |
| 2029 | 13,570,029 | – | 1,414,348 | 1,415,000 | 2,367,250 | 18,766,627 |
| 2030 | 13,571,403 | – | 1,414,348 | 1,485,000 | 2,296,500 | 18,767,251 |
| 2031 | 13,575,441 | – | 1,414,348 | 1,560,000 | 2,222,250 | 18,772,040 |
| 2032 | 13,575,493 | – | 1,414,348 | 1,640,000 | 2,144,250 | 18,774,091 |
| 2033 | 13,572,419 | – | 1,414,348 | 1,725,000 | 2,062,250 | 18,774,017 |
| 2034 | 13,570,992 | – | 1,414,348 | 1,815,000 | 1,976,000 | 18,776,340 |
| 2035 | 11,388,356 | – | 1,414,348 | 1,905,000 | 1,885,250 | 16,592,955 |
| 2036 | 11,380,405 | – | 1,414,348 | 2,005,000 | 1,790,000 | 16,589,753 |
| 2037 | 11,386,325 | – | 1,414,348 | 2,105,000 | 1,689,750 | 16,595,424 |
| 2038 | 11,390,369 | – | 1,414,348 | 2,215,000 | 1,584,500 | 16,604,218 |
| 2039 | 11,397,301 | – | 1,414,348 | 2,330,000 | 1,473,750 | 16,615,399 |
| 2040 | 3,776,863 | \$190,000 | 1,414,348 | 2,450,000 | 1,357,250 | 9,188,461 |
| 2041 | 2,228,820 | 1,745,000 | 1,405,148 | 2,575,000 | 1,234,750 | 9,188,718 |
| 2042 | 2,232,116 | 1,835,000 | 1,320,656 | 2,705,000 | 1,106,000 | 9,198,771 |
| 2043 | 2,235,921 | 1,925,000 | 1,231,805 | 2,845,000 | 970,750 | 9,208,476 |
| 2044 | – | 4,260,000 | 1,138,596 | 2,990,000 | 828,500 | 9,217,096 |
| 2045 | – | 4,470,000 | 932,327 | 3,145,000 | 679,000 | 9,226,327 |
| 2046 | – | 4,690,000 | 715,890 | 3,305,000 | 521,750 | 9,232,640 |
| 2047 | – | 4,925,000 | 488,800 | 3,475,000 | 356,500 | 9,245,300 |
| 2048 | – | 5,170,000 | 250,331 | 3,655,000 | 182,750 | 9,258,081 |
| Total⁽³⁾ | \$306,135,928 | \$29,210,000 | \$38,457,779 | \$57,330,000 | \$55,258,905 | \$486,392,612 |

(1) Consisting of the 2001A Bonds, 2010A Bonds, 2011 Bonds, 2013A Bonds and 2015 Bonds.

(2) The interest for the 2015 Bonds is based on an assumed rate of 4.075% per annum, which is equal to the fixed rate payable by the University pursuant to a swap agreement, plus 0.50% (the spread on the 2015 Bonds over the LIBOR Rate). See Appendix A – “INFORMATION CONCERNING THE UNIVERSITY – Debt” for a description of the swap agreement. The actual interest rate for the 2015 Bonds is variable and may be greater or less than the assumed rate of 4.075%. The 2015 Bonds have a mandatory tender date of October 1, 2020; principal amortization on the 2015 Bonds reflects the associated swap amortization.

(3) Totals may not add up due to rounding of individual components.

THE BONDS

General

The Bonds will be issued and delivered pursuant to the Indenture. The Bonds will be dated as of their date of initial delivery and will be issued and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Bonds will be issued in authorized denominations of \$5,000 or any integral multiple thereof. The Bonds will be delivered in fully registered form, will be transferable and exchangeable as set forth in the Indenture and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in authorized denominations. So long as the Bonds are registered in the name of Cede & Co., all payments with respect to principal of and interest on the Bonds will be made by the Trustee to DTC, which is obligated in turn to remit such payments to its Direct Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See APPENDIX C – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds will bear interest from the date of initial delivery, at the interest rates set forth on the inside cover page hereof, payable on each April 1 and October 1 of each year, commencing April 1, 2019 (each, an “Interest Payment Date”). Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, and is payable in arrears on each Interest Payment Date, upon maturity or upon prior redemption.

Redemption

The Bonds are subject to redemption prior to maturity as set forth below.

Optional Redemption of 2018A Bonds. The 2018A Bonds will be subject to redemption prior to maturity on any Business Day by written direction of the University, as a whole or in part on any date on or after October 1, 2028, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the date of redemption.

Optional Redemption of 2018B Bonds. The 2018B Bonds maturing on or prior to October 1, 2028 will not be subject to redemption prior to maturity. The 2018B Bonds maturing on or after October 1, 2029 will be subject to redemption prior to their respective stated maturities on any Business Day by written direction of the University, as a whole or in part on any date on or after October 1, 2028, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the date of redemption.

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Mandatory Sinking Fund Redemption of 2018A Bonds. The 2018A Bonds maturing on October 1, 2048 will be subject to redemption, in part, on a pro rata basis to each Holder in whose name such 2018A Bonds are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date, from mandatory sinking fund payments deposited in the Bond Fund on each October 1 of the years set forth below, at the principal amount thereof plus accrued interest, if any, to the date of redemption (without premium):

| Redemption Date (October 1,) | Sinking Fund Installment |
|---------------------------------|--------------------------|
| 2040 | \$190,000 |
| 2041 | 1,745,000 |
| 2042 | 1,835,000 |
| 2043 | 1,925,000 |
| 2044 | 4,260,000 |
| 2045 | 4,470,000 |
| 2046 | 4,690,000 |
| 2047 | 4,925,000 |
| 2048† | 5,170,000 |

† Maturity

Mandatory Sinking Fund Redemption of 2018B Bonds. The 2018B Bonds maturing on October 1, 2043 are subject to mandatory redemption, in part, to each Holder in whose name such 2018B Bonds are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date, from mandatory sinking fund payments deposited in the Bond Fund on each October 1 of the years set forth below, at the principal amount thereof plus accrued interest, if any, to the date of redemption (without premium):

| Redemption Date (October 1,) | Sinking Fund Installment |
|---------------------------------|--------------------------|
| 2039 | \$2,330,000 |
| 2040 | 2,450,000 |
| 2041 | 2,575,000 |
| 2042 | 2,705,000 |
| 2043† | 2,845,000 |

† Maturity

The 2018B Bonds maturing on October 1, 2048 are subject to mandatory redemption, in part, to each Holder in whose name such 2018B Bonds are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date, from mandatory sinking fund payments deposited in the Bond Fund on each October 1 of the years set forth below, at the principal amount thereof plus accrued interest, if any, to the date of redemption (without premium):

| Redemption Date (October 1,) | Sinking Fund Installment |
|---------------------------------|--------------------------|
| 2044 | \$2,990,000 |
| 2045 | 3,145,000 |
| 2046 | 3,305,000 |
| 2047 | 3,475,000 |
| 2048† | 3,655,000 |

† Maturity

Redemption Procedures

Notice of Redemption. Notice of redemption will be given to Bondholders by the Trustee by first class mail, postage prepaid, not less than 30 days or more than 60 days prior to the date fixed for redemption. Each notice of redemption must state the date of such notice, the redemption date, the redemption price (including any premium) (or if applicable, pursuant to the University's right to purchase Bonds called for optional redemption, the purchase price thereof), the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all the Bonds of any maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice must also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only (or if applicable, pursuant to the University's right to purchase Bonds called for optional redemption, the purchase price thereof), together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Notwithstanding the foregoing, failure by the Trustee to give notice pursuant to this paragraph to the Municipal Securities Rulemaking Board or the insufficiency of any such notices will not affect the sufficiency of the proceedings for redemption. Failure of any Holder of any Bond designated for redemption to receive the notices required by this paragraph, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any Bonds. Failure to mail the notices required by this paragraph to any Holder of any Bonds designated for redemption will not affect the validity of the proceedings for redemption of any other Bonds.

Notwithstanding the foregoing, with respect to any notice of redemption of the Bonds from the prepayment of Base Loan Payments by the University pursuant the Loan Agreement, unless upon the giving of such notice such Bonds are deemed to have been defeased within the meaning of the Indenture, such notice must state that the redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, the Bonds to be redeemed, and that if such amounts are not received said notice will be of no force and effect, the Bonds will not be subject to redemption on such date and the Bonds will not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and amounts are not so received, the redemption will not be made and the Trustee will, within a reasonable time thereafter, give notice to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

If upon the expiration of 60 days succeeding any date fixed for redemption, any Bonds called for redemption are not presented to the Trustee for payment, the Trustee will, no later than 90 days following such date fixed for redemption, send notice by mail to the Holder of each Bond not so presented. Failure to mail such notice to any Holder, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any Bonds nor impose any liability on the Trustee.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2018A Bonds, the Trustee will select the 2018A Bonds to be redeemed, from the outstanding 2018A Bonds not previously called for redemption, if within a maturity, on a pro rata basis to each Holder in whose name such 2018A Bonds are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date, and, if from more than one maturity, such order of maturity as specified by the University.

Whenever provision is made in the Indenture for the redemption of less than all of the 2018B Bonds, the Trustee will select the 2018B Bonds to be redeemed, from the outstanding 2018B Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in such order of maturity as specified by the University.

Notwithstanding anything herein to the contrary, so long as Cede & Co. as the nominee of DTC or any substitute Securities Depository for the Bonds is the registered owner of the Bonds, the selection of Bonds held by Beneficial Owners in book-entry form for redemption will be made by DTC or such substitute Securities Depository for the Bonds pursuant to the procedures of DTC or the substitute Securities Depository for the Bonds. The procedures of DTC or the Substitute Depository for the Bonds may not be consistent with the procedures outlined above. See “INTRODUCTION – Book-Entry Only System” and APPENDIX C – “BOOK-ENTRY ONLY SYSTEM.”

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Trustee will exchange the Bond redeemed for a new Bond of like tenor without charge to the Bondholder in the principal amount of the portion of the Bond not redeemed. In the event of any partial redemption of a Bond which is registered in the name of Cede & Co., DTC may elect to make a notation on the Bond certificate which reflects the date and amount of the reduction in principal amount of said Bond in lieu of surrendering the Bond certificate to the Trustee for exchange. The Authority and the Trustee will be fully released and discharged from all liability upon, and to the extent of, payment of the redemption price for any partial redemption and upon the taking of all other actions required hereunder in connection with such redemption.

Effect of Redemption. If notice of redemption is given pursuant to the Indenture and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption are being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the redemption price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue from and after the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the redemption date.

Purchase in Lieu of Redemption. The Bonds called for optional redemption pursuant to the Indenture are subject to purchase by the University in accordance with the Loan Agreement at a purchase price equal to the redemption price therefor. If the Trustee receives a Request of the University and the purchase price of the Bonds to be purchased in accordance with the Loan Agreement, the Trustee will not redeem such Bonds but will: (i) pay the purchase price of such Bonds to the Holders surrendering such Bonds for redemption; and (ii) deliver such Bonds to the University pursuant to the Book-Entry System for the Bonds then in effect or, if no Book-Entry System is in effect for the Bonds, deliver such Bonds to the University.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Authority is obligated to pay the principal of, premium, if any, and interest on the Bonds solely from the Revenues received from the University under the Loan Agreement and the other funds available therefor under the Indenture. Pursuant to the Indenture, the Authority has pledged to the Trustee for the benefit of the Bondholders all the Revenues. “Revenues” means all payments received by the Authority or the Trustee from the University pursuant to or with respect to the Loan Agreement (except Additional Payments, as defined in the Indenture, and certain other payments described in the Agreement), including, without limiting the generality of the foregoing, Base Loan Payments (including both timely and delinquent payments), prepayments and all income derived from the investment of any moneys in any fund or account established pursuant to the Indenture, but not including amounts, including investment income, received for or on deposit in the Rebate Fund. **There will be no reserve fund with respect to the Bonds.**

Under the Loan Agreement, the obligation of the University to make payments thereunder, including Base Loan Payments, is a general, unsecured obligation of the University. The Base Loan Payments are due in amounts and at the times necessary to pay the principal of and interest on the Bonds when due.

The University's payment obligations under the Loan Agreement are not secured by a security interest in any revenues or assets of the University. Accordingly, the Trustee, acting on behalf of Bondholders, would be an unsecured creditor in any bankruptcy or insolvency proceeding involving the University. In addition, the legal right and practical ability of the Trustee to enforce its rights and remedies against the University under the Loan Agreement could be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. See "INVESTMENT CONSIDERATIONS – Bankruptcy and Limitations on Enforcement of Remedies."

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" for a summary of certain terms of the Indenture and the Loan Agreement.

Limited Obligation of Authority

The Bonds do not constitute a debt or liability of the State or of any political subdivision thereof other than the Authority, or a pledge of the faith and credit of the State of California or any political subdivision thereof, but shall be payable solely from the funds provided therefor by the University. Neither the State nor the Authority shall be obligated to pay the principal, premium (if any) or interest on the Bonds, except from the funds provided under the Loan Agreement and the Indenture, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal, premium (if any) or interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever or to make any appropriation for their payment. The Authority has no taxing power.

Payments Under the Loan Agreement

Under the Loan Agreement, the University agrees to make the Base Loan Payments and certain Additional Payments (generally consisting of ongoing costs and expenses of the Authority and the Trustee associated with the Bonds). The Loan Agreement provides that these payment obligations are absolute and unconditional general obligations of the University and are not secured by any revenues or assets of the University. The Loan Agreement does not contain financial covenants prohibiting the University from incurring additional indebtedness, or any covenants requiring the University to produce revenues at any specified level. See Appendix A – "INFORMATION CONCERNING THE UNIVERSITY," APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" herein.

Insurance

So long as any Bonds remain outstanding, the University will maintain or cause to be maintained with respect to its Facilities (including the Project), with reputable insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by institutions of similar size and scope of activities. See "INVESTMENT CONSIDERATIONS – Insurance Coverage."

For a summary of certain other provisions under the Loan Agreement, see APPENDIX D – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto.

INVESTMENT CONSIDERATIONS

The following are certain investment considerations that have been identified by the University and should be carefully considered by prospective purchasers of the Bonds. The following list should not be considered to be exhaustive or provide any ranking of the relative importance of any investment consideration. Inclusion of certain investment considerations below is not intended to signify that there are no other investment considerations or risks attendant to the Bonds that are material to an investment decision with respect to the Bonds that are otherwise described or apparent elsewhere herein.

General Factors Affecting the University

As noted under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein, the Bonds are payable from Base Loan Payments made by the University pursuant to the Loan Agreement. The University’s obligation to make Base Loan Payments under the Loan Agreement is an absolute and unconditional general obligation of the University; however, such obligation is not secured by any property of the University. No representation or assurance can be given that the University will realize revenues in amounts sufficient to make such payments with respect to the Bonds and to pay other expenses and obligations of the University.

A significant portion of the University’s revenues comes from student tuition and fees. See Appendix A – “INFORMATION CONCERNING THE UNIVERSITY – Tuition and Fees.” The University competes for students with other private and public universities. The University is subject to competitive pressures that affect other private universities. Both the University’s stature in the educational community and its revenues, expenditures, assets and liabilities may be affected by events, developments and conditions relating generally to, among other things, the ability of the University: (i) to provide educational services of the types and quality required to maintain its stature; (ii) to generate sufficient revenues, while controlling expenses, so that these services can be provided at a cost acceptable to the University’s students; (iii) to attract faculty, staff and management necessary to provide these services and sufficient students; and (iv) to build and maintain the facilities necessary to provide these services. Changing demographics may mean a smaller pool of university-bound persons from which to draw entering classes. Greater competition for students together with rising tuition may mean that the University will need to increase its financial aid packages to attract and retain students or that it may face fewer students and decreased revenues. Attracting and keeping qualified administrators and faculty may mean higher expenditures for salaries and administrative costs. The high regional cost of living in Southern California and the limited availability of affordable housing within reasonable commuting distance from the University could limit the University’s ability to attract students and faculty. Each of these factors can have an impact on the revenues of the University.

Factors that may also adversely affect the operations of the University, although the extent cannot be presently determined, include, among others: (1) employee strikes and other labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs; (2) changes in the demand for higher education in general, including demand for educational media and distance learning options; (3) cost and availability of energy; (4) high interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures; (5) a decrease in availability of student loan funds or other aid; (6) an increase in the costs of health care benefits, retirement plan or other benefit packages offered by the University to its employees and retirees; (7) a significant decline in the University’s investments based on market or other external factors; (8) litigation; (9) reductions in funding support from donors or other external sources, including Cal Grants from the State of California; (10) natural disasters, which might damage the University’s facilities, interrupt service to its facilities or otherwise impair the operation of the University’s facilities; (11) cybersecurity incidents that could have adverse consequences to the University’s computer systems and operations; (12) legislation and regulation by governmental

authorities, including developments affecting the tax-exempt status of educational institutions like the University and changes in immigration laws limiting the University's ability to admit foreign students or hire foreign faculty and administrators; (13) regulation of tuition levels; (14) limitations on the University's expansion and use of facilities; and (15) changes in accreditation standards. The Underwriters and the Authority have not made any independent investigation or analysis of the extent to which any such factors will have an adverse impact on the revenues of the University. The preservation and growth of the University's endowment are affected not only by the factors noted above but by discretionary increases in the annual payout to operations from endowment earnings, transfers of expendable funds and other distributions, all of which are subject to changes in policies and practices made by the Board of Trustees and University management. See Appendix A – "INFORMATION CONCERNING THE UNIVERSITY" and Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY" attached hereto.

Project Completion and Construction Risks

A delay in completion of the Project may arise from any number of causes, including but not limited to, adverse weather conditions or other adverse environmental conditions; failure of the general contractor or any subcontractors to perform; unavailability of subcontractors; negligence on the part of the general contractor or any subcontractors; labor disputes; natural disasters; environmental problems; or unanticipated or increased costs of, or delays in, construction or renovation. Any of these events or occurrences, separately or in combination, could have a material adverse effect on the ability to complete the Project at all or to complete it as planned and on schedule. Failure to complete the anticipated construction of the Project on time or on budget could cause the University to devote additional time and resources to the completion of the construction and have a material adverse effect on the University's financial condition and ability to pay Base Loan Payments pursuant to the Loan Agreement.

Actual design and construction costs may exceed the budgeted costs for the Project. In such event, either the scope of the Project may need to be changed or phased or the University may be required to seek additional sources of funding for the Project.

University Indebtedness

The University may incur additional debt from time to time. Any indebtedness which may be incurred by the University could have a material effect on the University's operations, which may, among other things, limit the University's ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements and other purposes; require the University to dedicate a significant portion of its cash flow to pay principal and interest on the Bonds, which will reduce the funds available for working capital, capital expenditures and other general administrative and educational purposes; and limit the University's ability to plan for and react to changes in its business and industry thereby making the University more vulnerable to adverse changes in general economic, industry and competitive conditions. Any of these factors could have a material adverse effect on the financial condition of the University and its ability to pay Base Loan Payments with respect to the Bonds.

The University has Prior University Bonds outstanding. As long as the Prior University Bonds are outstanding under their respective indentures, the University is subject to limitations on encumbrances in accordance with loan agreements entered into in connection with such Prior University Bonds. The University will not be subject to this restriction once all Prior University Bonds are legally defeased or are no longer outstanding.

Insurance Coverage

The insurance requirements imposed by the Loan Agreement are limited, and insurance proceeds may not be available to cover all claims or risks relating to the Project, the University or its Facilities. See APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY – Risk Management/Insurance Program” attached hereto. Litigation could arise from the business activities of the University, including from its status as an employer. Many of these risks are covered by insurance, but some may not be covered completely or at all. See APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY – Commitments and Contingencies” attached hereto.

Subject to the requirements of the Loan Agreement, the University may change its insurance coverage at any time and certain coverages may not be available. Future increases in insurance premiums and future limitations on the availability of certain types of insurance coverage could have an adverse impact on the University’s financial condition and operations and, ultimately, could adversely impact the ability of the University to make Base Loan Payments.

Seismic Conditions

Generally, throughout the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. The Loan Agreement requires earthquake insurance only to the extent commercially available and economically practicable in the University’s sole discretion. The University does not currently maintain earthquake insurance coverage.

Investment of Funds Risk

The University invests its money pursuant to investment policies adopted from time to time by its Board of Trustees. See the audited financial statements of the University attached as APPENDIX B for information regarding the investments of the University. All investments made by the University contain a degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts invested by the University could have a material adverse effect on the availability of funds for the payment of Base Loan Payments by the University.

Interest Rate Swaps and Other Hedge Risk

Any interest rate swap or other hedge agreement to which the University is a party may, at any time, have a negative value to the University. If either a swap or other hedge counterparty or the University terminates such an agreement when the agreement has a negative value to the University, the University would generally be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial and potentially materially adverse to the University’s financial condition. Under certain circumstances, each swap agreement is subject to termination prior to its scheduled termination date and prior to the maturity of the Bonds. The University has an interest rate swap agreement to manage its interest costs associated with the 2015 Bonds. See APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY – Debt.”

Gifts and Fundraising

The University receives gifts, grants and donations from private and public sources. For a variety of reasons, the amount of annual gifts and fundraising results are difficult to project with precision. These reasons include the voluntary nature of charitable giving, the effect of the general and local economy on giving, the unpredictability of the effectiveness of the marketing of a fundraising campaign, the varying tax treatments of the deductibility of gifts and many other factors. A failure to attain sufficient levels of gifts and

support could have a material adverse effect on the University's ability to maintain its current level of operations and pay debt service on the Bonds.

While the University believes its fundraising goals to be reasonable, it is possible that its goals will not be attained. There can be no guarantee that the University will be able to reach its fundraising goals. A failure to reach such goals could negatively affect the University's fundraising ability generally and the ability of the University to pay Base Loan Payments with respect to the Bonds. See APPENDIX A – "INFORMATION CONCERNING THE UNIVERSITY – Grants, Contributions and Pledges."

Tax-Exempt Status

The Code imposes a number of requirements that must be satisfied for interest on nonprofit corporation obligations, such as the 2018B Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of the 2018B Bond proceeds, limitations on the investment earnings of 2018B Bond proceeds prior to expenditure, a requirement that certain investment earnings on 2018B Bond proceeds be paid periodically to the United States and a requirement that the Authority file an information report with the Internal Revenue Service ("IRS"). The Authority and the University have covenanted in certain of the documents referred to herein that they will comply with such requirements.

Failure by the University to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the 2018B Bonds as taxable, retroactively to the date of issuance of the 2018B Bonds. Moreover, the occurrence of one or more of the other events described in this section also could adversely affect the exclusion from gross income for federal or State income tax purposes of the interest on the 2018B Bonds.

Tax-Exempt Status of the University. The tax-exempt status of the 2018B Bonds presently depends upon the maintenance by the University of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations and such organizations are increasingly subject to a greater degree of scrutiny by the IRS. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful, private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit organizations, it could do so in the future. Loss of tax-exempt status by the University could result, among other consequences, in the University being in default of certain of its covenants regarding the 2018B Bonds. Loss of tax-exempt status of the University also would have material adverse consequences on the financial condition of the University and would cause interest on the 2018B Bonds to become taxable.

Less onerous sanctions also have been imposed by the IRS, which sanctions focus enforcement on private persons who transact business with a tax-exempt organization rather than the tax-exempt organization itself, but these sanctions do not replace the other, more severe remedies available to the IRS as mentioned above.

Unrelated Business Taxable Income. The IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). The University has not historically generated any significant amounts of UBTI. The University may participate in activities which generate UBTI in the future. Management of the University believes it has properly accounted for and

reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the University as well as the exclusion from gross income for federal income tax purposes of the interest on the 2018B Bonds.

State Income Tax Exemption. Until recently, the State has not been as active as the IRS in scrutinizing the income tax exemption of nonprofit corporations. In California, it is possible that legislation may be proposed to strengthen the role of the California Franchise Tax Board and the Attorney General in supervising nonprofit entities. It is likely that the loss by the University of federal tax exemption would also trigger a challenge to State tax exemption. Depending on the circumstances, such event could be material and adverse.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the University by requiring payment of income, local property or other taxes.

Exemption from Property Taxes. State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their real property tax exemptions. The management of the University believes that its Facilities and, once completed, the Project, are or will be exempt from State real property taxes; however, there can be no assurance that this will continue to be the case, and any loss of exemption could have a material adverse effect on the financial condition of the University.

Potentially Adverse Tax Legislation

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 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. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Bankruptcy and Limitations on Enforcement of Remedies

The remedies available to the Trustee or the Bondholders upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay, and such remedies may not be readily available or may be limited. Enforceability of the rights and remedies of the owners of the Bonds and the obligations incurred by the University under the Loan Agreement may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. In particular, under the United States Bankruptcy Code, a bankruptcy case may be filed by or against the University or by or against any of its affiliates. In general, the filing of any such petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party, and, in the bankruptcy process, executory contracts may be subject to assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party. The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the

various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

THE AUTHORITY

General

The California Educational Facilities Authority is a public instrumentality of the State of California created pursuant to the provisions of the Act. The Authority is authorized to issue the Bonds under the Act, to make the loan contemplated by the Loan Agreement and to secure the Bonds by a pledge of the Revenues received by the Authority pursuant to the Loan Agreement and certain other sources of payment as provided in the Indenture, including amounts held in the funds or accounts established pursuant to the Indenture (excluding the Rebate Fund).

Organization and Membership of the Authority

The membership of the Authority consists of the Treasurer, the Controller and the Director of Finance of the State of California and two members appointed by the Governor of the State of California. Of the two appointed members, one must be affiliated with a public institution of higher education as a governing board member or in an administrative capacity and the other must be affiliated with a private institution of higher education as a governing board member or in an administrative capacity.

Outstanding Indebtedness of the Authority

The Act does not limit the amount of indebtedness the Authority may have outstanding from time to time. As of June 30, 2018, the Authority had outstanding \$ 4,119,115,560 aggregate principal amount of bonds and notes (excluding certain bonds and notes which have been defeased) issued on behalf of various California independent colleges and universities.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Obligations issued by the Authority under the Act are, under California law, securities in which all banks, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries and all other persons whatsoever, who now are or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital belonging to them or within their control; and such obligations are securities which may properly and legally be deposited with and received by any state or municipal officer or agency of the State for any purpose for which the deposit of bonds or notes or other obligations of the State is now or may hereafter be authorized by law.

TAX MATTERS

2018A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), interest on the 2018A Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the 2018A Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on,

the 2018A Bonds. Investors are urged to obtain independent tax advice regarding the 2018A Bonds based upon their particular circumstances. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the 2018A Bonds that acquire their 2018A Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2018A Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the 2018A Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their 2018A Bonds pursuant to this offering for the issue price that is applicable to such 2018A Bonds (i.e., the price at which a substantial amount of the 2018A Bonds are sold to the public) and who will hold their 2018A Bonds as “capital assets” within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the 2018A Bonds other than investors that are U.S. Holders.

As used herein, “U.S. Holder” means a beneficial owner of a 2018A Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds 2018A Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2018A Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2018A Bonds (including their status as U.S. Holders).

Notwithstanding the rules described below, it should be noted that, under newly enacted law that is effective for tax years beginning after December 31, 2017 (or, in the case of original issue discount, for tax years beginning after December 31, 2018), certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the 2018A Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the 2018A Bonds in light of their particular circumstances.

Interest. Interest on the 2018A Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the 2018A Bonds is less than the amount to be paid at maturity of such 2018A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2018A Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of 2018A Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

2018A Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a 2018A Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such 2018A Bond.

Sale or Other Taxable Disposition of the 2018A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority at the request of the University) or other disposition of a 2018A Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2018A Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2018A Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the 2018A Bond (generally, the purchase price paid by the U.S. Holder for the 2018A Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such 2018A Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the 2018A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the 2018A Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the 2018A Bonds. If the Authority at the request of the University defeases any 2018A Bond, such 2018A Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, in general, a U.S. Holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the U.S. Holder's adjusted tax basis in the 2018A Bond.

Information Reporting and Backup Withholding. Payments on the 2018A Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the 2018A Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the 2018A Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2018A Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to

withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act ("FATCA"). Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2018A Bonds and sales proceeds of 2018A Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "passthru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of 2018A Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of 2018A Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

2018B Bonds

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

To the extent the issue price of any maturity of the 2018B Bonds is less than the amount to be paid at maturity of such 2018B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2018B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2018B Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2018B Bonds is the first price at which a substantial amount of such maturity of the 2018B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2018B Bonds accrues daily over the term to maturity of such 2018B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding

dates). The accruing original issue discount is added to the adjusted basis of such 2018B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2018B Bonds. Beneficial Owners of the 2018B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018B Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2018B Bonds in the original offering to the public at the first price at which a substantial amount of such 2018B Bonds is sold to the public.

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

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

In addition, Bond Counsel has relied, among other things, on the opinion of Bridges & Bridges, counsel to the University, regarding the current qualification of the University as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the University concerning the University’s “unrelated trade or business” activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the University has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the University can give or has given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of the University to be organized and operated in accordance with the IRS’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the 2018B Bonds in a manner that is substantially related to the University’s charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the 2018B Bonds being included in federal gross income, possibly from the date of the original issuance of the 2018B Bonds.

Although Bond Counsel is of the opinion that interest on the 2018B Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2018B Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of

these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

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

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2018B Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the University or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the University have covenanted, however, to comply with the requirements of the Code, although the Authority's obligation to comply with the requirements of the Code is dependent in part upon actions of the University and is contingent upon indemnification of the Authority's expenses therefor.

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

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E hereto. Approval of other legal matters will be passed upon for the Authority by the Honorable Xavier Becerra, the Attorney General of the State of California (the "Authority Counsel"), for the University by Bridges & Bridges, Redondo Beach, California, and for the Underwriter by Hawkins Delafield & Wood LLP, San Francisco, California. Authority Counsel does not undertake any responsibility to the Holders of the Bonds for the accuracy, completeness or fairness of this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

ABSENCE OF MATERIAL LITIGATION

The Authority

To the knowledge of the officers of the Authority, there is no litigation of any nature now pending (with service of process having been accomplished) or threatened against the Authority, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the Authority relating to the issuance of the Bonds.

The University

There is no litigation of any nature now pending or threatened against the University, which seeks to restrain or enjoin the issuance or the sale of the Bonds or which in any way contests or affects the validity of the Bonds and proceedings of the University taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds, the use of the Bond proceeds or the existence or powers of the University relating to the Bonds. See APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY – Commitments and Contingencies.”

UNDERWRITING

The Treasurer, with the approval of the Authority and the University, will enter into a purchase agreement with Morgan Stanley & Co. LLC (the “Representative”), as representative of itself, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association (together, the “Underwriters”), pursuant to which the Underwriters will agree, subject to certain conditions, to purchase the Bonds from the Authority at an aggregate purchase price of \$93,341,705.71 (representing the par amount of the Bonds, plus original issue premium of \$7,121,815.50, and less an underwriters’ discount of \$320,109.79). The Underwriters are obligated under the purchase agreement to purchase all of the Bonds if any of the Bonds are purchased. The Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof, and such public offering prices may be changed, from time to time, by the Underwriters.

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

The current business of Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”) is being reorganized into two affiliated broker-dealers (i.e., MLPF&S and BofAML Securities, Inc.) in which BofAML Securities, Inc. will be the new legal entity for the institutional services that are now provided by MLPF&S. This transfer is expected to occur on or around October 29, 2018 (the “Transfer Date”). MLPF&S, an underwriter of the Bonds, will be assigning its rights and obligations as an underwriter to BofAML Securities, Inc. in the event that the settlement date for the Bonds occurs on or after the Transfer Date. For those Bonds that settle after the Transfer Date, the Bonds may be distributed by BofAML Securities, Inc. to MLPF&S pursuant to a distribution agreement between BofAML Securities, Inc. and MLPF&S. MLPF&S may in turn distribute the Bonds to investors. As part of this arrangement, BofAML Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company (parent company of Wells Fargo Bank, National

Association, an Underwriter for the Bonds) and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), an Underwriter of the Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Certain subsidiaries of Wells Fargo & Company may have provided, from time to time, investment banking services, commercial banking services or advisory services to the University, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for the University in the ordinary course of their respective businesses.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the University and to persons and entities with relationships with the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CONTINUING DISCLOSURE

The University has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The University will undertake all responsibilities for continuing disclosure to Bondholders, as described below, and the Authority will have no liability to the Holders of the Bonds or any other person with respect to the Rule.

The University will covenant for the benefit of the Bondholders and beneficial owners of the Bonds to cause to be provided to the Municipal Securities Rulemaking Board (the “MSRB”) (i) certain financial information and operating data relating to the University by no later than 180 days following the end of each fiscal year (which fiscal year currently begins on June 1 of each year and ends on the next succeeding May 31), commencing with the report for the May 31, 2019 fiscal year, and (ii) notice of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with the Rule. For a form of the continuing disclosure agreement, see APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto. In the last five years, the University did not link to all relevant CUSIP numbers its other required annual financial information for the fiscal year ended May 31, 2013. The University has made corrective filings as appropriate and has taken steps to provide for future compliance.

RATING

Moody’s Investors Service, Inc. (“Moody’s”) has assigned a rating of “A2” on the Bonds. Any explanation of the significance of such ratings may only be obtained from Moody’s.

There is no assurance that the ratings mentioned above will be assigned or remain in effect with respect to the Bonds for any given period of time or that a rating might not be lowered or withdrawn entirely, if in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any such downward change in or withdrawal or non-assignment of a rating might have an adverse effect on the market price or marketability of the Bonds.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC (the “Municipal Advisor”) has assisted the University with various matters relating to the planning, structuring and delivery of the Bonds. The Municipal Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities.

INDEPENDENT ACCOUNTANTS

The financial statements as of May 31, 2018 and for the year then ended, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

MISCELLANEOUS

All quotations from and summaries and explanations of the Act, the Indenture, the Loan Agreement and of other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions. Copies in reasonable quantity of the Indenture and the Loan Agreement may be obtained upon request directed to the Underwriter or the University.

Any statements in this Official Statement involving matters of opinion 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 or the University and Holders of any of the Bonds.

The execution and delivery of this Official Statement by the Acting Executive Director of the Authority have been duly authorized by the Authority. The Authority has not provided any of the information in this Official Statement except for the information under the caption “THE AUTHORITY” and the information under the caption “ABSENCE OF MATERIAL LITIGATION – The Authority,” and makes no representation or warranty, express or implied, as to the accuracy or completeness of any other information of this Official Statement.

**CALIFORNIA EDUCATIONAL FACILITIES
AUTHORITY**

By: /s/ Ronald L. Washington
Acting Executive Director

The execution and delivery of this Official Statement by the Senior Vice President and Chief Financial Officer of the University have been duly authorized by the University.

LOYOLA MARYMOUNT UNIVERSITY

By: /s/ Thomas O. Fleming, Jr.
Senior Vice President and Chief Financial Officer

APPENDIX A

INFORMATION CONCERNING THE UNIVERSITY

The information presented in this Appendix A has been provided by the University and has not been independently verified or reviewed by the Authority.

General

Loyola Marymount University (the “University”) is a nonprofit, coeducational, privately endowed university emphasizing undergraduate liberal arts as well as professional and graduate education.

The University has two major campuses, the 142-acre Westchester campus and the Loyola Law School campus. The Westchester campus is located at 1 LMU Drive near the western edge of the City of Los Angeles about one and one-half miles north of the Los Angeles International Airport. It is located on a mesa overlooking the Pacific Ocean and is in close proximity to freeways providing students with access to cultural and recreational activities throughout Southern California. The campus is characterized by open vistas and tree-lined drives and includes over sixty buildings comprising approximately 3.4 million square feet. Nineteen of the buildings, including residence halls, houses and apartments house approximately 3,210 students on campus. The current student housing stock provides housing for about 95% of first year students and 50% of all undergraduate students combined. Occupancy rates for on campus housing have been high over the past four academic years ranging from 99% to 102%, with occupancy over 100% driven by triples in some rooms due to continued high demand. The fall 2018 occupancy rate is expected to be over 100%.

The Law School campus is located at 919 South Albany Street in downtown Los Angeles, approximately 18 miles northeast of the Westchester campus. This four-acre urban campus is located near federal, state, and municipal courts and the Los Angeles County Law Library. The Law School campus has received national architectural awards for its design (by Frank Gehry, AIA) and includes five major buildings and four other buildings all constructed or renovated since 1981. The buildings include approximately 446,000 square feet of classroom, library, and faculty and administrative office space. In addition, the Law School operates an 825-car parking facility on its campus. The law library contains more than 600,000 volumes.

Loyola Marymount University is the successor to St. Vincent’s College which was founded in 1865 as the first institution of higher learning in Southern California. The University was incorporated by members of the Society of Jesus, called Jesuits (“S.J.”), in 1918 as Loyola College of Los Angeles and became Loyola University of Los Angeles in 1930. Certain operations of Marymount College for women, founded in 1933 and administered by the Religious of the Sacred Heart of Mary (“R.S.H.M”) and the Sisters of St. Joseph of Orange (“C.S.J.”), were moved to the Westchester campus in 1968 and were formally consolidated with the University’s operations and administration on July 1, 1973. The consolidation of Loyola University and Marymount College resulted in the University becoming Loyola Marymount University. The Law School, however, has retained the name Loyola Law School.

The University has, since its founding, been affiliated with the Catholic Church. The University, however, welcomes persons of all religious persuasions, and large numbers of non-Catholics are members of the student body, faculty, staff and administration.

Project and Integrated Strategic Plan

In May 2012, the Board of Trustees approved a strategic plan for the University, officially named “Forming Leaders Who Transform the World: Loyola Marymount Strategic Plan 2012-2020.” The strategic plan focuses on the following themes: providing excellence in transformative undergraduate education, providing leadership in graduate education, promoting the teacher-scholar model, enhancing the University’s commitment to local and global citizenship, advancing the University’s role as a premier Catholic University in the Jesuit and Marymount traditions and promoting competitiveness and accountability.

In furtherance of those strategic plan themes, the University officially opened its third campus in August 2018. The University has entered into a long-term lease agreement for 50,000 square feet of space at The Brickyard located at 12105 West Waterfront Drive in Playa Vista, which is just over two miles from the main campus. The new LMU Playa Vista Campus will expand the university’s Silicon Beach presence, and will primarily house graduate programs for LMU School of Film and Television. The new location will also provide spaces for academic and creative activities and events, placing students and faculty members in the heart of L.A.’s innovation and creativity hub. Loyola Marymount University is the only university in the heart of Silicon Beach and promotes itself as “The University of Silicon Beach®.”

In connection with the strategic expansion into Silicon Beach, the University is targeting an increase in undergraduate headcount from fall 2017 to fall 2022. The higher undergraduate headcount is expected to drive even greater demand for limited on campus student housing. Providing a sufficient level of on campus housing is essential to attracting and retaining high quality students at LMU. As such, the University is targeting a new 625 bed housing structure for fall 2020 where students may live and learn, further enhancing engagement and retention. A portion of the Bonds will finance this additional student housing. See “The Plan of Finance” in the forepart of this Official Statement and “Capital Projects” below.

Board of Trustees

A self-perpetuating Board of Trustees, comprised of up to fifty (50) members serving three-year terms, governs the University. There are forty-four (44) members of the Board of Trustees as of July 30, 2018. All officers of the Board are elected annually. The Board normally meets four times a year.

The Bylaws of the University require that the Board consist of lay persons, members of the Society of Jesus and members of the Religious of the Sacred Heart of Mary and/or Sisters of Saint Joseph of Orange, Inc. (hereinafter referred to as “the Sisters”). A majority of the Board shall be lay persons. A minimum of eight (8) members of the Board shall be selected from the membership of the Society of Jesus. A minimum of four (4) members of the Board shall be members of the Sisters. The President, ex officio, shall be a member of the Board of Trustees. The Chair of the University’s Board of Regents, ex officio, shall be a member of the Board of Trustees. The President is the general manager and chief executive officer of the University and has, subject to the control of the Board of Trustees, general supervision, direction and control of the business and officers of the University other than the Chair.

The Board may appoint an Executive Committee, one or more Standing Committees and one or more Advisory Committees to serve at the pleasure of the Board. Membership on the Executive and Standing

Committees shall be limited to Trustees. The Board may appoint officers of the Corporation and non-Trustees to advise and assist the Executive and Standing Committees.

At July 31, 2018, the members of the Board of Trustees, and their primary affiliations were as follows:

Robert J. Abernethy

President
American Standard Development Company
Redondo Beach, CA

William H. Ahmanson

President
The Ahmanson Foundation
Beverly Hills, CA

Robert C. Baker JD

Baker, Keener & Nahra, LLP
Los Angeles, CA

Rhonda M. Bethea****

Senior Vice President and
Associate General Counsel
Bank of America Corporation
Charlotte, NC

Hon. Irma J. Brown *

Judge
Superior Court of the State of California
Inglewood, CA

Mitchell R. Butier

President and CEO
Avery Dennison Corporation
Glendale, CA

Scott Coble, S.J.

Jesuit Novitiate
Culver City, CA

Michelle X. Dean

Secretary
Houdini, Inc.
Fullerton, CA

Allan Figueroa Deck, S.J.*, Board Secretary

Rector of the Jesuit Community
Loyola Marymount University
Los Angeles, CA

Karen J. Dial*

Chief Executive Officer
Drollinger Properties
Los Angeles, CA

Kathleen M. Duncan

Trustee
Thomas and Dorothy Leavey Foundation
Los Angeles, CA

Kristi V. Frey

Retired, Associate Broker
Shorewood Realtors
Manhattan Beach, CA

Michael J. Garanzini, S.J.

Secretary for Higher Education
Fordham University
New York, NY

Thomas V. Girardi

Co-Founder and Senior Partner
Girardi & Keese
Los Angeles, CA

Jeffrey L. Glassman

Chief Executive Officer
Covington Capital Management
Los Angeles, CA

Gregory M. Goethals, S.J.

President
Loyola High School of Los Angeles
Los Angeles, CA

D. Scott Hendrickson, S.J.

Assistant Professor
Loyola University of Chicago
Chicago, IL

Mary Beth Ingham, C.S.J.*

Sisters of St. Joseph of Orange
Los Angeles, CA
Professor Emerita and Distinguished
Scholar in Residence, Philosophy
Loyola Marymount University

Henry K. Jordan *

Retired Chairman and CEO
Wells Fargo Capital Finance
Santa Monica, CA

Nelly Llanos Kilroy

Secretary
John B. and Nelly Llanos Kilroy Foundation
Marina Del Rey, CA

Joseph M. Knott *
Retired Senior Tax Advisory Partner
Ernst & Young
Los Angeles, CA

Cecilia A. Magladry, C.S.J.*
Assistant General Superior
Sisters of S. Joseph of Orange
Orange, CA

Michael J. Mandelbaum
Partner
Mandelbaum & Mandelbaum
West Orange, NJ

Gerdenio M. Manuel, S.J.
Professor of Psychology,
University of San Francisco,
San Francisco, CA

Director, USF Saint Ignatius Institute
University of San Francisco
San Francisco, CA

Hon. John V. Meigs *
Retired Judge, Superior Court of California
County of Los Angeles
Inglewood, CA

Stephen M. Mosko
Former President
Sony Pictures Television, Inc.
Culver City, CA

Handojo S. Muljadi
President, Director
The Tempo Group
Jakarta, Indonesia

Stephen F. Page *
Retired CFO & Vice Chairman
United Technologies
Manhattan Beach, CA

Joan A. Payden
President & Chief Executive Officer
Payden & Rygel
Los Angeles, CA

Janice A. Pipkin
Chairperson
Pipkin Charitable Foundation
Los Angeles, CA

Norma A. Provencio
President
Provencio Advisory Services, Inc.
Hacienda Heights, CA

Michael M. Rue
President
Marketplace Properties
Tustin, CA

Maria S. Salinas, Ex officio
President and CEO
Los Angeles Area Chamber of Commerce
Los Angeles, CA

Robert J. Sclabassi, M.D.
Chief Executive Officer and
Chairman of the Board of Directors
Computational Diagnostics, Inc.
Pittsburgh, PA

Timothy Law Snyder*, Ex officio
President
Loyola Marymount University
Los Angeles, CA

John T. Stankey
Senior Executive Vice President
AT&T/Time Warner Merger
Integration Planning
Dallas, TX

Michael R. Steed
Managing Partner
Paladin Capital Group
Washington, D.C.

Elbridge H. Stuart, III
Trustee
Stuart Foundation
Incline Village, NV

Julie Rollofson Teel
Chief Officer
Lakehouse Mall Property Management Inc. Tahoe
City, CA

Rosemary L. Turner *
President, North California District
United Parcel Service
Oakland, CA

Joan Treacy, R.S.H.M.
Provincial Superior
Western Province
Religious of the Sacred Heart of Mary
Montebello, CA

Paul S. Viviano*, Board Chair
President and Chief Executive Officer
Children's Hospital Los Angeles
Los Angeles, CA

Michael A. Zampelli, S.J.
Rector of the Jesuit Community
Santa Clara University
Santa Clara, CA

David J. Zuercher *
Retired Group Executive
Wells Fargo & Co.
Redondo Beach, CA

**Members of the Executive Committee*

***Non-voting trustee emeriti*

****Member did not participate in the decision to
issue the Bonds or select the underwriting
syndicate, which includes Bank of America
Merrill Lynch*

The University also has a Board of Regents currently comprised of forty-two (42) members, almost all of whom are affiliated with the University. The Regents are a University-wide planning and advisory board charged with the responsibility to provide counsel to the President, senior University administration, or others designated by the President. Their primary focus is on issues relevant to the promotion of the University with external audiences.

Management

The following table sets forth the names of the principal executive officers of the University, along with their positions and tenure in office. A brief statement of the duties and background of each of the officers appears following the table.

| <u>Name</u> | <u>Position</u> | <u>Position Since</u> |
|------------------------|---|------------------------------|
| Timothy Law Snyder | President and Chief Executive Officer | 2015 |
| Elena M. Bove | Senior Vice President for Student Affairs | 1987 |
| Thomas O. Fleming, Jr. | Senior Vice President and Chief Financial Officer | 2003 |
| Thomas Poon | Executive Vice President and Provost | 2017 |
| Lynne B. Scarboro | Executive Vice President and Chief Administrative Officer | 2017 |
| Kristi Wade | Senior Vice President for University Relations, Interim | 2018 |
| Michael Waterstone | Senior Vice President and Dean of Loyola Law School | 2016 |

Timothy Law Snyder, Ph.D., was named the 16th president of Loyola Marymount University in March 2015 and assumed his responsibilities on June 1, 2015. Dr. Snyder has been a professor and administrator for nearly 30 years at Jesuit institutions, most recently as vice president for academic affairs at Loyola University Maryland from 2007-14. He was also dean of the College of Arts and Sciences at Fairfield University from 2001-07 and dean of science at Georgetown University from 1995-99. Dr. Snyder earned his M.A. and his Ph.D. in applied and computational mathematics from Princeton University. He holds a B.A. in psychology and a B.S. in mathematics, and an M.S. in mathematics from the University of Toledo.

Elena M. Bove is responsible for the various aspects of student life, including student health, counseling, housing, and student organizations. She received a B.A. in history from Marymount College, a M.Ed. from Loyola University and an Ed.D. in institutional management from Pepperdine University. Prior to becoming vice president for Student Affairs in 1987, Ms. Bove served for six years as director of the Learning Resource Center at the University.

Thomas O. Fleming, Jr. became the senior vice president and chief financial officer of the University in 2003. He had served as acting vice president for Business and Finance for the University since 2002 and as controller from 1996. Mr. Fleming obtained a Bachelor of Science degree in commerce from Washington and Lee University and is licensed as a Certified Public Accountant (inactive) in California. He also has extensive experience in public accounting.

Thomas Poon, Ph.D., became executive vice president and provost on June 1, 2017, and leads the university's Academic Affairs and Student Affairs divisions, including overseeing the university's educational, scholarly, creative activities, student development, and enrollment management areas. He is also a tenured professor of chemistry. Mr. Poon previously served at Pitzer College in many senior leadership positions, including interim president, acting president, and senior associate dean of faculty.

Mr. Poon earned his Ph.D. in chemistry at UCLA in 1995 and his Bachelor of Science degree in 1990 at Fairfield University, a Jesuit institution.

Lynne B. Scarboro was appointed the university's inaugural executive vice president and chief administrative officer on January 1, 2017. In her role, Ms. Scarboro and her teams are responsible for the administrative areas and resources that serve the core operating needs of the university, including: business affairs, finance and accounting, information technology, human resources, public safety, parking and transportation, neighbor relations, conference and event services, facilities management, and construction. Previously, Ms. Scarboro served as senior vice president for administration since 2002. Ms. Scarboro holds a B.S. degree from North Carolina State University and an M.B.A. from Winthrop University.

Kristi Wade was appointed the interim senior vice president for University Relations in 2018. Ms. Wade oversees LMU's advancement programs and her leadership encompasses all areas of development as well as the offices of alumni relations, special events, and development services. Ms. Wade started at LMU in 2009 and has served in different roles within University Relations since then.

Michael Waterstone is the senior vice president and 18th dean of Loyola Law School, Los Angeles. Waterstone's tenure began on June 1, 2016. Mr. Waterstone joined Loyola's faculty in the fall of 2006. From 2009–2014 he also served as Loyola's Associate Dean for Research and Academic Centers. Prior to his tenure with Loyola Law School, he taught at the University of Mississippi Law School. He also worked as an associate in the Los Angeles law firm of Munger, Tolles, & Olson for three years. Following law school, Mr. Waterstone clerked for the Honorable Richard S. Arnold on the United States Court of Appeals for the Eighth Circuit.

Academic Programs, Completions and Enrollment

The University reflects the centuries-old tradition of Catholic and Jesuit education, whose goals include a dedicated commitment to academic and professional excellence, Christian and humanistic traditions, and community service. While honoring tradition, the University is nevertheless contemporary in outlook.

The University's educational program is organized into four undergraduate Colleges, two Schools, the Graduate Division and the Law School. Undergraduate instruction is provided by the colleges of Liberal Arts, Communication and Fine Arts, Business Administration, Science and Engineering, and the School of Film and Television. In addition, the University offers several study abroad programs. Graduate degrees are awarded in the Law School and in selected majors in each of the Colleges and in the Schools of Education and Film and Television. The University offers 58 baccalaureate programs, 48 Master's programs, 3 doctoral degrees, and 13 state-regulated credential or authorization programs. The University also offers continuing education and summer session courses.

The table below summarizes the academic programs, completions data for the academic year 2016-2017 and the pooled enrollment data for the fall semester of the 2017-2018 academic year. While the completion counts include all majors completed, the pooled enrollments count each student in their primary college only. Completions data includes students that have achieved one or more degrees.

| School or College | Degrees Offered | 2016-17 Completions | Fall 2017 Enrollment (degree seeking only) |
|-----------------------------|------------------------------------|----------------------------|---|
| Liberal Arts | | | |
| <i>Undergraduate</i> | B.A., B.S. | 608 | 1,929 |
| <i>Post-baccalaureate</i> | M.A. | 47 | 182 |
| Business | | | |
| <i>Undergraduate</i> | B.B.A., B.S., B.S.A | 424 | 1,576 |
| <i>Post-baccalaureate</i> | M.B.A., M.S.A | 99 | 142 |
| Communication and Fine Arts | | | |
| <i>Undergraduate</i> | B.A. | 262 | 922 |
| <i>Post-baccalaureate</i> | M.A. | 24 | 50 |
| Science & Engineering | | | |
| <i>Undergraduate</i> | B.A., B.S., B.S.E. M.S., M.S.E. | 247 | 1,198 |
| <i>Post-baccalaureate</i> | | 45 | 146 |
| Education | | | |
| <i>Post-baccalaureate</i> | M.A., Ed.S., Ed.D. | 390 | 1,428 |
| Film and Television | | | |
| <i>Undergraduate</i> | B.A. | 165 | 632 |
| <i>Post-baccalaureate</i> | M.F.A. | 36 | 203 |
| Loyola Law School | | | |
| <i>Professional</i> | M.L.S., L.L.M., M.T., J.D. | 349 | 1,066 |
| Totals | | | |
| <i>Undergraduate</i> | | 1,706 | 6,257 |
| <i>Post-baccalaureate</i> | | 641 | 2,151 |
| <i>Professional</i> | | 349 | 1,066 |

In addition to formal degrees, the University also offers post-baccalaureate certificate programs in engineering related fields, environmental sciences, bioethics, and medical sciences, as well as numerous teacher and school administrator credentialing programs.

Accreditation

Loyola Marymount University and its programs are both regionally and professionally accredited by numerous organizations. The University is accredited by the Western Association of Schools and Colleges (WASC), which is recognized by the US Department of Education (USDOE) and the Council for Higher Education Accreditation (CHEA). Program-specific accreditations include the Accreditation Association for Ambulatory Health Care, the American Art Therapy Association, the American Bar Association, the Association of American Law Schools, the Association to Advance Collegiate Schools of Business, the California State Commission on Teacher Credentialing, the Committee of Bar Examiners of the State Bar of California, the Engineering Accreditation Commission of the

Accreditation Board for Engineering and Technology, the International Association of Counseling Services, the National Association of Schools of Art and Design Commission of Accreditation, the National Association of Schools of Dance, the National Association of Schools of Music, the National Association of Schools of Theatre, the National Association of School Psychology, and the National Council for Accreditation of Teacher Education.

Faculty

As of November 2017, the University had 585 full-time, of which 355 were tenured, and 530 part-time instructional faculty members at both campuses, of which 96% have obtained terminal degrees in their fields of study. Members of the S.J., R.S.H.M., and C.S.J. communities collectively constitute approximately 1.2% of the full time faculty. There are no unions representing members of the faculty.

In addition to its faculty, the University employs 1,259 full time and 46 part-time staff members. Some of these staff members also teach for the University, but are not reflected in the faculty counts in this Appendix A.

Tuition & Fees

The following table outlines the basic fees that typical students have assessed over the past five academic years. Notably, applications to the University have increased over the past five years, notwithstanding increases in tuition charges. See “Applications and Admissions” on next page.

| <u>Revenue Source</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Annual Tuition | | | | | |
| <i>Undergraduate</i> | \$40,680 | \$41,876 | \$43,526 | \$45,460 | \$47,470 |
| <i>Post-baccalaureate (per credit)</i> | 1,074 | 1,118 | 1,167 | 1,219 | 1,273 |
| <i>Law</i> | 47,180 | 49,190 | 51,900 | 54,240 | 56,360 |
| Required Fees | | | | | |
| <i>Undergraduate</i> | \$692 | \$693 | \$704 | \$676 | \$702 |
| <i>Post-baccalaureate</i> | 128 | 128 | 310 | 282 | 284 |
| <i>Law</i> | 570 | 860 | 860 | 870 | 870 |
| Average Room and Board <i>(assessed to undergraduates only)</i> | \$13,277 | \$13,630 | \$13,808 | \$14,066 | \$14,600 |

Applications and Admissions

The admissions process at the University is selective; each year, many more prospective students apply than are admitted at all levels. Notably, the increased number of freshmen applications in recent years enabled the University to become more selective and offer admissions to a greater number of high quality students. For the fall 2017 academic year, approximately 41.4% of the freshman enrolled at the University graduated in the top 10% of their high school graduating class, up from 29.4% in the fall of 2013. Between 2013 and 2017, the average two-part SAT scores for entering freshman rose by 80 points from 1,220 to 1,300, while the national average two-part SAT score for the same period increased by 50 points, from 1010 to 1060.

In each of the prior five academic years, the University received record applications for undergraduate freshmen admittance. Among other factors, the University attributes growth in demand for undergraduate enrollment to various factors, including its strong academic reputation and national rankings, diverse and industry-essential academic programming, appeal of the institutions founding in the Catholic faith, geographic location, reputational attractiveness, and strategic growth to remain industry-relevant.

The following table sets forth applications and admissions for the undergraduate, law and other graduate programs for the past five years. The fall 2018 counts have not yet been finalized, however, the preliminary counts are up significantly with 18,081 for freshman applicants and 8,411 for freshman admits. New freshman enrollments for fall 2018 are tracking over 1,500, which is above the targeted budget level.

**LOYOLA MARYMOUNT UNIVERSITY
APPLICATIONS AND ENROLLMENT INFORMATION
FOR THE ACADEMIC YEARS 2013-14 THROUGH 2017-18***

| | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Freshmen | | | | | |
| <i>Applicants</i> | 11,474 | 12,115 | 13,289 | 13,507 | 15,381 |
| <i>Admissions</i> | 6,209 | 6,385 | 6,748 | 7,276 | 8,072 |
| <i>New Enrollments</i> | 1,341 | 1,348 | 1,354 | 1,331 | 1,446 |
| Transfers | | | | | |
| <i>Applicants</i> | 1,920 | 2,066 | 2,040 | 2,207 | 2,744 |
| <i>Admissions</i> | 861 | 859 | 852 | 914 | 1,023 |
| <i>New Enrollments</i> | 375 | 372 | 372 | 374 | 392 |
| Post-baccalaureate** | | | | | |
| <i>Applicants</i> | 1,806 | 1,799 | 1,773 | 1,940 | 1,721 |
| <i>Admissions</i> | 1,448 | 1,344 | 1,271 | 1,527 | 1,284 |
| <i>New Enrollments</i> | 1,076 | 992 | 960 | 1,149 | 984 |
| Law*** | | | | | |
| <i>Applicants</i> | 3,638 | 3,197 | 2,988 | 3,318 | 3,501 |
| <i>Admissions</i> | 1,722 | 1,505 | 1,335 | 1,312 | 1,357 |
| <i>New Enrollments</i> | 358 | 312 | 268 | 306 | 323 |

**All data reported is for the full academic year. Freshmen and Law programs largely accept and admit in the fall only of each year. However, post-baccalaureate programs accept for fall and spring.*

***For the 2017-2018 period, post-baccalaureate data is fall only. It should be noted that current reported historical values may be slightly different from prior reported historical values. This is due to the fact that incomplete applications are no longer counted and reported, per Federal standards, and so numbers have been slightly revised. Post-baccalaureate applications and enrollment information is provided for degree-seeking and non-degree seeking students.*

****Law applications and enrollment information is provided for students in the JD program.*

Enrollments

The table below sets forth the University's full time equivalent fall semester enrollment for the past five academic years. In line with goals set forth by the University's strategic plan described above, undergraduate enrollment has grown by an average annual rate of approximately 1% over this period.

The University believes that its large size, location, attractiveness to students of the Catholic faith (who have traditionally composed a majority of its undergraduate student body), and mix of graduate and undergraduate programs will enable it to achieve strong, targeted enrollment levels for the foreseeable future. For this reason, among others, student retention rates are also relatively strong. The first-to-second year undergraduate retention rate has averaged over 90% for the five-year period below.

**LOYOLA MARYMOUNT UNIVERSITY
ENROLLMENT DATA
FOR THE FALL SEMESTER - YEARS 2013-14 THROUGH 2017-18
(FTE - all students including non-degree seekers)**

| | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-2018</u> |
|--------------------|----------------|----------------|----------------|----------------|------------------|
| Undergraduate | 6,050 | 6,037 | 6,130 | 6,149 | 6,265 |
| Post-baccalaureate | 2,000 | 1,869 | 1,744 | 1,722 | 1,760 |
| Law | <u>1,161</u> | <u>1,076</u> | <u>970</u> | <u>942</u> | <u>1,009</u> |
| Total University | 9,211 | 8,982 | 8,844 | 8,813 | 9,034 |

While fall 2018 counts have not yet been finalized, the undergraduate degree-seeking full time equivalent count is expected to come in at approximately 6,500.

"Full time equivalent" enrollment is computed in the following manner: Undergraduates taking 12 or more units in a semester (the full time undergraduate course load) are counted as one full time equivalent. Undergraduates taking less than 12 units in a semester are counted as a fraction of a full time equivalent equal to the number of units being taken divided by 12. Graduate students, other than law students, taking six or more units in a semester (the full time graduate course load) are counted as one full time equivalent. Graduate students taking less than six units a semester are counted as a fraction of a full time equivalent equal to the number of units being taken divided by six. Full time law students are counted as one full time equivalent and each part time law student is counted as two-thirds of a full time equivalent.

Financial Aid

In order to help students meet the rising costs of education, the University's Financial Aid Offices administer a variety of federal, state, and institutionally developed programs. For the 2016-2017 year, a total of 85% of undergraduate students received some type of financial aid. Especially for freshmen, the University makes a serious effort to attract students with grants and scholarships. The following table shows the University's student assistance programs for all students for the academic years indicated.

**LOYOLA MARYMOUNT UNIVERSITY
FINANCIAL AID FROM ALL SOURCES
FOR THE ACADEMIC YEARS 2012-13 THROUGH 2016-17
(in thousands of dollars)**

| Academic Year | Federal Assistance | California State Programs | Private Assistance | Guaranteed and Other Student Loans | University Expenditures | Total |
|------------------|-----------------------|------------------------------|-----------------------|--|----------------------------|-----------|
| 2012-2013 | \$5,872 | \$7,847 | \$1,966 | \$50,341 | \$72,152 | \$138,178 |
| 2013-2014 | \$6,236 | \$8,374 | \$2,476 | \$52,544 | \$75,253 | \$144,883 |
| 2014-2015 | \$6,256 | \$8,638 | \$4,459 | \$51,851 | \$76,027 | \$147,231 |
| 2015-2016 | \$6,465 | \$8,602 | \$2,778 | \$50,379 | \$79,623 | \$147,847 |
| 2016-2017 | \$5,683 | \$7,488 | \$5,940 | \$50,391 | \$81,738 | \$151,240 |

Notes:

- (1) The table is limited to students enrolled as degree-seeking undergraduates in the fall of a given academic year. However, aid includes aid received at any point during the academic year.*
- (2) The report includes all aid awarded to students except federal work-study and state and other work-study/employment.*
- (3) Federal assistance includes grants awarded by the Federal Government.*
- (4) California state programs includes grants awarded by the California Government.*
- (5) Private assistance includes scholarships and grants from external sources not awarded by Loyola Marymount University. This includes veteran benefits.*
- (6) Guaranteed and other student loans includes student loans from all sources as well as parent loans.*
- (7) University expenditures includes endowed scholarships, annual gifts, tuition funded grants, athletic awards, and tuition waivers awarded by Loyola Marymount University.*

A significant number of the University's students depend on sources of student financial aid from sources other than the University to pay tuition fees and expense. The majority of such aid comes from state and federal governmental sources. The continued ability of those funds is contingent upon continued legislative support.

Financial Statements

The financial statements of the University are presented in Appendix B, and comprise audited statements for the fiscal year ended May 31, 2018. The financial statements of the University were prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America and with the AICPA Audit and Accounting Guide, "Not-for-Profit Organizations". See Appendix B – "Financial Statements of Loyola Marymount University" and Note 1 thereto.

Revenues and Expenses

The following table, which should be read in conjunction with the University's financial statements and accompanying notes, provides a summary of Unrestricted Activities for each of the last five fiscal years.

LOYOLA MARYMOUNT UNIVERSITY STATEMENT OF UNRESTRICTED ACTIVITIES (IN THOUSANDS OF DOLLARS)

| | Fiscal Year Ended May 31 | | | | |
|--|--------------------------|------------------|----------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Revenues, gains and other additions | | | | | |
| Tuition and fees | \$ 342,307 | \$ 348,346 | \$ 356,817 | \$ 371,128 | \$ 395,780 |
| Scholarships | (90,579) | (95,849) | (100,331) | (105,145) | (113,973) |
| Net tuition and fees | 251,728 | 252,497 | 256,486 | 265,983 | 281,807 |
| Investment return designated for operations | 9,990 | 12,135 | 16,426 | 19,926 | 17,459 |
| Grants, contributions and pledges | 17,940 | 18,368 | 16,963 | 20,565 | 22,841 |
| Auxiliary enterprise revenue | 42,004 | 42,602 | 44,217 | 44,233 | 46,572 |
| Other revenue | 6,919 | 8,759 | 8,995 | 9,493 | 10,537 |
| Net assets released from restrictions | 9,214 | 9,587 | 11,366 | 12,565 | 11,509 |
| Total operating revenues, gains & other additions | 337,795 | 343,948 | 354,453 | 372,765 | 390,725 |
| Expenses: | | | | | |
| Instruction and research | 136,592 | 140,800 | 147,672 | 151,560 | 156,688 |
| Academic support | 32,943 | 33,723 | 35,761 | 35,999 | 38,163 |
| Library | 13,729 | 13,698 | 14,329 | 14,444 | 14,877 |
| Student services | 55,611 | 59,482 | 61,662 | 62,673 | 64,620 |
| Institutional support | 52,886 | 57,217 | 56,839 | 61,682 | 61,030 |
| Auxiliary enterprises | 27,812 | 29,777 | 33,698 | 34,084 | 35,445 |
| Total operating expenses | 319,573 | 334,697 | 349,961 | 360,442 | 370,823 |
| Increase in operating net assets | 18,222 | 9,251 | 4,492 | 12,323 | 19,902 |
| Non-operating revenues and expenses: | | | | | |
| Contributions for non-operating purposes | 15 | 67 | 6 | 7 | 257 |
| Contributions for acquisition of capital assets | 239 | 224 | 1,534 | 550 | 347 |
| Loss from early extinguishment of debt | | | | | |
| Net gain (loss) on interest rate swap | (368) | (1,852) | (1,458) | 462 | 871 |
| Other non-operating expenses | (380) | 571 | (250) | 1,065 | 1,569 |
| Net assets released from restriction | 540 | 415 | 35,594 | 3,777 | 2,418 |
| Donor redesignations | (116) | (1,475) | (205) | (954) | (542) |
| Investment gain (loss) in excess of amounts | | | | | |
| Designated for current operations | 9,722 | (15,264) | (30,854) | (6,719) | (8,538) |
| Increase (decrease) in non-operating net assets | 9,652 | (17,314) | 4,367 | (1,812) | (3,618) |
| Increase/(Decrease) in net assets | \$27,874 | (\$8,063) | \$8,859 | \$10,511 | \$16,284 |

Grants, Contributions and Pledges

A successful fundraising effort is an important strategic objective of the University. The amount of private support received by the University has grown over the past decade, although the amount raised each year is subject to fluctuation. This fluctuation can be due to a number of reasons, such as: the economy in general, changes in tax law, and donor interest in the fundraising priorities of the University. Against this backdrop, the University has continued to meet or exceed its fundraising targets.

The University conducts fundraising programs to obtain gifts, pledges, grants and bequests from private sources including alumni, parents, friends, corporations and foundations. Over the past three years, cash and deferred gifts have averaged approximately \$31.1 million per annum. During fiscal year 2018, the University raised \$61.1 million in total from 19,419 individual gifts, which includes pledges. This is the highest total annual amount raised in the University's history.

As of June 1, 2018, Loyola Marymount entered into the first year of the silent phase of a tentatively projected eight-year capital campaign. The details are still being finalized.

Expenses

The most significant categories of expense are instruction and research, academic support, library, student services, institutional support, and auxiliary enterprises. Instruction and research expenses include principally faculty and academic staff salaries and benefits and other expenses related to the operations of instructional academic departments. Academic support expenses include activities and services that support the institution's primary missions of instruction and research such as academic administration, academic computing, instructional media services, and other general academic support functions. Student services expenses include activities whose primary purpose is to contribute to student's emotional and physical well-being such as registrar, admissions, financial aid administration, psychological and health counseling, career guidance, and the expenses of operating the University's athletic program. Institutional support includes expenses for day-to-day operational support of the institution such as central executive-level management, fiscal operations, fund raising, University publications, alumni activities, legal and audit function, employee personnel and records, and other similar expenses. Auxiliary enterprises expenses include expenses for essentially self-supporting operations such as student housing, dining facilities, parking operations, bookstores, and conferences.

Endowment and Similar Funds

The Endowment and Similar Funds are comprised of assets restricted by the original donor and which must be applied for the purposes originally specified (true endowment) and unrestricted assets designated by the University's Board of Trustees to serve as endowment (quasi-endowment). Quasi-endowment funds may be released from their designation by the Board of Trustees and could be made available for any purpose, including debt service.

A significant uncertainty facing the University is the impact of the financial markets upon the investments in the University's Endowment and Similar Funds. While the University has a diversified investment strategy designed for long-term appreciation, there have been and will be periodic negative impacts upon the market value of such investments due to volatility in the financial markets and other factors. Market values for Endowment and Similar Funds assets as of June 30 for the last five years are shown below.

ENDOWMENT AND SIMILAR FUNDS (Market Value in Thousands of Dollars) At June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Total Endowment | \$461,865 | \$442,263 | \$418,250 | \$457,986 | \$475,686 |

The University's Endowment and Similar Funds are overseen by a Board of Trustees' Endowment Committee and are invested principally in professionally managed pools of securities. The total return on the University's pooled investments for the past five years at June 30 is shown below.

ENDOWMENT AND SIMILAR FUNDS (Total Returns) At June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Pooled Endowment Funds | 15.5% | 0.1% | (1.6)% | 12.3% | 7.6% |

The University's endowment pool portfolio maintains a high degree of unrestricted liquidity. As of May 31, 2018 the aggregate value of endowment assets with 30-day liquidity or better was \$251 million. Further, the fair market value of all unrestricted funds in the endowment portfolio was \$239 million. Thus, the University likely would have the ability to redeem all unrestricted endowed funds within 30 days in the event of great need.

Cash and Other Investments

The table set forth below summarizes the University's cash and equivalents and investments at May 31 for each of the fiscal years as shown. While endowment growth is important to supporting the overall University mission, so too is growth in unrestricted short-term operating liquidity. In order to support ongoing University operations, the University maintains a short-term investment portfolio with daily liquidity. The fair market value of this portfolio at May 31, 2018 was \$59.3 million.

TOTAL CASH AND INVESTMENTS (Fiscal Year Ended May 31)

| <i>(In Thousands)</i> | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and Equivalents | \$ 34,511 | \$ 35,970 | \$ 29,807 | \$ 46,854 | \$ 44,024 |
| Investments | \$ 505,074 | \$ 488,340 | \$ 459,637 | \$ 505,887 | \$ 546,537 |
| Total Cash and Investments | \$ 539,585 | \$ 524,310 | \$ 489,444 | \$ 552,741 | \$ 590,561 |

The University also maintains a 364 day working capital line of credit (renewable annually) with Bank of America totaling \$20 million. The line has not been drawn upon for many years but is considered another source of short term operating liquidity should the need arise.

Plant Properties

The following table presents the recorded carrying value of the University's land, buildings, equipment, library books, computer software, leasehold improvements, building improvements, and construction in progress, for the five fiscal years ended May 31.

PLANT PROPERTIES (Fiscal Year Ended May 31)

| <i>(In Thousands)</i> | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Land | \$ 49,276 | \$ 50,860 | \$ 52,083 | \$ 50,981 | \$ 52,625 |
| Buildings | 444,584 | 444,848 | 549,386 | 550,412 | 549,941 |
| Equipment | 157,131 | 164,608 | 178,334 | 183,799 | 189,591 |
| Library Books | 67,858 | 72,288 | 76,342 | 80,418 | 84,591 |
| Computer Software | 21,889 | 22,540 | 26,111 | 27,179 | 27,769 |
| Leasehold Improvements | 44,915 | 45,335 | 47,963 | 48,306 | 49,176 |
| Building Improvements | 65,429 | 72,584 | 80,953 | 87,299 | 99,620 |
| Construction in Progress | 47,603 | 97,327 | 3,035 | 6,010 | 11,141 |
| Total Cost | 898,685 | 970,390 | 1,014,207 | 1,034,404 | 1,064,454 |
| Less: Accumulated Depreciation | (320,868) | (345,618) | (372,542) | (400,491) | (429,058) |
| Plant Properties, net | \$ 577,817 | \$ 624,772 | \$ 641,665 | \$ 633,913 | \$ 635,396 |

Capital Projects

The University maintains an annual capital budget for ongoing capital needs and expects this budget to satisfy necessary upgrades and improvements to the University's facilities. The annual capital budget for the past three fiscal years has been approximately \$12-\$13 million. The University expects the capital budget for fiscal year 2018-19 to be in the same range.

Large capital projects are typically supported via fundraising and/or long term debt issuance. The Bonds will finance one large capital project totaling approximately \$90 million. The project entails the construction of 625 new undergraduate housing beds on the main Westchester campus. The total new building square footage is estimated at slightly over 190,000. The new building(s) will replace two smaller and fully depreciated housing structures originally established in the 1940's that total 169 beds. The project will add over 450 net new beds and address the high level of demand for on campus student housing while also generating additional revenues to support related operating expenses and debt service. The new student housing structure is expected to open in August of 2020 when the University's higher enrollment target is expected to have been reached.

From an environmental standpoint, the new housing structure will be constructed to a minimum of Silver LEED Certification and will include green building elements to reduce consumption of energy and non-renewable natural resources. This is in accordance with the University's Master Plan and also with the University's ongoing efforts in sustainability. LMU has become a global leader in sustainability and currently has over 90,000 square feet of solar panels on campus and recycles over 75% of its waste, among many other green campus initiatives.

Should the project described above come in under budget, remaining bond proceeds may be used for improvements to various existing campus facilities. These consist of, but are not limited to, wet utility infrastructure, campus roads, Alumni Mall hardscape, the Child Care Center and University Hall escalators, elevators and stairs.

The University could be in the market periodically for refinancing activities as it manages its debt portfolio based on market activities.

There are a number of strategic capital projects on the horizon that are intended to be fundraised. These may include new construction and/or renovation to the School of Film and TV Pavilion, Performing Arts Pavilion, Pereira Engineering Hall, and Gersten Athletics Pavilion. Generally, the University's policy for fundraised capital projects requires that at least 95% of the project be committed and 70% cash in hand prior to project start.

Indebtedness

The University's long term bond principal outstanding at May 31, 2018 was \$144,469,000 as shown in the table below and also on the Statement of Financial Position included in the University's financial statements set forth in APPENDIX B and Note 8 thereto.

CURRENT LONG TERM OUTSTANDING INDEBTEDNESS (In Thousands) (Not Including Amortization of Bond Premium/Discounts or Swaps)

| Series | Fiscal Year Maturity Dates | Type of Bond | Interest Rates | Principal Outstanding |
|--------|-------------------------------|----------------------------------|-------------------|--------------------------|
| 2001A | 2019 - 2040 | Capital appreciation bonds | 5.51% - 5.83% | \$ 32,294 |
| 2010A | 2019 - 2041 | Revenue bonds | 4.00% - 5.13% | 44,010 |
| 2011 | 2019 - 2025 | Refunding revenue bonds | 3.00% - 5.13% | 8,010 |
| 2013A | 2019 - 2044 | Revenue Bonds | 1.67% - 4.73% | 33,330 |
| 2015 | 2019 - 2021 | Variable refunding revenue bonds | 70%xLIBOR + 0.50% | 26,825 |
| | | | | <u>\$ 144,469</u> |

The University has an interest rate swap agreement with Bank of America, N.A. that was originally obtained to manage its interest costs associated with the Series 2004 bonds, which have since been refinanced and currently exist as the CEFA 2015 variable refunding revenue bonds. The interest rate swap agreement was not entered into for trading or speculative purposes. Under the terms of the agreement, the University pays a fixed rate of 3.575% per annum and receives a variable rate equal to 70% of one month LIBOR. As of May 31, 2018, the notional amount of the swap agreement was \$26,825,000 and the agreement expires in fiscal year 2035. The accrued unrealized loss associated with the agreement as of May 31, 2018 was approximately \$3.4 million, and is included in total debt outstanding on the Statement of Financial Position.

The University has entered into a noncancelable lease agreement for building space. See "Project and Integrated Strategic Plan" above. The lease contains customary escalation clauses, which are included in the annual aggregate minimum leases. Future minimum lease payments as of May 31, 2018 are as follows (in thousands):

| <u>Fiscal Year Ending May 31,</u> | |
|-----------------------------------|---------|
| 2019 | \$2,224 |
| 2020 | 2,313 |
| 2021 | 2,406 |
| 2022 | 2,502 |
| 2023 | 2,602 |
| Thereafter | 21,372 |

The University's workers' compensation carrier requires that the University maintain an unsecured letter of credit for claims that fall below the deductible amount. At May 31, 2018, the amount of the letter of credit facility was \$2,450,000. The letter of credit was not used during the year ended May 31, 2018, and therefore no liability was recorded in the Statement of Financial Position.

Risk Management/Insurance Program

The University employs an Enterprise Risk Manager who is charged with identifying risk at all levels of the University, including strategic, financial, operational, legal/compliance, reputational and hazard risks. The University systematically identifies major risks, implements risk control and loss prevention programs, monitors compliance with federal, state and local regulations, and convenes a safety committee.

The University is part of a consortium involving other Jesuit entities in California and Oregon named the USA West Province, Society of Jesus (“Jesuit West Insurance Group”). This consortium includes the University, the California and Oregon Provinces of the Society of Jesus, Santa Clara University, the University of San Francisco, and Jesuit High School of Sacramento.

Through the consortium, the University maintains property insurance coverage on all of its owned and leased property with an insured limit of \$1 billion per occurrence. The University also maintains a sub-limit of \$50 million for flood, further sub-limited to \$25 million for moderate hazard zones and \$5 million for high hazard zones. The University currently does not carry earthquake insurance.

The consortium also jointly purchases General and Auto Liability insurance, and carries Cyber Liability insurance. The pools are actuarially determined and cash calls are made on consortium members on an as-needed basis.

Major lines of coverage carried by LMU independent of the consortium are Employment Liability and Fiduciary Liability.

Litigation and other Contingencies

The University is a defendant in various legal actions incident to the conduct of its operations. The University’s management does not expect that liabilities, if any, related to these legal actions would have a material effect on the University’s financial position at May 31, 2018.

The University is committed under certain construction and service contracts in the amount of \$5,625,000 as of May 31, 2018.

At May 31, 2018, the University has open commitments to invest approximately \$83,972,000 with alternative investment managers.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY

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Loyola Marymount University
Financial Statements
May 31, 2018
(With Summarized Financial Information as of and for the
Year Ended May 31, 2017)

Loyola Marymount University
Table of Contents
May 31, 2018

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Report of Independent Auditors

To the Board of Trustees of Loyola Marymount University

We have audited the accompanying financial statements of Loyola Marymount University (the "University"), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities, and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loyola Marymount University as of May 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited the statement of financial position as of May 31, 2017, and the related statements of activities and of cash flows for the year then ended (not presented herein), and in our report dated October 2, 2017, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of May 31, 2017 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a horizontal dotted line.

October 1, 2018

Loyola Marymount University
Statement of Financial Position
May 31, 2018
(With Summarized Financial Information as of May 31, 2017)

(in thousands)

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 44,024 | \$ 46,854 |
| Accounts receivable | | |
| Tuition & fees, less allowance for doubtful accounts of \$1,460 in 2018 and \$1,185 in 2017 | 4,084 | 3,300 |
| Other | 13,347 | 14,792 |
| Pledges receivable, net | 25,381 | 16,839 |
| Notes receivable, less allowance for doubtful accounts of \$1,525 in 2018 and \$2,046 in 2017 | 35,343 | 36,315 |
| Investments | 546,537 | 505,887 |
| Prepaid expenses, deferred charges and other assets | 8,193 | 7,211 |
| Plant properties, net | <u>635,396</u> | <u>633,913</u> |
| Total assets | <u>\$ 1,312,305</u> | <u>\$ 1,265,111</u> |
| Liabilities and net assets | | |
| Liabilities | | |
| Accrued payroll expense | \$ 14,163 | \$ 13,166 |
| Accounts payable and accrued expenses | 45,854 | 44,530 |
| Accrued interest expense | 52,146 | 50,179 |
| Deferred revenue and deposits | 25,428 | 23,439 |
| Debt outstanding, net | 147,100 | 156,695 |
| Loan funds returnable to donor | 1,170 | 1,169 |
| U.S. government grants refundable | 9,357 | 10,531 |
| Annuity liabilities and assets held for others | <u>3,104</u> | <u>3,003</u> |
| Total liabilities | <u>298,322</u> | <u>302,712</u> |
| Commitments and contingencies (Note 13) | | |
| Net assets | | |
| Unrestricted | 637,786 | 621,502 |
| Temporarily restricted | 167,264 | 136,136 |
| Permanently restricted | <u>208,933</u> | <u>204,761</u> |
| Total net assets | <u>1,013,983</u> | <u>962,399</u> |
| Total liabilities and net assets | <u>\$ 1,312,305</u> | <u>\$ 1,265,111</u> |

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University
Statement of Activities
Year Ended May 31, 2018
(With Summarized Financial Information for the Year Ended May 31, 2017)

(in thousands)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2018 Total | 2017 Total |
|--|--------------|------------------------|------------------------|--------------|------------|
| Revenues, gains and other additions | | | | | |
| Tuition and fees | \$ 395,780 | \$ - | \$ - | \$ 395,780 | \$ 371,128 |
| Scholarships | (113,973) | | | (113,973) | (105,145) |
| Net tuition and fees | 281,807 | - | - | 281,807 | 265,983 |
| Investment returns designated for operations | 17,459 | 10,874 | | 28,333 | 30,284 |
| Contributions and pledges | 11,830 | 3,193 | | 15,023 | 13,288 |
| Grants | 11,011 | | | 11,011 | 11,114 |
| Auxiliary enterprise revenue, net | 46,572 | | | 46,572 | 44,233 |
| Other revenue | 10,537 | | | 10,537 | 9,493 |
| Net assets released from restrictions | 11,509 | (11,509) | | - | - |
| Total operating revenues, gains, and other changes | 390,725 | 2,558 | - | 393,283 | 374,395 |
| Expenses | | | | | |
| Instruction | 150,335 | | | 150,335 | 145,476 |
| Research | 6,353 | | | 6,353 | 6,084 |
| Academic support | 38,163 | | | 38,163 | 35,999 |
| Library | 14,877 | | | 14,877 | 14,444 |
| Student services | 64,620 | | | 64,620 | 62,673 |
| Institutional support | 61,030 | | | 61,030 | 61,682 |
| Auxiliary enterprises | 35,445 | | | 35,445 | 34,084 |
| Total operating expenses | 370,823 | - | - | 370,823 | 360,442 |
| Increase in operating net assets | 19,902 | 2,558 | - | 22,460 | 13,953 |
| Non-operating revenues and expenses | | | | | |
| Contributions for non-operating purposes | 257 | 75 | 3,673 | 4,005 | 5,646 |
| Contributions for acquisition of capital assets | 347 | 11,337 | | 11,684 | 2,572 |
| Investment returns after amounts designated for current operations | (8,538) | 19,288 | 245 | 10,995 | 20,780 |
| Net realized and unrealized gains on interest rate swap | 871 | | | 871 | 462 |
| Other non-operating income (expenses) | 1,569 | | | 1,569 | 1,065 |
| Net assets released from restrictions | 2,418 | (2,418) | | - | - |
| Donor redesignations | (542) | 288 | 254 | - | - |
| Non-operating revenues (expenses), net | (3,618) | 28,570 | 4,172 | 29,124 | 30,525 |
| Increase (decrease) in net assets | 16,284 | 31,128 | 4,172 | 51,584 | 44,478 |
| Net assets | | | | | |
| Beginning of year | 621,502 | 136,136 | 204,761 | 962,399 | 917,921 |
| End of year | \$ 637,786 | \$ 167,264 | \$ 208,933 | \$ 1,013,983 | \$ 962,399 |

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University
Statement of Cash Flows
Year Ended May 31, 2018
(With Summarized Financial Information for the Year Ended May 31, 2017)

(in thousands)

| | 2018 | 2017 |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 51,584 | \$ 44,478 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 28,370 | 28,024 |
| Net unrealized and realized (gain) on interest rate swap agreement | (1,583) | (1,350) |
| Realized and unrealized (gain) on investments | (35,737) | (48,533) |
| Realized (gain) on plant properties | - | (1,223) |
| Loan receivable forgiveness | 2,179 | 2,036 |
| Provisions for (recovery of) doubtful notes receivable | (521) | 103 |
| Non-cash contributions received | (2,120) | (2,538) |
| Contributions to be used for fixed assets | (11,303) | (2,106) |
| Contributions to be used for long-term investment | (878) | 3,378 |
| Proceeds from sale of donated securities | 1,642 | 561 |
| Actuarial change in trust liability | 269 | 523 |
| Changes in assets and liabilities: | | |
| Tuition and fees receivable from students, net | (784) | (30) |
| Accounts receivable, other | 1,020 | 2,303 |
| Pledges receivable, net | (207) | 635 |
| Prepaid expenses, deferred charges and other assets | (840) | (215) |
| Accounts payable and accrued expenses | 1,837 | 7,045 |
| Deferred revenue and deposits | 1,989 | 1,649 |
| Annuity liabilities and assets held for others | 182 | 100 |
| Net cash provided by operating activities | <u>35,099</u> | <u>34,840</u> |
| Cash flows from investing activities | | |
| Purchases of plant properties | (27,599) | (23,484) |
| Proceeds from sales of plant properties | - | 4,570 |
| Purchases of investments | (91,522) | (88,068) |
| Proceeds from sales and maturities of investments | 84,339 | 84,250 |
| Disbursements of loans to students and faculty | (5,824) | (4,270) |
| Repayments of loans by students and faculty | 5,138 | 5,444 |
| Net cash used in investing activities | <u>(35,468)</u> | <u>(21,558)</u> |
| Cash flows from financing activities | | |
| Repayment of CEFA bonds payable | (7,957) | (7,941) |
| Repayment of U.S. government grants refundable | (1,173) | - |
| Contributions to be used for fixed assets | 1,877 | 4,249 |
| Contributions to be used for long-term investment | 5,022 | 6,432 |
| Reimbursement from CEFA 2013A | - | 1,010 |
| Contributions restricted for annuity agreements | 121 | 354 |
| Payments made under split-interest agreements | (351) | (339) |
| Net cash provided by financing activities | <u>(2,461)</u> | <u>3,765</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(2,830)</u> | <u>17,047</u> |
| Cash and cash equivalents | | |
| Beginning of year | 46,854 | 29,807 |
| End of year | <u>\$ 44,024</u> | <u>\$ 46,854</u> |
| Supplementary cash flow information | | |
| Non-cash acquisition of plant | \$ 4,388 | \$ 1,935 |
| Securities and real property received as gifts | 2,120 | 2,538 |
| Interest paid | 4,548 | 4,522 |

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University

Notes to Financial Statements

May 31, 2018

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

Loyola Marymount University (the "University" or "LMU") is a coeducational institution offering undergraduate, graduate and professional degrees. The University is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to the Code and under corresponding sections of the California Revenue and Taxation Code.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America ("GAAP").

Net Assets

Under generally accepted accounting principles applicable to not-for-profit organizations, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein have been classified and are reported as follows:

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is received; and quasi endowment net assets designated by the Board of Trustees or management for specific purposes (known as quasi endowment net assets).
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the University pursuant to those stipulations and/or by the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require the University maintain them in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Summarized Comparative Information

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended May 31, 2017 from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding the reported amounts of assets, liabilities, disclosure of contingent assets and contingent liabilities at the date of the financial statements and those estimates which affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Donor Redesignations

Certain amounts previously received from donors have been transferred among net assets categories due to changes in restrictions or gifts by the donor.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and investments purchased with an initial maturity of three months or less, excluding those held for long-term investment. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial instruments.

Loyola Marymount University
Notes to Financial Statements
May 31, 2018

Accounts Receivable

Tuition and fees receivable represent amounts due for current or past semesters for which students have registered; amounts collected in advance are deferred and recognized when earned. Management periodically reviews and assesses the collectability of receivables and provides an allowance when collection is doubtful. Historical bad debt experience has been consistent with management's expectations.

Other accounts receivable includes primarily receivables from insurance policies and charitable remainder trusts where the University is named a beneficiary but is not the trustee. As of May 31, 2018 and 2017, the balances of these beneficial interests are \$4,309,000 and \$4,510,000, respectively. Present value of the estimated future cash flows from the trusts approximates the fair value of the underlying assets. Insurance policies are recorded at cash surrender value.

Pledges Receivable

Unconditional promises to give ("pledges") are recorded as contribution revenue and as receivables in the period received. Pledge contributions are classified as temporarily restricted or permanently restricted based on time restrictions and/or donor-imposed stipulations. Pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution, and the nature of the fundraising activity (see Note 2).

Notes Receivable

Student loans are generally funded by government and foundation grants for student financial aid, which the University administers, and are uncollateralized. Student notes receivable have mandated interest rates and repayment terms and are subject to significant restrictions as to their transfer or disposition. Due to the nature and terms of the student loans, it is not feasible to determine the fair value of such loans. Management reviews and assesses the collectability of notes receivable on an annual basis and provides an allowance when collection is doubtful (see Note 3).

Investments

Investments are stated at fair value (see Note 9). Unrealized and realized gains and losses on investments are reported as increases or decreases to unrestricted, temporarily restricted and permanently restricted net assets depending on donor restrictions, if any (see Note 10). Investment income includes rental income, interest income, royalties, dividends and other investment income, and is reported net of investment management fees (see Note 4). Real estate investments and securities received by gift or bequest are recorded at fair value on the date acquired. The majority of the University's investments are included in the Endowment Fund, which is a commingled fund composed of various types of investment assets, and largely pooled on a market value per unit basis. The total fair value of the Endowment Fund assets at May 31, 2018 and 2017 was \$477,552,000 and \$457,488,000, respectively.

The University has adopted endowment, investment and spending policies in an attempt to preserve and enhance the real purchasing power of the endowment, provide a relatively stable and constant return sufficient to meet a portion of the spending needs of the University, and increase the endowment through unspent income and gains, appreciated value, gifts and other appropriate sources. Thus, the University's overall return objective is to garner an average annual real total return of at least 5.0% per year, net of fees and inflation, over the long-term (rolling ten-year period). The return objective may be difficult to achieve in any single year during the ten-year period, but is expected to be attainable over a series of ten-year periods.

The University utilizes the "Yale 70/30" spending calculation methodology to determine the annual amount of investment returns distributed to University operations ("spending policy"). Under this methodology, 70% of the calculation is based on a 3% growth rate applied to the prior year's distribution, and 30% is based on a 5% rate applied to a rolling 12 quarter average pool fair market value. This methodology is intended to produce increasing yet smooth and predictable endowment distributions year over year.

Loyola Marymount University
Notes to Financial Statements
May 31, 2018

For the year ended May 31, 2018, the gross endowment pool distribution under the spending policy was \$22,080,000, with an additional Board-approved special distribution for Law School scholarships of \$4,938,000 for a total distribution of \$27,018,000. Included in investment returns designated for operations is a portion of the endowment distribution designated for operations of \$26,837,000 and other non-endowment investment returns of \$1,496,000. The remaining endowment distribution of \$181,000 is recorded in Investment returns after amounts designated for current operations in the Statement of Activities. Returns remaining after the annual distribution are reinvested in the endowment pool as Board-designated or temporarily restricted endowment funds.

For the year ended May 31, 2017, the gross endowment pool distribution under the spending policy was \$21,469,000, with an additional Board-approved special distribution for Law School scholarships of \$7,813,000 for a total distribution of \$29,282,000. Included in investment returns designated for operations is a portion of the endowment distribution designated for operations of \$29,124,000 and other non-endowment investment returns of \$1,160,000. The remaining endowment distribution of \$158,000 is recorded in Investment returns after amounts designated for current operations in the Statement of Activities. Returns remaining after the annual distribution are reinvested in the endowment pool as Board-designated or temporarily restricted endowment funds.

The University classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Uniform Prudent Management of Institutional Funds Act "UPMIFA". The University considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the fund; (2) the mission of the University and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

Plant Properties

Plant assets, which are purchased or constructed, are stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. The University uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

| Asset | Life |
|-------------------------------------|-------------|
| Buildings | 60 years |
| Equipment | 5-20 years |
| Library books | 20 years |
| Computer software | 5-12 years |
| Leasehold and building improvements | 20 years |

The University uses a half-year convention for all assets except new construction of buildings for which depreciation begins from the date they are placed in service. Depreciation expense for fiscal years 2018 and 2017 was \$28,567,000 and \$28,105,000, respectively.

Normal repair and maintenance expenses and minor equipment replacement costs are expensed as incurred. When items are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts, and any profit or loss on such retirements or disposal is recognized in the year of disposal.

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Notes to Financial Statements
May 31, 2018

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are not capitalized. Donations of such collections are not recorded for financial statement purposes; however, purchases of such collections are recorded as operating expenses in the period in which they are acquired.

The University records conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its facilities. When an asset retirement obligation is identified, the University records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated useful life of the associated asset. The fair value of the conditional asset retirement obligation is estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows is calculated using a credit-adjusted, interest rate applicable to the University in order to determine the fair value of the conditional asset retirement obligations. As of May 31, 2018 and 2017, \$752,000 and \$1,179,000, respectively, of conditional asset retirement obligations are included within accounts payable and accrued expenses in the Statement of Financial Position (see Note 6).

Credit Concentration

Financial instruments that potentially subject the University to concentration of credit risk are cash, cash equivalents, investments, and receivables. The University's cash, cash equivalents, and investments are held by recognized financial institutions and reputable fund managers. Management regularly reviews its investment policies, asset allocations and individual manager portfolios with the University's external investment consultant, as well as the University's Endowment Fund Investment Committee. Concentration of credit risk for accounts receivable, pledges receivable, and notes receivable is generally limited due to the dispersion of these balances over a broad base.

Revenue Recognition

The University's revenue recognition policies are as follows:

- Tuition, fees and scholarships – Student tuition and fees are recorded as revenues in the year in which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Scholarships are reported in the Statement of Activities as a reduction of tuition and fees and are recognized in the same manner as described for student tuition and fees (see Note 11).
- Contributions and pledges – For financial reporting purposes, the University distinguishes between contributions of unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributed assets that are subject to perpetual donor restrictions and from which only the current income may be used are classified as permanently restricted net assets. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are made and met within the same reporting period, are reported as unrestricted support.

Pledges are recorded as receivables and revenues in the year received. Pledges on which payments are receivable in future periods are reported as either temporarily restricted or permanently restricted based on donor intent. Gifts of land, buildings and equipment are reported as unrestricted unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted. Absent explicit donor stipulation, the University reports expirations of donor restrictions on long-lived assets when the donated or acquired long-lived asset is placed in service.

Loyola Marymount University

Notes to Financial Statements

May 31, 2018

- Grants – Revenues from grant contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred.
- Auxiliary enterprise revenue – Revenues from supporting services, such as conferences, dining facilities, student housing, parking operations, child care center and bookstores are recorded at the time of delivery of a product or service. Amounts received in advance of delivery of products or services are recorded as deferred revenue. Student housing scholarships are reported in the Statement of Activities as a reduction of auxiliary enterprise revenue and are recognized in the same manner as described for auxiliary enterprise revenue.
- Other revenue – Other revenue includes income primarily generated from athletic activities, lab fees and rebates from significant vendor contracts. Amounts received are recorded at the time of transaction. Amounts not received by year end but earned are accrued and are included in accounts receivable – other.

Expenses

Expenses are reported as decreases in unrestricted net assets. In the Statement of expenses are presented by functional classification in accordance with the Integrated Postsecondary Education Data System (“IPEDS”). Each functional classification includes direct expenses, as well as allocated costs such as depreciation, interest expense and plant operating costs. Depreciation expense is allocated based upon square-footage occupancy of University facilities. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Plant operations and maintenance represent building occupancy costs, which are allocated to functional categories based upon square-footage occupancy or by specific identification. Square-footage occupancy is adjusted for changes due to new construction or space redistribution.

Included in institutional support expense in the Statement of Activities for the years ended May 31, 2018 and 2017, is approximately \$9,777,000 and \$9,758,000 respectively of direct expenses related to fundraising.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses consist of amounts which, due to their nature, are not considered by management as part of operations. Specific items include investment results (exclusive of amounts distributed per the spending policy which is included in Investment returns designated for operations), market value adjustment on derivative instruments, and other non-operating items.

New Accounting Pronouncements

In May 2014, the FASB issued a standard on *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The University continues to evaluate its population of revenue sources to assess the potential effects this standard will have on its financial statements and related disclosures. The University expects the primary impact to be in the form of additional financial statement disclosures.

In February 2016 the FASB issued a standard on *Leases*. This guidance requires the recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. The guidance is effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact this will have on the University’s future financial statements.

In August 2016 the FASB issued a standard on the *Presentation of Financial Statements for Not-for-Profit-Entities*. This guidance revises the not-for-profit reporting model. The guidance streamlines and clarifies net asset reporting, provides flexibility regarding the definition of reported operating subtotals, and imposes new reporting requirements related to expenses. The guidance is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact this will have on the University’s future financial statements.

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Notes to Financial Statements
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In August 2016, the FASB issued guidance on *Classification of Certain Cash Receipts and Cash Payments* and *Restricted Cash*. This new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact this will have on the University's future financial statements.

In March 2017, the FASB issued guidance on *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance is intended to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost and requires the bifurcation of net benefit cost. The service cost component will be presented with other employee compensation costs in operating income (or capitalized in assets). The other components will be reported separately outside of operations, and will not be eligible for capitalization. The guidance is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact this will have on the University's future financial statements.

2. Pledges Receivable

Pledges are received as part of the University's fundraising activities for operational, plant and endowment purposes. Pledges are recorded at fair value estimated by discounting future cash flows at rates ranging from 3.0% to 5.0% per annum. At May 31, outstanding pledges are reflected in the financial statements and are summarized below:

Pledges expected to be collected are as follows at May 31 (*in thousands*):

| | 2018 | 2017 |
|---|------------------|------------------|
| In one year or less | \$ 11,039 | \$ 9,040 |
| Between one and five years | 15,385 | 8,297 |
| Over five years | 441 | 63 |
| Total pledges receivable | <u>26,865</u> | <u>17,400</u> |
| Less: Allowance for uncollectible pledges | (172) | - |
| Discount to present value | <u>(1,312)</u> | <u>(561)</u> |
| Total pledges receivable, net | <u>\$ 25,381</u> | <u>\$ 16,839</u> |

Pledges receivable at May 31, 2018 have the following designations (*in thousands*):

| | Pledge Receivable Balance | Allowance | Discount | Pledge Receivable Balance, Net |
|--|--|------------------|-------------------|---|
| Endowment for academic programs and activities | \$ 488 | \$ (15) | \$ (6) | \$ 467 |
| Endowment for scholarships | 5,503 | - | (168) | 5,335 |
| Plant properties | 13,033 | (112) | (810) | 12,111 |
| Departmental programs and activities | 7,841 | (45) | (328) | 7,468 |
| Total pledges receivable | <u>\$ 26,865</u> | <u>\$ (172)</u> | <u>\$ (1,312)</u> | <u>\$ 25,381</u> |

Loyola Marymount University
Notes to Financial Statements
May 31, 2018

Pledges receivable at May 31, 2017 have the following designations (*in thousands*):

| | Pledge Receivable Balance | Allowance | Discount | Pledge Receivable Balance, Net |
|--|--|------------------|-----------------|---|
| Endowment for academic programs and activities | \$ 403 | \$ - | \$ - | \$ 403 |
| Endowment for scholarships | 6,752 | | (261) | 6,491 |
| Plant properties | 2,745 | | (60) | 2,685 |
| Departmental programs and activities | 7,500 | | (240) | 7,260 |
| Total pledges receivable | <u>\$ 17,400</u> | <u>\$ -</u> | <u>\$ (561)</u> | <u>\$ 16,839</u> |

3. Notes Receivable

Student Loans

The University makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal Perkins Loan Program, Weingart Foundation Loan Program, and institutional resources. At both May 31, 2018 and 2017, net student loans represented approximately 2% of total assets.

At May 31, 2018, student loans and the related allowance for doubtful accounts consist of the following (*in thousands*):

| | Student Receivable Balance | Related Allowance | Student Receivable Balance, net |
|---------------|---|------------------------------|--|
| Perkins | \$ 11,037 | \$ (410) | \$ 10,627 |
| Weingart | 11,766 | (918) | 10,848 |
| Institutional | 3,368 | (197) | 3,171 |
| Total | <u>\$ 26,171</u> | <u>\$ (1,525)</u> | <u>\$ 24,646</u> |

At May 31, 2017, student loans and the related allowance for doubtful accounts consist of the following (*in thousands*):

| | Student Receivable Balance | Related Allowance | Student Receivable Balance, net |
|---------------|---|------------------------------|--|
| Perkins | \$ 10,966 | \$ (753) | \$ 10,213 |
| Weingart | 12,417 | (994) | 11,423 |
| Institutional | 3,357 | (299) | 3,058 |
| Total | <u>\$ 26,740</u> | <u>\$ (2,046)</u> | <u>\$ 24,694</u> |

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans. The University's Perkins receivable represents the amounts due from current and

Loyola Marymount University
Notes to Financial Statements
May 31, 2018

former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations the Federal portion of the loan balance is guaranteed. The University's Weingart receivable represents the amount due from current and former students under the Weingart Foundation Loan Program. Under the Weingart Foundation Loan Program, students are awarded non-interest bearing loans. Any loans not collected under the Weingart Foundation Loan Program become the University's responsibility for repayment. The University must make whole all loans uncollected under this program. Various other institutional loans are sponsored by donor gifts and are subject to donor restrictions on use of funds. The University manages institutional loans through guidelines included in respective donor gift agreements.

Changes in the allowance for credit losses for the years ended May 31 were as follows (*in thousands*):

| | 2018 | 2017 |
|---|-----------------------------------|-----------------------------------|
| | Student Loan Allowance | Student Loan Allowance |
| Beginning Balance - June 1 | \$ (2,046) | \$ (1,943) |
| Change in estimated reserve requirement | 358 | (283) |
| Net charge-offs | 209 | 245 |
| Recoveries | (46) | (65) |
| Ending Balance - May 31 | <u>\$ (1,525)</u> | <u>\$ (2,046)</u> |

At May 31, 2018, the following amounts were due under the student loan program (*in thousands*):

| | Current | 1-60 Days Past Due | 60-90 Days Past Due | 90-120 Days Past Due | 120 + Days Past Due | Total Student Loans Receivable |
|---------------|----------------|-------------------------------|--------------------------------|---------------------------------|--------------------------------|---|
| Perkins | \$ 9,791 | \$ 235 | \$ 85 | \$ 10 | \$ 916 | \$ 11,037 |
| Weingart | 10,288 | 219 | 44 | 90 | 1,125 | 11,766 |
| Institutional | 2,969 | 48 | 3 | 2 | 346 | 3,368 |
| | | | | | | <u>\$ 26,171</u> |

At May 31, 2017, the following amounts were due under the student loan program (*in thousands*):

| | Current | 1-60 Days Past Due | 60-90 Days Past Due | 90-120 Days Past Due | 120 + Days Past Due | Total Student Loans Receivable |
|---------------|----------------|-------------------------------|--------------------------------|---------------------------------|--------------------------------|---|
| Perkins | \$ 9,386 | \$ 326 | \$ 108 | \$ 19 | \$ 1,127 | \$ 10,966 |
| Weingart | 10,865 | 363 | 61 | 74 | 1,054 | 12,417 |
| Institutional | 2,900 | 91 | - | 6 | 360 | 3,357 |
| | | | | | | <u>\$ 26,740</u> |

Faculty and Staff Loans

As part of a program to attract and retain excellent faculty, the University provides home mortgage financing assistance. Mortgage notes receivable amounting to \$10,609,000 and \$11,523,000 were outstanding at May 31, 2018 and 2017, respectively, and are collateralized by deeds of trust on properties concentrated in the region surrounding the University. Mortgage loans are granted up to \$150,000, interest free per eligible faculty member.

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Notes to Financial Statements
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The loan amounts are forgiven over a 10-year period, following one-year participation in the program, as long as the faculty member remains employed at the University per the terms of the agreement. If the faculty member leaves the University prior to the full forgiveness of the loan, the unforgiven balance of the loan is to be repaid to the University. In addition, the University provides both staff and faculty with computer loans as a benefit of employment. Notes of \$88,000 and \$98,000 were outstanding at May 31, 2018 and 2017, respectively, related to employee computer loans. No allowance for doubtful accounts has been recorded against faculty and staff loans based on collection histories.

The faculty and staff loan amount represents less than 1% of total assets at May 31, 2018 and 2017, respectively. There were no amounts past due under either program.

4. Investments

Investments consist of the following at May 31, stated at fair value (*in thousands*):

| | 2018 | 2017 |
|--------------------------------------|-------------------|-------------------|
| Investment cash and cash equivalents | \$ 6,200 | \$ 8,909 |
| Corporate bonds | 700 | 502 |
| Government bonds | 763 | 855 |
| Common stock | 17,741 | 14,430 |
| Mutual funds | 153,039 | 145,899 |
| Commingled funds | 163,675 | 166,496 |
| Alternative investment funds: | | |
| Private equity/Venture capital | 39,759 | 34,913 |
| Hedge funds | 128,183 | 102,179 |
| Natural resources | 16,056 | 14,603 |
| Real estate | 11,473 | 8,219 |
| Distressed | 6,356 | 6,038 |
| Real property and other | 2,592 | 2,844 |
| | <u>\$ 546,537</u> | <u>\$ 505,887</u> |

The investment goal of the University is to maintain or grow its investments in order to increase financial support to operations and further enhance the educational mission. In order to achieve this, and also mitigate market risk, the University diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. As a general practice, virtually all the financial assets of the University are managed by external investment management firms selected by the University. The University maintains agreements with each of the external investment managers, which provide for compensation in the form of management fees. Most of these managers charge fees directly to fund Net Asset Value (“NAV”) on a regular basis, and therefore, the majority of management fees are included in investment returns in the Statement of Activities.

Approximately 63% of the University’s investments at May 31, 2018 and 67% of the University’s investments at May 31, 2017 are invested (directly or indirectly) in money market funds, publicly traded equities, which are listed on national exchanges, quoted on NASDAQ, or in the over-the-counter market; treasury and agency bonds of the U.S. government; and primarily investment-grade corporate bonds for which an active trading market exists.

The University’s alternative investment funds consist of private equity, venture capital, natural resources, distressed debt, real estate and absolute return hedge funds. These are largely held in partnership or trust format. Approximately 37% of the University’s investments as of May 31, 2018 and 33% of the University’s investments at

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May 31, 2017 are invested with various limited partnerships that invest (directly or indirectly) in the securities of companies that are not immediately liquid, such as venture capital and buyout firms, and in real estate limited partnerships that have investments in various types of properties.

Included in common stock and mutual funds are investments held in charitable remainder trusts wherein the University is the trustee and has control over the assets. The aggregate balance of these assets held in trust at May 31, 2018 and 2017 is \$368,000 and \$371,000, respectively.

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended May 31 (*in thousands*):

| | 2018 | 2017 |
|---|------------------|------------------|
| Unrealized and realized gains (losses) | \$ 35,737 | \$ 48,533 |
| Interest income, dividends, royalties and rents | 5,349 | 4,643 |
| Management fees and other investment related expenses | <u>(1,758)</u> | <u>(2,112)</u> |
| Total net gains (losses) on investments | 39,328 | 51,064 |
| Less: Investment returns designated for current operations | <u>(28,333)</u> | <u>(30,284)</u> |
| Investment returns after amounts designated for current operations | <u>\$ 10,995</u> | <u>\$ 20,780</u> |

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the University's investments and total net assets balances could fluctuate materially.

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5. Plant Properties

Plant properties are as follows for the year ended May 31 (*in thousands*):

| | 2018 | 2017 |
|--------------------------------|-------------------|-------------------|
| Land | \$ 52,625 | \$ 50,981 |
| Buildings | 549,941 | 550,412 |
| Equipment | 189,591 | 183,799 |
| Library books | 84,591 | 80,418 |
| Computer software | 27,769 | 27,179 |
| Leasehold improvements | 49,176 | 48,306 |
| Building improvements | 99,620 | 87,299 |
| Construction-in-progress | 11,141 | 6,010 |
| Total cost | <u>1,064,454</u> | <u>1,034,404</u> |
| Less: Accumulated depreciation | <u>429,058</u> | <u>400,491</u> |
| Plant properties, net | <u>\$ 635,396</u> | <u>\$ 633,913</u> |

Fully depreciated assets still in use are \$147,320,000 and \$139,497,000 for the years ended May 31, 2018 and 2017, respectively.

6. Accounts Payable and Accrued Expenses

The following table sets forth major components of Accounts Payable and Accrued Expenses as of May 31 (*in thousands*):

| | 2018 | 2017 |
|--|------------------|------------------|
| Vendor accounts payable and accruals | \$ 17,497 | \$ 13,943 |
| Postretirement benefits liability | 13,592 | 13,607 |
| Accrued vacation expense | 7,743 | 7,546 |
| Workers' compensation self-insurance liabilities | 6,270 | 8,255 |
| Asset retirement obligations | 752 | 1,179 |
| | <u>\$ 45,854</u> | <u>\$ 44,530</u> |

7. Retirement and Other Postretirement Benefits

The University contributes to a retirement plan on behalf of eligible University employees. Under the defined contribution plan, the University and plan participants make contributions to purchase individual annuities or to participate in a variety of mutual funds. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. Amounts expensed for the University's share of these costs were approximately \$13,898,000 and \$13,564,000 during the years ended May 31, 2018 and 2017, respectively.

The University currently provides certain health care benefits for retired University employees. Employees become eligible for those benefits if they reach retirement age while employed by the University and are at least age 65 with 10 years of service. As of May 31, 2018 and 2017, a net postretirement benefit liability of \$13,592,000 and \$13,607,000, respectively, is included in accounts payable and accrued expenses (see Note 6). The Statement of Activities includes the net periodic benefit cost, net of benefits paid, which is allocated among the functional

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expense classifications. The remaining change in net assets is recorded in other non-operating expenses in the Statement of Activities. The University's postretirement benefits are funded on a pay-as-you-go basis; therefore the plan has no assets.

The following table sets forth the postretirement health benefit plan's unfunded status as of May 31 and amounts recognized in the Statement of Activities for the years ended May 31 (*in thousands*):

| | 2018 | 2017 |
|--|------------------|------------------|
| Benefit obligation at beginning of year | \$ 13,607 | \$ 12,590 |
| Service Cost | 810 | 810 |
| Interest Cost | 478 | 452 |
| Benefits paid | (459) | (507) |
| Actuarial changes | (844) | 262 |
| Benefit obligation at end of year | <u>\$ 13,592</u> | <u>\$ 13,607</u> |

Actuarial changes were driven by changes in the mortality rate assumption, the discount rate, changes in health cost trends, and retirement rates.

The health care cost trend rate used to estimate the expected cost of benefits covered by the plan was 5.5% and 7.25% as of May 31, 2018 and 2017, respectively. The ultimate cost trend rate expected as of May 31, 2018 is 5.25% and it is expected to be reached in the year 2060.

The discount rates used to estimate the benefit obligation as of May 31, 2018 and 2017, respectively are 3.85% and 3.55%.

Components of net periodic benefit costs for the year ended May 31 are as follows (*in thousands*):

| | 2018 | 2017 |
|------------------------------------|-----------------|-----------------|
| Service cost | \$ 810 | \$ 810 |
| Interest cost | 478 | 452 |
| Amortization of prior service cost | 46 | 46 |
| Amortization of losses | 90 | 130 |
| Net periodic benefit cost | <u>\$ 1,424</u> | <u>\$ 1,438</u> |

The discount rates used to determine the net periodic cost for the years ended May 31, 2018 and 2017, respectively are 3.55% and 3.45%.

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As of May 31, 2018, a one-percentage-point change in assumed healthcare cost trend rates would have the following effects (*in thousands*):

| | Increase | (Decrease) |
|---|-----------------|-------------------|
| Effect on accumulated postretirement benefit obligation | \$ 1,700 | \$ (1,430) |
| Effect on service and interest cost components | 226 | (182) |

The following benefit payments which reflect expected future service, as appropriate, are expected to be made as follows (*in thousands*):

| Fiscal Year Ending May 31, | |
|-----------------------------------|-------|
| 2019 | 754 |
| 2020 | 773 |
| 2021 | 819 |
| 2022 | 878 |
| 2023 | 945 |
| 2024-2028 | 4,982 |

8. Debt Outstanding

Total debt outstanding is composed of bonds payable resulting from borrowings issued through the California Educational Facilities Authority ("CEFA"). Also included is the University's interest rate swap. The University maintains all long-term debt at amortized cost on the Statement of Financial Position, with the exception of the interest rate swap which is maintained at fair value.

Total debt outstanding at May 31, 2018 is as follows (*in thousands*):

| Series | Fiscal Year Maturity Dates | Type of Bond | Interest Rates | Principal Outstanding |
|--|-----------------------------------|----------------------------------|-----------------------|------------------------------|
| 2001A | 2019 - 2040 | Capital appreciation bonds | 5.51%-5.83% | \$ 32,294 |
| 2010A | 2019 - 2041 | Revenue bonds | 4.00%-5.13% | 44,010 |
| 2011 | 2019 - 2025 | Refunding revenue bonds | 3.00%-5.13% | 8,010 |
| 2013A | 2019 - 2044 | Revenue bonds | 1.67%-4.73% | 33,330 |
| 2015 | 2019 - 2021 | Variable refunding revenue bonds | 70% x LIBOR + 0.50% | <u>26,825</u> |
| Total CEFA bond principal outstanding | | | | 144,469 |
| Plus: Total unamortized premium on CEFA borrowings | | | | <u>411</u> |
| Total amortized cost of CEFA bonds | | | | 144,880 |
| Plus: Fair market value of swap agreement | | | | 3,429 |
| Less: Unamortized deferred issuance costs | | | | <u>(1,209)</u> |
| Total long term debt outstanding | | | | <u>\$ 147,100</u> |

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Total debt outstanding at May 31, 2017 is as follows (*in thousands*):

| Series | Fiscal Year Maturity Dates | Type of Bond | Interest Rates | Principal Outstanding |
|--|---------------------------------------|----------------------------------|---------------------------|----------------------------------|
| 2001A | 2018 - 2040 | Capital appreciation bonds | 5.46%-5.83% | \$ 34,196 |
| 2010A | 2018 - 2041 | Revenue bonds | 4.00%-5.13% | 46,985 |
| 2011 | 2018 - 2025 | Refunding revenue bonds | 3.00%-5.13% | 9,235 |
| 2013A | 2018 - 2044 | Revenue bonds | 1.67%-4.73% | 34,085 |
| 2015 | 2018 - 2021 | Variable refunding revenue bonds | 70% x LIBOR + 0.50% | <u>27,925</u> |
| Total CEFA bond principal outstanding | | | | 152,426 |
| Plus: Total unamortized premium on CEFA borrowings | | | | <u>614</u> |
| Total amortized cost of CEFA bonds | | | | 153,040 |
| Plus: Fair market value of swap agreement | | | | 5,011 |
| Less: Unamortized deferred issuance costs | | | | <u>(1,356)</u> |
| Total long term debt outstanding | | | | <u>\$ 156,695</u> |

Future principal payment requirements for the CEFA bonds are as follows (*in thousands*):

| | CEFA |
|------------|-------------------|
| 2019 | 7,927 |
| 2020 | 8,017 |
| 2021 | 31,348 |
| 2022 | 6,792 |
| 2023 | 6,780 |
| Thereafter | <u>83,605</u> |
| | <u>\$ 144,469</u> |

The individual CEFA 2001A serial bonds continue to mature each year with final maturity on October 1, 2039. At May 31, 2018 and 2017, the total outstanding liability for these bonds was \$83,730,000 and \$83,653,000, respectively, which includes principal and accrued interest.

Total interest expense on debt outstanding for fiscal year 2018 and 2017 was \$9,121,000 and \$9,109,000, respectively.

The CEFA agreements contain covenants relating to maintenance of University assets, insurance and other general items. In addition, the University must at all times maintain unrestricted and temporarily restricted net assets in the aggregate at a market value equal to at least 90% of the outstanding indebtedness.

At May 31, 2018 and 2017 the University held one derivative instrument in the form of an interest rate swap which serves to mitigate interest rate risk and interest expense. The interest rate swap agreement was not entered into for trading or speculative purposes and currently qualifies as an effective cash flow hedge on the CEFA 2015 variable rate bond interest expense. In June of 2015, the University refinanced its CEFA 2010B variable rate bond with the CEFA 2015 variable rate bond. At that time, the swap became an interest rate hedge on the CEFA 2015 bonds as both vehicles maintain LIBOR-based rate structures and matching amortization schedules.

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Under the terms of the agreement, the University pays a fixed rate of 3.575% on a declining notional amount which is \$26,825,000 and \$27,925,000 at May 31, 2018 and 2017, respectively. There are no collateral requirements or contingent features, and the agreement expires in fiscal year 2035. Entering into interest rate swaps involves varying degrees of risk, including the possibility that the counterparty to the swap may default on its obligation to perform, and that there may be unfavorable changes in interest rates and market values. Further, the value of the swap will decrease should interest rates decrease.

9. Fair Value Measurements

Certain University assets and liabilities are measured and reported in the financial statements at fair value on a recurring basis. The fair value hierarchy of valuation techniques is utilized to determine such fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices available in active markets for identical investments.
- Level 2 – Quoted prices in active markets for similar investments; quoted prices for identical investments in markets that are inactive; and prices based on observable inputs other than an unadjusted quoted price.
- Level 3 – Prices based on significant unobservable inputs.

Investments measured at net asset value (“NAV”), as a practical expedient for fair value, are excluded from the fair value hierarchy.

Valuation inputs may be observable or unobservable, and refer to the assumptions that a market participant would consider significant to value an asset or liability. The determination of what is “observable” requires judgment by the University. In general, the University considers observable inputs to be data that are readily available, regularly updated, reliable, and verifiable. Unobservable inputs may be used when observable inputs are not readily available or current. In this situation, one or more valuation techniques may be used including the market approach (inputs based on recent market transactions or comparables) or the income approach (discounted cash flow).

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The table below sets forth the University's assets and liabilities which are fair valued on a recurring basis with their associated categorization into Levels 1, 2 and 3 at May 31, 2018 (*in thousands*):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-------------------|-------------------|-----------------|-------------------|
| Asset classification | | | | |
| Investment cash and cash equivalents | \$ 6,200 | \$ - | \$ - | \$ 6,200 |
| Debt securities | | | | |
| Corporate bonds | | 700 | | 700 |
| Government bonds | | 763 | | 763 |
| Equity securities | | | | |
| Common stock | 17,741 | | | 17,741 |
| Mutual funds | | | | |
| Fixed Income | 81,654 | | | 81,654 |
| Equity | 54,085 | | | 54,085 |
| Alternative | 17,301 | | | 17,301 |
| Real property | | | 2,183 | 2,183 |
| Oil & Gas interests | | | 409 | 409 |
| Investments measured at NAV | | | | 365,501 |
| Total investment | 176,981 | 1,463 | 2,592 | 546,537 |
| Other assets: Split/beneficial interest | | | 4,310 | 4,310 |
| Total Assets | <u>\$ 176,981</u> | <u>\$ 1,463</u> | <u>\$ 6,902</u> | <u>\$ 550,847</u> |
| Derivative contracts: Interest rate swap | \$ - | \$ (3,429) | \$ - | \$ (3,429) |
| Total Liabilities | <u>\$ -</u> | <u>\$ (3,429)</u> | <u>\$ -</u> | <u>\$ (3,429)</u> |

The table below sets forth the University's assets and liabilities which are fair valued on a recurring basis with their associated categorization into Levels 1, 2 and 3 at May 31, 2017 (*in thousands*):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-------------------|-------------------|-----------------|-------------------|
| Asset classification | | | | |
| Investment cash and cash equivalents | \$ 8,909 | \$ - | \$ - | \$ 8,909 |
| Debt securities | | | | |
| Corporate bonds | | 502 | | 502 |
| Government bonds | | 855 | | 855 |
| Equity securities | | | | |
| Common stock | 14,430 | | | 14,430 |
| Mutual funds | | | | |
| Fixed Income | 59,831 | | | 59,831 |
| Equity | 63,921 | | | 63,921 |
| Alternative | 22,147 | | | 22,147 |
| Real property | | | 2,350 | 2,350 |
| Oil & Gas interests | | | 494 | 494 |
| Investments measured at NAV | | | | 332,448 |
| Total investment | 169,238 | 1,357 | 2,844 | 505,887 |
| Other assets: Split/beneficial interest | | | 4,510 | 4,510 |
| Total Assets | <u>\$ 169,238</u> | <u>\$ 1,357</u> | <u>\$ 7,354</u> | <u>\$ 510,397</u> |
| Derivative contracts: Interest rate swap | \$ - | \$ (5,011) | \$ - | \$ (5,011) |
| Total Liabilities | <u>\$ -</u> | <u>\$ (5,011)</u> | <u>\$ -</u> | <u>\$ (5,011)</u> |

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Level 1: Includes the University's investment cash and cash equivalents, investments in mutual funds, and common stock that are regularly traded in active markets where quoted prices may be easily obtained.

Level 2: Includes the University's investments in debt securities. Debt security prices are obtained from pricing services, or from brokers.

Level 2 investments may also be priced using model-based valuation techniques where all assumptions are observable, or by utilizing observable inputs from contractual agreements. These investments include the University's interest rate swap which is valued via discounted cash flow analysis taking into account contractual terms and the relevant current yield curve.

Level 3: Includes the University's oil and gas interests and real property. Oil and gas interests are valued by discounting future expected royalty revenues, while real property is valued based on a number of different approaches, including third party appraisals, market comparables, tax assessor values, and discounted future rental revenues.

These investments also include those maintained as part of split-interest agreements where the University is not the Trustee but is named as the beneficiary. These assets include the University's interest in life insurance policies that are recorded at cash surrender value and charitable remainder trusts that are recorded at present value of expected proceeds net of any annual distributions.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future values. In addition, while the University believes that its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date.

The table below sets forth a reconciliation of beginning and ending balances for the fiscal year ended May 31, 2018, separately for each major category of assets, for financial instruments designated as Level 3 (*in thousands*):

| | Beginning Balance | Realized Gains (Losses) | Unrealized Gains (Losses) | Purchases | Sales / Maturities | Net Transfers | Ending Balance |
|---------------------------|------------------------------|--|--|------------------|-------------------------------|--------------------------|---------------------------|
| Real property | \$ 2,350 | \$ 239 | \$ (99) | \$ - | \$ (307) | \$ - | \$ 2,183 |
| Oil & Gas interests | 494 | 0 | (85) | 0 | 0 | 0 | 409 |
| Split/Beneficial Interest | 4,510 | | (239) | 39 | | | 4,310 |
| Total assets | <u>\$ 7,354</u> | <u>\$ 239</u> | <u>\$ (423)</u> | <u>\$ 39</u> | <u>\$ (307)</u> | <u>\$ -</u> | <u>\$ 6,902</u> |

Transfers in and out of Levels 1, 2, and 3 are recognized at the end of the fiscal year. Funds are transferred out of Level 3 when it is determined that pricing inputs are determinable and liquidity terms are under 90 days. The opposite is true when funds are transferred into Level 3.

As of May 31, 2018, no transfers were recorded between Levels 1, 2 and 3.

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The University uses the NAV to determine the fair value of all the underlying investments which (a) may not have a readily determinable fair value and (b) prepare financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies as of May 31, 2018 (in limited partnership or trust format) by major category (*in thousands*):

| | Strategy | NAV in Funds | # of Funds | Remaining Life | Unfunded Commitments | Redemption Terms and Restrictions |
|--------------------------|--|---------------------|-------------------|-----------------------|-----------------------------|--|
| Commingled Funds | Global, long only equities and bonds in LP/Trust format | \$ 163,675 | 9 | N/A | N/A | Liquidity ranges from daily to monthly redemptions with 1 to 60 day notice. |
| Hedge Funds | Absolute return employing long/short, convertible arbitrage, event driven, and distressed strategies | 128,183 | 48 | N/A | N/A | Liquidity may be quarterly, annual, or rolling with various notice periods from 45 days up to 180 days. Certain funds may include holdback, gate, and/or side pocket provisions. |
| Private Equity | Venture and buyout in U.S. and International | 39,759 | 23 | 0 to 12 years | 40,374 | No ability to redeem due to structure |
| Natural Resources | Private natural resource and energy | 16,056 | 9 | 0 to 10 years | 4,492 | No ability to redeem due to structure. |
| Real Estate | Private real estate equity | 11,473 | 11 | 0 to 12 years | 30,606 | No ability to redeem due to structure. |
| Distressed Debt | Opportunistic including distressed bonds and bank debt | 6,355 | 4 | 3 to 10 years | 8,500 | No ability to redeem due to structure. |
| Total | | \$ 365,501 | 104 | | \$ 83,972 | |

10. Net Assets

Temporarily restricted net assets for annuity trust agreements, buildings and equipment, and for scholarship and academic support represent pledges and funds previously collected, but not yet expended or released from their restrictions.

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Temporarily restricted net assets at May 31 are available for the following purposes (*in thousands*):

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Buildings and equipment | \$ 2,175 | \$ 2,872 |
| Endowment | 139,488 | 117,633 |
| Pledges (Note 2) | 19,579 | 9,945 |
| Scholarship and program - split/beneficial interest | 4,039 | 3,878 |
| Undesignated - split/beneficial interest | 1,983 | 1,808 |
| | <u>\$ 167,264</u> | <u>\$ 136,136</u> |

Permanently restricted net assets consist of the following at May 31 (*in thousands*):

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Investment in perpetuity, the income from which is expendable to support educational activities | \$ 179,711 | \$ 174,535 |
| Donor-restricted loan funds | 23,420 | 23,332 |
| Permanently restricted pledges (Note 2) | 5,802 | 6,894 |
| | <u>\$ 208,933</u> | <u>\$ 204,761</u> |

The fair value of the endowment is comprised of the following net asset composition by type of fund as of May 31, 2018, is as follows (*in thousands*):

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|---------------------|-------------------------------|-------------------------------|-------------------|
| Donor-restricted endowment funds | | \$ 58,197 | \$ 179,968 | \$ 238,165 |
| Board-designated endowment funds | <u>239,387</u> | | | <u>239,387</u> |
| Total endowment funds | <u>\$ 239,387</u> | <u>\$ 58,197</u> | <u>\$ 179,968</u> | <u>\$ 477,552</u> |

The fair value of the endowment is comprised of the following net asset composition by type of fund as of May 31, 2017, is as follows (*in thousands*):

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|---------------------|-------------------------------|-------------------------------|-------------------|
| Donor-restricted endowment funds | \$ - | \$ 52,631 | \$ 174,790 | \$ 227,421 |
| Board-designated endowment funds | <u>230,067</u> | | | <u>230,067</u> |
| Total endowment funds | <u>\$ 230,067</u> | <u>\$ 52,631</u> | <u>\$ 174,790</u> | <u>\$ 457,488</u> |

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Changes in endowment net assets for the year ended May 31 are as follows (*in thousands*):

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2018 | Total 2017 |
|---|-------------------|---------------------------|---------------------------|-------------------|-------------------|
| Endowment net assets, | | | | | |
| beginning of year | \$ 230,067 | \$ 52,631 | \$ 174,790 | 457,488 | \$ 418,856 |
| Total Investment gain | 19,315 | 19,465 | - | 38,780 | 50,506 |
| Contributions | 3,738 | - | 5,178 | 8,916 | 17,305 |
| Appropriation of endowment returns for expenditure | (13,278) | (13,740) | - | (27,018) | (29,282) |
| Expenses | (455) | (465) | - | (920) | (885) |
| Donor redesignation/transfers | - | 306 | - | 306 | 988 |
| Endowment net assets, end of year | <u>\$ 239,387</u> | <u>\$ 58,197</u> | <u>\$ 179,968</u> | <u>\$ 477,552</u> | <u>\$ 457,488</u> |

The portions of endowment funds that are required to be retained permanently and/or temporarily either by explicit donor stipulation or by UPMIFA as enacted by the State of California are as follows as of May 31 (*in thousands*):

Temporarily Restricted Net Assets

| | 2018 | 2017 |
|---|------------------|------------------|
| Scholarship support | \$ 27,474 | \$ 24,799 |
| Chair & faculty support | 21,814 | 19,861 |
| Program support | 8,256 | 7,411 |
| Awards | 516 | 458 |
| Plant | 137 | 102 |
| Total temporarily restricted endowment net assets | <u>\$ 58,197</u> | <u>\$ 52,631</u> |

Permanently Restricted Net Assets

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Scholarship support | \$ 101,437 | \$ 97,188 |
| Chair & faculty support | 44,447 | 43,920 |
| Program support | 30,319 | 29,969 |
| Awards | 2,315 | 2,263 |
| Plant | 1,450 | 1,450 |
| Total permanently restricted endowment net assets | <u>\$ 179,968</u> | <u>\$ 174,790</u> |

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11. Scholarships

Scholarships, reported in the Statement of Activities as a reduction of tuition and fees, were funded in fiscal years 2018 and 2017 from the following revenue sources as of May 31 (*in thousands*):

| | 2018 | 2017 |
|-------------------------------------|-------------------|-------------------|
| University tuition and fees | \$ 94,926 | \$ 85,590 |
| Endowment distribution | 12,928 | 14,223 |
| Donor contributions for current use | 5,284 | 4,553 |
| Government grants | 835 | 779 |
| | <u>113,973</u> | <u>105,145</u> |
| Total scholarships | <u>\$ 113,973</u> | <u>\$ 105,145</u> |

The University made a reclassification to prior year amounts to conform to the current year presentation in its disclosure on scholarship funding sources. This reclassification had no impact on the financial statements and was not material to the disclosure.

12. Related Parties

Members of the Society of Jesus, the Religious of the Sacred Heart of Mary, and the Sisters of St. Joseph of Orange constitute approximately 2% of the University's full and part-time faculty and administrative staff. During the years ended May 31, 2018 and 2017, the University paid these religious communities approximately \$3,219,000 and \$3,546,000, respectively, for their services. This compensation is included in Instruction, Research, Institutional support and Student services expenses in the Statement of Activities.

13. Commitments and Contingencies

Amounts are received and expended by the University under federal contracts and are subject to audit by governmental agencies. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.

The University is committed under certain construction contracts in the amount of \$5,625,000 as of May 31, 2018.

The University has entered into a noncancelable lease agreement for building space. The lease contains customary escalation clauses, which are included in the annual aggregate minimum leases. Future minimum lease payments as of May 31, 2018 are as follows (*in thousands*):

| Fiscal Year Ending May 31, | |
|-----------------------------------|---------------|
| 2019 | 2,224 |
| 2020 | 2,313 |
| 2021 | 2,406 |
| 2022 | 2,502 |
| 2023 | 2,602 |
| Thereafter | <u>21,372</u> |

At May 31, 2018, the University has open commitments to invest approximately \$83,972,000 with alternative investment managers.

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The University's workers' compensation carrier requires that the University maintain an unsecured letter of credit for claims that fall below the deductible amount. At May 31, 2018, the amount of the letter of credit facility was \$2,450,000. The letter of credit was not used during the years ended May 31, 2018 and 2017 and therefore no liability was recorded in the Statement of Financial Position.

The University is a defendant in various legal actions incident to the conduct of its operations. The University's management does not expect that liabilities, if any, related to these legal actions would have a material effect on the University's financial position at May 31, 2018.

14. Subsequent Events

Management has evaluated subsequent events through October 1, 2018, the date the financial statements were issued. There are no events that require adjustment or additional disclosure in these financial statements.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE UNIVERSITY, THE TRUSTEE AND UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE UNIVERSITY, THE TRUSTEE AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOLLOWING INFORMATION WITH DTC OR THE DTC PARTICIPANTS (AS DEFINED HEREIN).

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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"). 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants

to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018A Bonds within an issue are being redeemed, DTC will determine *pro rata* the amount of the interest of each Direct Participant in such issue to be redeemed. If less than all of the 2018B Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds 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, Bond 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, Bond certificates will be printed and delivered to DTC.

The foregoing information concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF UNDER THE TERMS OF THE INDENTURE, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS. THE AUTHORITY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

The Authority, the Underwriters and the University cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, redemption price (if any) and interest with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices, notices of mandatory tender or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority the Underwriters and the University are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption price (if any) and interest with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and 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 foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture (the “Indenture”) and the Loan Agreement (the “Agreement”) which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Indenture and the Agreement for a full and complete statement of their provisions.

DEFINITIONS

“ABA” means the American Bar Association or its successor.

“Accountant’s Certificate” means a certificate signed by an independent certified public accountant of recognized national standing, or a firm of independent certified public accountants of recognized national standing, selected by the Borrower.

“Act” means the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State.

“Act of Bankruptcy” means any of the following with respect to any person: (a) the commencement by such person of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such person to timely controvert the filing of a petition with a court having jurisdiction over such person to commence an involuntary case against such person under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such person or such person’s assets shall be appointed in any proceeding brought against the person or such person’s assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such person into an agreement of composition with its creditors.

“Additional Payments” means the payments to be made by the Borrower to the Authority or the Trustee pursuant to the Agreement.

“Administrative Fees and Expenses” means the reasonable and necessary expenses incurred by the Authority pursuant to the Loan Agreement or the Indenture, or incurred by its officers, directors, members, attorneys, agents or employees in the administration and execution of the Loan Agreement and the Indenture, including Additional Payments.

“Agreement” or “Loan Agreement” means the Loan Agreement, of even date with the Indenture, between the Authority and the Borrower and relating to the loan of the proceeds of the Bonds, as originally executed or as it may from time to time be supplemented or amended in accordance with the terms thereof and the Indenture.

“Amendment” means any amendment or supplement of the Agreement.

“Approving Opinion” means an Opinion of Bond Counsel to the effect that an action being taken (a) is authorized by the applicable provisions of the Indenture, and (b) will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds.

“Authority” means the California Educational Facilities Authority, a public instrumentality of the State, or its successors and assigns.

“Authorized Authority Representative” means the Chairman (or any Deputy), Executive Director, or any other Person or Persons designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by the Chairman (or any Deputy), or Executive Director. Such authorization shall remain in effect until the Bond Trustee has received written notice to the contrary accompanied by a new designation.

“Authorized Borrower Representative” or “Authorized Representative” means any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee, as a person authorized to act on behalf of the Borrower. Such certificate shall contain the specimen signature of such person, shall be signed on behalf of the Borrower by any officer of the Borrower and may designate an alternate or alternates.

“Bankruptcy Code” means Title 11 of the United States Code, as amended.

“Base Loan Payment” means any amount that the Borrower is required to pay to the Trustee pursuant to the Agreement.

“Beneficial Owner” means, with respect to any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for the Bonds.

“Bond Counsel” means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the validity of, and exclusion from gross income for federal tax purposes of interest on, bonds issued by states and political subdivisions and duly admitted to practice law before the highest court of any state of the United States and acceptable to the Authority.

“Bond Fund” means the Bond Fund established pursuant to the Indenture.

“Bond Payment Date” means each Interest Payment Date and any other date on which the principal of Outstanding Bonds is due and payable (whether by reason of maturity, mandatory redemption, optional redemption, acceleration or otherwise).

“Bond Register” means the books for the registration of ownership of the Bonds, and the transfer of ownership of the Bonds, maintained by the Trustee pursuant to the Indenture.

“Bonds” means the Tax-Exempt Bonds and the Taxable Bonds.

“Book-Entry Bonds” means any Bonds which are then held in book-entry form by a Securities Depository as provided in the Indenture.

“Borrower” means (i) Loyola Marymount University, a California nonprofit public benefit corporation, and its successors and assigns, and (ii) any surviving, resulting or transferee corporation as provided in the Agreement.

“Borrower Documents” means the Agreement, the Continuing Disclosure Agreement, and the Tax Agreement.

“Business Day” means any day other than (i) a Saturday, Sunday, legal holiday or a day on which banking institutions in the city in which the Principal Office of the Trustee is located are authorized by law or required to be closed or (ii) a day on which the New York Stock Exchange is closed.

“Capitalized Interest Fund” means the fund by that name established pursuant to the Indenture.

“Certificate of the Authority” means a certificate signed by an Authorized Authority Representative.

“Certificate of the Borrower” means a certificate signed by an Authorized Borrower Representative.

“Certified Resolution” means a copy of a resolution of the Authority certified by the Secretary of the Authority, or any other Authorized Authority Representative, to have been duly adopted by the Authority and to be in full force and effect on the date of such certification.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the Borrower and the Trustee, as dissemination agent, dated as of November 1, 2018, as originally executed and as it may be amended from time to time in accordance with the terms thereof, relating to the Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds which constitutes a “cost of issuance” within the meaning of Section 147(g) of the Code.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“DTC” means The Depository Trust Company and its successors and assigns.

“DTC Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository.

“Electronic Notice” means notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail or other electronic means of communication, capable of making a written record.

“Event of Default” as used with respect to the Indenture has the meaning specified therein, and as used with respect to the Agreement has the meaning specified therein.

“Facilities” means all of the real and personal property of the Borrower located at the Borrower’s campuses at One LMU Drive, Los Angeles, California and 919 Albany Street, Los Angeles, California and operated by the Borrower as educational facilities, as the same may be improved and expanded from time to time.

“Fiscal Year” means the period beginning on June 1 of each year and ending on the next succeeding May 31, or any other 12-month, or 52-week, period hereafter selected and designated as the official fiscal year period of the Borrower by the Borrower.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or S&P) designated by the Authority with the approval of the Borrower.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America.

“Holder” or “Bondholder” means the registered owner of any Bond.

“Indenture” means the Indenture between the Authority and the Trustee, dated as of March 1, 2013, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

“Interest Payment Date” means each April 1 and October 1, commencing April 1, 2019.

“Investment Securities” means any of the following if and to the extent that the following are at the time legal investments under the laws of the State of California for moneys held under the Indenture and then proposed to be invested therein and shall be the sole investments in which amounts on deposit in any fund or account created under the Indenture shall be invested:

(a) Cash deposits (insured at all times by the Federal Deposit Insurance Borrower or otherwise collateralized with obligations described in paragraphs (b), (c) or (d)).

(b) Direct obligations (including obligations issued or held in book entry form on the books of the Department of Treasury) of the United States of America.

(c) Obligations of any federal agency or federally sponsored entity which obligations are guaranteed by the full faith and credit of the United States of America, including but not limited to the following:

(i) Export-Import Bank

(ii) Rural Economic Community Development Administration (formerly the Farmers Home Administration)

(iii) Federal Financing Bank

(iv) General Services Administration

(v) U.S. Maritime Administration

(vi) U.S. Department of Housing and Urban Development

(vii) Small Business Administration

(viii) Government National Mortgage Association

(ix) Federal Housing Administration

(x) Farm Credit System Financial Assistance Corporation

(xi) The guaranteed interest on obligations issued by the Resolution Trust Corporation.

(d) Direct obligations of any of any federal agency or federally sponsored entity which are not fully guaranteed by the full faith and credit of the United States of America, including but not limited to the following:

- (i) Federal National Mortgage Association
- (ii) Federal Home Loan Mortgage Corporation
- (iii) Federal Home Loan Bank System
- (iv) The principal component of obligations issued by the Resolution Trust Corporation
- (v) Student Loan Marketing Corporation.

(e) Commercial paper which is rated at the time of purchase in the highest short-term rating category (without regard to qualifier, “A-1” by S&P, “P-1” by Moody’s and “F-1” by Fitch) of at least one nationally recognized rating agency and which matures not more than 270 days after the date of purchase.

(f) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) which either (i) have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to qualifier) of at least two nationally recognized rating agencies, (ii) are insured at all times by the Federal Deposit Insurance Corporation, or (iii) are collateralized pursuant to federal law.

(g) Investments in (i) money market funds subject to SEC Rule 2a-7 and rated in the highest short-term rating category for money market funds (without regard to qualifier) of at least one nationally recognized rating agency including funds for which the Trustee and its affiliates provide investment advisory or other management services, and (ii) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the deposit shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories (without regard to qualifier, “A-1” by S&P, “P-1” by Moody’s and “F-1” by Fitch) of at least two nationally recognized rating agencies.

(h) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and,

(i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest long-term rating category (without regard to qualifier) of at least two nationally recognized rating agencies; or

(ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting of cash or securities as described in paragraphs (b) or (c) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified pursuant to such irrevocable instructions, as appropriate, and

(B) which escrow is sufficient, as verified by an Accountant’s Certificate, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the redemption date or dates specified pursuant to such irrevocable instructions, as appropriate.

(i) General obligations of states with a short-term rating in one of the two highest rating categories (without regard to qualifiers) and a long-term rating in one of the two highest rating categories (without regard to qualifiers) of at least two nationally recognized rating agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.

(j) Repurchase agreements with any commercial bank, which has a long-term, unsecured rating of “A” or better by S&P and A2 or better by Moody’s, provided that (i) the term of such repurchase agreement is not greater than thirty years, (ii) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (iii) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 102% for those securities defined in paragraphs (b) and (c) above and 104% for those securities defined in paragraph (d) above of the amount of cash transferred by the Trustee to the commercial bank under the repurchase agreement plus interest, (iv) failure to maintain the requisite collateral levels will permit the Trustee to liquidate the collateral immediately, (v) the repurchase securities are free and clear of any third-party lien or claim; and (vi) in the case of PSA Master Repurchase Agreements, there shall have been delivered to the Trustee, the Authority and the Borrower an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of the funds to be invested.

(k) investment agreements, including guaranteed investment contracts (“GICs”), forward purchase agreements and reserve fund put agreements; and

(l) any other investments approved in writing by the Authority.

“Issue Date” means the date on which the Bonds are first delivered to the purchasers thereof.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns or, if such entity shall be dissolved or liquidated or shall 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 (other than S&P or Fitch) designated by the Authority, with the approval of the Borrower.

“Net Proceeds” means the proceeds from insurance or from actual or threatened condemnation or eminent domain actions with respect to the Facilities or any part thereof, less any costs reasonably expended by the Borrower to receive such proceeds.

“Nominee” means Cede & Co., as nominee of DTC, the initial Securities Depository for the Bonds, and any successor nominee of DTC and, if another Securities Depository replaces DTC as Securities Depository under the Indenture, any nominee of such substitute Securities Depository.

“Notice by Mail” or “notice” of any action or condition “by Mail” shall mean a written notice meeting the requirements of the Indenture mailed by first class mail, postage prepaid.

“Opinion of Bond Counsel” means an Opinion of Counsel which is a Bond Counsel.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Borrower) acceptable to and addressed to the Authority and the Borrower.

“Optional Redemption Account” means the account by that name within the Bond Fund established pursuant to the Indenture.

“Outstanding,” when used as of any particular time with reference to the Bonds (subject to the provisions of the Indenture relating to the evidence of rights of Bondholders), means all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except:

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of the Indenture; and

(c) Bonds with respect to which the liability of the Authority has been discharged to the extent provided in, and pursuant to the requirements of the provisions of the Indenture.

“Participant” means each DTC Participant and if there is a Securities Depository for the Bonds other than DTC, each broker-dealer, bank and other financial institution from time to time for which such substitute Securities Depository holds Bonds as securities depository.

“Permitted Encumbrances” means and includes: (1) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed of record which are being contested in good faith by the Borrower; (2) the lien of taxes and assessments which are not delinquent, or, if delinquent, are being contested in good faith; (3) minor defects and irregularities in the title to the Facilities; (4) easements, exceptions or reservations for the purpose of pipelines, telephone lines, power lines, roads, streets, alleys, drainage and sewerage purposes, laterals, ditches, and other like purposes, or for the joint or common use of real property, facilities and equipment; (5) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Facilities; (6) any obligations or duties affecting any portion of the Facilities to any municipality or governmental or other public authority with respect to any right, power, franchise, grant, license or permit; (7) present or future valid zoning laws and ordinances; (8) liens securing indebtedness for the payment, redemption or satisfaction of which money (or evidences of indebtedness) in the necessary amount shall have been deposited in trust with a trustee or other holder of such indebtedness; (9) the rights of the Trustee under the Indenture; (10) security interests existing on any property prior to the time of its acquisition by the Borrower through purchase, merger, consolidation or otherwise, whether or not assumed by the Borrower, or placed upon property being acquired by the Borrower to secure a portion of the purchase price thereof, or lessors, interests in leases required to be capitalized in accordance with GAAP, if the principal amounts secured by any such interests shall not exceed the lesser of the costs or fair market value of the property so secured as determined in good faith by the Borrower; (11) statutory liens arising in the ordinary course of business which are not delinquent or are being contested in good faith by the Borrower; (12) the lease or license of the use of a part of the Facilities for use in performing professional or other services necessary for the proper and economical operation of the Facilities in accordance with customary business practices in the industry; and (13) pledges or deposits in connection with workers’ compensation, unemployment insurance and other social security legislation.

“Person” means an individual, corporation, firm, association, limited liability company, corporation, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Office” of the Trustee means the corporate trust office of the Trustee designated in writing to the Authority and the Borrower, which initially shall be located in Los Angeles, California at the address set forth in the Indenture.

“Project” has the meaning set forth in Exhibit A to the Agreement.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Rating Agency” means Moody’s to the extent it is then providing or maintaining a rating on the Bonds at the request of the Borrower, or in the event that Moody’s no longer maintains such a rating on the Bonds, Fitch, S&P or, if approved by the Authority, any other nationally recognized rating agency, in each case then providing or maintaining a rating on the Bonds at the request of the Borrower.

“Rebate Fund” means the Rebate Fund established and held by the Trustee in accordance with the Indenture.

“Rebate Requirement” has the meaning assigned to such term in the Tax Agreement.

“Record Date” means whether or not a Business Day, the fifteenth day of the month prior to the applicable Interest Payment Date.

“Reportable Event” means a reportable event as defined in Section 4043(b) of ERISA (other than a reportable event for which the notice required thereunder has been waived).

“Representation Letter” has the meaning specified in the Indenture.

“Responsible Officer” of the Trustee means and includes the chairman of the board of directors, the president, every senior vice president, every vice president, every assistant vice president, every trust officer, and every officer and assistant officer of the Trustee other than those specifically above mentioned, to whom any corporate trust matter is referred because of his or her knowledge of, and familiarity with, a particular subject.

“Revenues” means all payments received by the Authority or the Trustee pursuant or with respect to the Agreement (except any Additional Payments and any payments made by the Borrower pursuant to the Agreement relating to expenses and indemnification of the Authority), including, without limiting the generality of the foregoing, Base Loan Payments (including both timely and delinquent payments), prepayments and all income derived from the investment of any moneys in any fund or account established pursuant to the Indenture, but not including amounts, including investment income, received for or on deposit in the Rebate Fund.

“Rule 15c2-12” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may from time to time be amended and supplemented.

“S&P” means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall 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 (other than Fitch or Moody’s) designated by the Authority with the approval of the Borrower.

“State” means the State of California.

“Supplemental Indenture” or “indenture supplemental thereto” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

“Taxable Bonds” means the California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Taxable Series 2018A, authorized and issued pursuant to the Indenture and any bonds issued in exchange or replacement thereof in accordance with the Indenture.

“Taxable Account” means the account by such name established within the Project Fund in the Indenture.

“Tax Agreement” means the Tax Certificate and Agreement relating to the Bonds, dated the Issue Date, by and between the Authority and the Borrower, as the same may be amended or supplemented from time to time, relating to the Bonds.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(1) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Account” means the account by such name established within the Project Fund in the Indenture.

“Tax-Exempt Bonds” means the California Educational Facilities Authority Revenue Bonds (Loyola Marymount University University), Series 2018B, authorized and issued pursuant to the Indenture and any bonds issued in exchange or replacement thereof in accordance with the Indenture.

“Tax-Exempt Securities” means revenue bonds or other securities the interest on which is Tax-Exempt.

“Trustee” means U.S. Bank National Association, a national banking association organized under the laws of the United States of America, and its successors and assigns or any successor trustee appointed pursuant to the Indenture.

“U.S. Government Securities Business Day” means any day other than (a) a Saturday, a Sunday, or (b) a day on which the Securities Industry and Financial Markets Association (SIFMA) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

“Written Order, Instruction or Request of the Authority” mean, respectively, a written order, instruction or request signed by or on behalf of the Authority by an Authorized Authority Representative.

“Yield” shall have the meaning ascribed to such term by Section 148(h) of the Code.

THE INDENTURE

The Bonds

Book-Entry System. (a) The Bonds shall initially be issued in the form of one separate single certificated fully registered bond for the aggregate principal amount of the Bonds, registered in the name of Cede & Co., as nominee of DTC, the initial Securities Depository for the Bonds. Except as provided in paragraph (e) below, all of the Outstanding Bonds shall be so registered on the Bond Register, and the provisions of paragraph (f) below shall apply thereto.

(b) The Authority, the Borrower and the Trustee shall have no responsibility or obligation to any DTC Participant or to any Beneficial Owner, except as otherwise expressly provided in the Indenture. Without limiting the immediately preceding sentence, the Authority, the Borrower and the Trustee shall have no responsibility or obligation with respect to (1) the accuracy of the records of DTC or any other Securities Depository for the Bonds, any Nominee or any Participant with respect to any ownership interest in the Bonds, (2) the delivery to any Participant or any other person, other than a Bondholder as shown on the Bond Register, of any notice with respect to the Bonds, including any notice of redemption or (3) the payment to any Participant or any other Person, other than a Bondholder as shown on the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Bondholders, as shown on the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority’s obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. The Authority, the Borrower and the Trustee may treat and consider the Person in whose name each Bond is registered on the Bond Register as the Holder and absolute owner of such Bond for the purpose of payment of principal of, and premium and interest on, such Bond, for the purpose of giving notices of redemption 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.

(c) No person other than a Bondholder, as shown on the Bond Register, shall receive a certificated Bond evidencing the obligation of the Authority to make payments of principal of, or premium, if any, or interest on, the Bonds pursuant to the Indenture.

(d) The Authority and the Trustee shall, if not previously on file, execute and deliver to DTC and each substitute Securities Depository a letter of representation in customary form with respect to the Bonds (the "Representation Letter"), but such Representation Letter shall not in any way limit the provisions of the Indenture or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to Persons having interests in the Bonds other than the Bondholders, as shown on the Bond Register. The Trustee shall take all action necessary for all representations of such party in the Representation Letter with respect to the Trustee to be complied with at all times.

(e) The Authority, with the consent of the Borrower, may, and upon request of the Borrower shall, terminate the services of the Securities Depository then acting as securities depository for the Bonds. The Securities Depository then acting as securities depository for the Bonds may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice and all known information on the Participants and the Beneficial Owners having an interest in the Bonds to the Authority, the Borrower and the Trustee and discharging its responsibilities with respect thereto under applicable law. Upon the discontinuance or termination of the services of DTC with respect to the Bonds, unless a substitute securities depository is appointed by the Authority (with the consent, or at the request, of the Borrower) to undertake the functions of Securities Depository under the Indenture, the Authority, at the expense of the Borrower, is obligated to deliver Bond certificates to or upon the order of the Beneficial Owners of such Bonds, as described in the Indenture, and such Bonds shall no longer be restricted to being registered on the Bond Register in the name of the Securities Depository or its Nominee, but may be registered in whatever name or names Bondholders transferring or exchanging such Bonds shall designate, in accordance with the provisions of the Indenture. If a substitute Securities Depository is appointed for the Bonds in accordance with this paragraph, the Bonds shall be registered in the Bond Register in the name of such substitute Securities Depository or its Nominee.

(f) So long as any Bond is registered in the name of a 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 shall be made and given, respectively, in the manner provided in the Representation Letter. Bondholders shall have no lien or security interest in any rebate or refund paid by a Securities Depository to the Trustee which arises from the payment by the Trustee of principal of, premium, if any, or interest on the Bonds in immediately available funds to such Securities Depository or its Nominee.

Transfer and Exchange of Bonds. Registration of any Bond may, in accordance with the terms of the Indenture, be transferred, upon the Bond Register required to be kept pursuant to the provisions of the Indenture, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for registration of transfer, the Authority shall prepare and execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same tenor. The Trustee shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there shall be no other charge to any Bondholders for any such transfer. No registration of transfer of Bonds upon the Bond Register shall be required to be made during the period after any Record Date and prior to the related Interest Payment Date or during the period of fifteen (15) days next preceding the date on which the Trustee gives any notice of redemption, nor shall any registration of transfer of Bonds called for redemption be required.

Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of the same tenor. Whenever any Bond shall be surrendered for exchange, the Authority shall prepare and execute and the Trustee shall authenticate and deliver new Bonds of the same tenor. The Trustee shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there shall be no other charge to any

Bondholders for any such exchange. No exchange of Bonds shall be required to be made during the period after any Record Date and prior to the related Interest Payment Date or during the period of fifteen (15) days next preceding the date on which the Trustee gives notice of redemption, nor shall any exchange of Bonds called for redemption be required.

Bond Register. The Trustee will keep or cause to be kept at its Principal Office sufficient books for the registration and the registration of transfer of the Bonds constituting the Bond Register, which shall at all times, during regular business hours, be open to inspection by the Authority and the Borrower; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on said Bond Register, of Bonds as provided in the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, upon the request and at the expense of the Holder of said Bond, shall prepare and execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bonds so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed and, upon the written request of the Authority, a certificate evidencing such destruction shall be delivered to the Authority, with a copy to the Borrower. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee, and if such evidence be satisfactory to them and indemnity satisfactory to them shall be given by or on behalf of the Holder of such lost, destroyed or stolen Bond, the Authority, at the expense of the Holder, shall prepare and execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to it). The Authority may require payment of a reasonable fee for each new Bond issued under this caption and payment of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture summarized by this caption in lieu of any Bond mutilated or alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond mutilated or so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Funds and Accounts

Costs of Issuance Fund. The Trustee shall establish the Costs of Issuance Fund. In addition, the Trustee shall establish the Tax-Exempt Account within the Costs of Issuance Fund and the Taxable Account within the Costs of Issuance Fund. The moneys in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance of the Bonds, upon a requisition filed with the Trustee in the form attached to the Indenture, signed by an Authorized Borrower Representative. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. Any amounts remaining in the Costs of Issuance Fund six months following the Issue Date of the Bonds shall be transferred to the Project Fund. Upon such transfer the Costs of Issuance Fund shall be closed.

Project Fund. (a) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." In addition, the Trustee shall establish the Tax-Exempt Account within the Project Fund and the Taxable Account within the Project Fund. The moneys in the Project Fund shall be held by the Trustee in trust and applied to the payment of the Costs of the Project. The Trustee shall establish within the Project Fund such accounts and subaccounts as are specified in the Tax Agreement and, upon the Request of the Borrower, as may be necessary or convenient to carry out the purposes of the Tax Agreement.

(b) Before each payment is made from the Project Fund (including any account established therein) by the Trustee, the Borrower shall file or cause to be filed with the Trustee a Requisition of the Borrower which shall be in substantially the form attached to the Indenture. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to conform the

accuracy of such facts. Upon receipt of each such Requisition signed by the Borrower, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

(c) Upon the receipt by the Trustee of a Certificate of the Borrower conforming with the requirements of the Agreement relating to Construction Progress Reports and completion of the Project, and after payment of Costs payable from the Project Fund or provision having been made for payment of such Costs not yet due by retaining sufficient amounts to pay such costs in the Project Fund or otherwise as directed in such certificate, the Trustee shall transfer any remaining balance in the Project Fund into a separate account within the Bond Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Optional Redemption Account." The Trustee shall then close the Project Fund (including any account established therein).

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Bond Fund. (a) Upon the receipt thereof, the Trustee shall deposit all Revenues in the "California Educational Facilities Authority 2018 Refunding Revenue Bonds (Loyola Marymount University) Bond Fund" (the "Bond Fund") which the Trustee shall establish and maintain and hold in trust. The Trustee shall disburse and apply amounts in the Bond Fund only as authorized in this paragraph (a):

(i) On each Interest Payment Date, the Trustee shall apply moneys in the Bond Fund to pay the interest on the Bonds as such interest shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture.

(ii) The Trustee shall apply moneys in the Bond Fund to pay the principal of the Bonds as such principal becomes due and payable.

(iii) The Trustee shall apply moneys in the Bond Fund to the redemption of certain Bonds in the principal amounts and on the mandatory sinking fund payment dates set forth in the Indenture.

(iv) In the event that the Borrower makes a prepayment pursuant to the Agreement, such prepayment shall be forthwith deposited in the Optional Redemption Account within the Bond Fund which the Trustee shall establish and maintain and shall be applied thereafter to the redemption of Bonds as promptly as practicable in accordance with the provisions of the Indenture.

(b) At least six (6) but not more than twenty (20) Business Days before each Interest Payment Date, the Trustee shall determine the amount, if any, credited or to be credited to the Bond Fund during the period from the day after the last Interest Payment Date to the next succeeding Interest Payment Date from any source. The Trustee shall give notice to the Borrower of such amount and the amount of the Base Loan Payment due, which notice shall be mailed, telecopied or delivered in such a manner that the Borrower will receive such notice by the fifth Business Day before such next succeeding Interest Payment Date. Any verbal notice shall be supplemented by notice given in accordance with the preceding sentence. Failure by the Trustee to give notice pursuant to this paragraph, or the insufficiency of any such notice, shall not affect the payment obligations of the Borrower under the Agreement, including without limitation the timing thereof.

Capitalized Interest Fund. The Trustee shall establish the Capitalized Interest Fund. In addition, the Trustee shall establish the Tax-Exempt Account within the Capitalized Interest Fund and the Taxable Account within the Capitalized Interest Fund. The moneys in the Capitalized Interest Fund shall be transferred to the

Bond Fund in accordance with the provisions of the Indenture. Upon all such transfers being made under the Indenture, the Capitalized Interest Fund shall be closed.

Trustee Authorized to Take Actions Under the Agreement. The Authority authorizes and directs the Trustee, and the Trustee agrees, subject to the provisions of the Indenture summarized under the caption “Institution of Legal Proceedings by the Trustee,” to take such actions as the Trustee deems necessary to enforce the Borrower’s obligation under the Agreement to make payments at such times and in such amounts as are necessary in order for the Trustee to make timely payment of principal of and interest on the Bonds to the extent any Bond proceeds and other moneys in the Bond Fund are not available for such payment in accordance with the provisions of Indenture summarized under the caption “Bond Fund.”

Investment of Moneys. Any moneys in any of the funds and accounts to be established by the Trustee pursuant to the Indenture shall be invested upon the written direction of the Borrower signed by an Authorized Borrower Representative (such direction to specify the particular investment to be made) at least two days prior to the investment date, by the Trustee, if and to the extent then permitted by law, in Investment Securities. In the absence of such written direction, the Trustee is directed to invest available moneys in Investment Securities described in paragraph (g) of the definition thereof. Moneys in any fund or account shall be invested in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled to be paid or are otherwise payable (including Investment Securities payable at the option of the Holder) not later than the date on which such moneys will be required by the Trustee. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture (other than the Rebate Fund and any fund or account established pursuant to the Indenture) but shall account for each separately. Any Investment Securities that are registrable securities shall be registered in the name of the Trustee.

Any interest, profit or loss on any investments of moneys in any fund or account under the Indenture shall be credited or charged to the respective funds from which such investments are made. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation under the Indenture. Unless otherwise directed by the Borrower, the Trustee may make any investment permitted under this caption through or with its own commercial banking or investment departments.

The Authority (and the Borrower by its execution of the Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish to the Authority and the Borrower periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture. The Trustee is authorized, in making or disposing of any investment permitted by this caption, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as principal for its own account.

Amount Remaining in Funds and Accounts. Any amounts remaining in the Bond Fund or any other fund or account established under the Indenture after payment in full of the Bonds (or after provision for payment thereof as provided in the Indenture), the fees, charges and expenses of the Trustee and the Authority and the Rebate Requirement (with respect to the Bonds, as defined in the Tax Agreement), shall belong and be paid to the Borrower by the Trustee.

Pledge of Revenues

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and all amounts, including the proceeds of the sale of the Bonds (but excluding any Additional Payments and payments relating to expenses and indemnification of the Authority paid by the Borrower pursuant or with respect to the Agreement) held in any fund or account established pursuant to the Indenture other than the Rebate Fund are irrevocably pledged to the punctual payment of the principal of, premium, if any, and interest on the Bonds. All Revenues and other amounts pledged under the Indenture shall be held in trust for the benefit of the Holders from time to time of the Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

The Authority transfers in trust, grants a security interest in, assigns and sets over to the Trustee, for the benefit of the Holders from time to time of the Bonds all of the Revenues and the other amounts pledged in the paragraph above and all right, title and interest and privileges it has in and under the Agreement, including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security therefor; and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee, except (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of the Borrower to make deposits pursuant to the Tax Agreement. The assignment under the Indenture is to the Trustee solely in its capacity as Trustee under the Indenture and subject to the provisions of the Indenture and in taking or refraining from taking any action under the Agreement pursuant to such assignment, the Trustee shall be entitled to the protections and limitations from liability afforded it as Trustee under the Indenture. The Trustee also shall be entitled to take all steps, actions and proceedings reasonably necessary in its judgment (1) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Agreement and any other security agreement with respect to the Project or the Bonds, and (2) to assure compliance with all covenants, agreements and conditions on the part of the Authority contained in the Indenture with respect to the Revenues.

The Borrower may at its sole discretion from time to time deliver to the Trustee or the Authority such additional or other security to secure the payment of the principal of and interest and premium, if any, on the Bonds and any such additional or other security delivered by the Borrower shall be pledged to such payment, provided that the delivery of such additional or other security does not adversely affect the Tax-Exempt status of interest on the Bonds.

Covenants of the Authority

Payment of Principal and Interest. The Authority shall punctually pay, but only out of Revenues, the other amounts pledged therefor under the Indenture, the principal of and the interest (and premium, if any) on every Bond issued under the Indenture at the times and places and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All such payments shall be made by the Trustee as provided in the Indenture. When and as paid in full, such Bonds, if any, shall be delivered to the Trustee and shall forthwith be cancelled by the Trustee, who shall deliver a certificate evidencing such cancellation to the Authority and the Borrower. The Trustee shall destroy such cancelled Bonds.

Extension or Funding of Claims for Interest. In order to prevent any accumulation of claims for interest after maturity, the Authority shall not, directly or indirectly, extend or assent to the extension of the time for the payment of any claim for interest on any of the Bonds, and shall not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the

benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Preservation of Revenues. The Authority shall not waive any provision of the Agreement or take any action to interfere with or impair the pledge and assignment under the Indenture of Revenues and the assignment to the Trustee of rights under the Agreement, or the Trustee's enforcement of any rights thereunder, without the prior written consent of the Trustee. The Trustee may give such written consent, and may itself take any such action, or consent to any Amendment, only in accordance with the provisions of the Indenture.

Compliance with Indenture. The Authority shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of the Indenture, and shall not suffer or permit any default to occur under the Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture.

Other Liens. So long as any Bonds are Outstanding, the Authority shall not create or suffer to be created any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues and other amounts pledged under the Indenture, other than the lien of the Indenture.

Arbitrage Covenants; Rebate Fund. The Authority covenants with all persons who hold or at any time held Tax-Exempt Bonds that the Authority will not directly or indirectly use the proceeds of any of the Tax-Exempt Bonds or permit the use of the proceeds of any of the Tax-Exempt Bonds or take or omit to take any other action which will cause any of the Tax-Exempt Bonds to be "arbitrage bonds" or to be otherwise subject to federal income taxation by reason of Sections 103 and 141 through 150 of the Code and any applicable regulations promulgated thereunder. To that end the Authority covenants to comply with all covenants set forth in the Tax Agreement applicable to the Authority. Such covenants are incorporated in the Indenture by reference as though fully set forth therein.

The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated the "California Educational Facilities Authority 2018 Refunding Revenue Bonds (Loyola Marymount University) Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee shall also maintain such accounts as shall be directed by the Borrower as necessary in order for the Authority and the Borrower to comply with the terms and requirements of the Tax Agreement. Subject to the transfer provisions provided in below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement), for payment to the United States Government, and neither the Borrower, the Authority nor the Bondholders shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture, the Agreement and by the Tax Agreement. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written directions of the Borrower, including supplying all necessary information requested by the Borrower and the Authority in the manner set forth in the Tax Agreement, and shall not be required to take any actions thereunder in the absence of written directions from the Borrower.

Upon receipt of the Borrower's written instructions, the Trustee shall remit part or all of the balances in the applicable Rebate Fund to the United States Government, as so directed. In addition, if the Borrower so directs, the Trustee will deposit moneys into or transfer moneys out of the applicable Rebate Fund from or into such accounts or funds as directed by the Borrower's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any applicable Rebate Requirement shall be withdrawn and remitted to the Borrower upon its written request.

Notwithstanding any provision of the Indenture, the obligation of the Borrower to pay any Rebate Requirement relating to the Tax-Exempt Bonds to the United States Government and to comply with all other requirements of the Indenture, the Agreement and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

Notwithstanding any provisions of the Indenture and the Agreement, if the Borrower shall provide to the Authority and the Trustee an Opinion of Bond Counsel that any specified action required under the Indenture or the Agreement is no longer required or that some further or different action is required to maintain the Tax-Exempt status of interest on the Bonds, the Borrower, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of the Indenture and the covenants thereunder shall be deemed to be modified to that extent.

Further Assurances. Whenever and so often as requested so to do by the Trustee, the Authority shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondholders all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms, and the Authority and Trustee shall at all times, to the extent permitted by law and subject to the provisions of the Indenture, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Continuing Disclosure. Pursuant to the Agreement, the Borrower has undertaken all responsibility for compliance with continuing disclosure requirements pursuant to Rule 15c2-12, and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12. The Trustee covenants and agrees that, subject to the provisions of the Indenture, it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and the Agreement applicable to it. Notwithstanding any other provision of the Indenture, failure of the Borrower or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall (but only to the extent the Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expenses of its counsel and agents and additional fees and charges of the Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause a Borrower to comply with its obligations under the Agreement or, as to any Bondholder or Beneficial Owner, to cause the Trustee to comply with its obligations under this paragraph.

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

Events of Default; Remedies

Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an “Event of Default” under the Indenture:

(a) Failure to make payment of any installment of interest upon any Bond when such payment shall have become due and payable;

(b) Failure to make due and punctual payment of the principal of or premium, if any, on any Bond when such payment shall have become due and payable, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration;

(c) The occurrence of an “Event of Default” under the Agreement; or

(d) Default by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, and the continuance of such default for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Borrower by the Trustee, or to the Authority, the Borrower and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding.

No default specified in (d) above shall constitute an Event of Default unless the Authority and the Borrower shall have failed to correct such default within the applicable 30-day period; provided, however, that if the default shall be such that it can be corrected, but cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Borrower within the applicable period and diligently pursued until the default is corrected. With regard to any alleged default concerning which notice is given to the Authority and the Borrower under the provisions the Indenture summarized by this caption, the Authority grants the Borrower full authority for the account of the Authority to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution. Notwithstanding such grant, the Borrower shall not have any obligation to cure any default of the Authority.

Upon the occurrence and continuation of any Event of Default specified above, the Trustee may, and shall upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Interest on the Bonds shall cease to accrue from and after the date of declaration of any such acceleration. Notwithstanding the foregoing, the Trustee shall not be required to take any action upon the occurrence and continuation of an Event of Default under paragraph (c) or (d) above until a Responsible Officer of the Trustee has actual knowledge of such Event of Default. After any declaration of acceleration under this caption the Trustee shall immediately declare all indebtedness payable under the Agreement with respect to the Bonds to be immediately due and payable in accordance with the Agreement and may exercise and enforce such rights as exist under the Agreement.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Indenture, there shall have been deposited with the Trustee a sum which, together with any other amounts then held in the Bond Fund, is sufficient to pay all the principal of such Bonds matured prior to such declaration and all matured installments of interest (if any) upon such Bonds, and the reasonable expenses (including reasonable attorneys’ fees) of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee in its sole discretion or provision deemed by the Trustee to be adequate shall have been made therefore.

Institution of Legal Proceedings by Trustee. If one or more Events of Default under the Indenture shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefore, shall, proceed to protect or enforce its rights or the rights of the Holders of such Bonds under the Act or under the Agreement or the Indenture, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the

execution of any power granted in the Indenture, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture.

Application of Moneys Collected by Trustee. Any moneys collected by the Trustee and moneys in the funds and accounts (other than the Rebate Fund) on or after the occurrence of an Event of Default shall be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection, just and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and for advances made pursuant to the provisions of the Indenture with interest on all such advances at the rate of 9% per annum.

Second: In case the principal of none of the Outstanding Bonds shall have become due and remains unpaid, to the payment of interest in default on the Outstanding Bonds in the order of the maturity thereof, such payments to be made ratably and proportionately to the persons entitled thereto without discrimination or preference, except as specified in the Indenture; provided, however, that no payment of interest shall be made with respect to any Bonds held by the Authority, the Borrower or actually known by the Trustee to be held by any affiliate of the Borrower, or any nominee of the Authority, the Borrower, or any affiliate of the Borrower, until interest due on all Bonds not so held have been paid.

Third: In case the principal of any of the Outstanding Bonds shall have become due by declaration or otherwise and remains unpaid, first to the payment of principal of all Outstanding Bonds then due and unpaid, then to the payment of interest in default in the order of maturity thereof, and then to the payment of the premium thereon, if any; in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference, except as specified in the Indenture; provided, however, that no payment of principal or premium or interest shall be made with respect to any Bonds held by the Authority, the Borrower or known by the Trustee to be held by any affiliate of the Borrower or any nominee of the Authority, the Borrower, or any affiliate of the Borrower, until all amounts due on all Bonds not so held have been paid.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Holders of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Holders of such Bonds, severally and respectively, shall be restored to their former positions and rights under the Indenture; and all remedies, rights and powers of the Authority, the Trustee and the Holders of such Bonds shall continue as though no such proceedings had been taken.

Remedies Cumulative. No remedy in the Indenture conferred upon or reserved to the Trustee or to any Holder of Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity.

Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay to the Trustee upon demand, but only out of Revenues and any other funds pledged therefor under the Indenture, for the benefit of the Holders of the Outstanding Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal and

premium, or both, as the case may be, and all other sums which may be due under the Indenture or secured by the Indenture, including reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Trustee under the Indenture. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees and expenses, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Revenues and any other funds pledged therefor under the Indenture, as provided in the Indenture and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Trustee Appointed Agent for Bondholders. The Trustee is appointed the agent and attorney of the Holders of all Bonds Outstanding under the Indenture for the purpose of filing any claims relating to the Bonds.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders' Right to Sue. (a) Notwithstanding any other provision of the Indenture, no Holder of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (i) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (ii) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (iii) said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (iv) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Holders shall have any right in any manner whatever by his or her or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

(b) The right of any Holder to receive payment of the principal of (and premium, if any) and interest on a Bond out of Revenues and any other funds pledged therefor under the Indenture, as therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of the Indenture.

The Trustee

Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default under the Indenture, and after the curing or waiver of all Events of Default under the Indenture which may have occurred, shall perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default under the Indenture (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as prudent persons would exercise or use under the circumstances in the conduct of their own affairs.

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act or its own willful misconduct, except that:

(a) Prior to the occurrence of any Event of Default under the Indenture and after the curing or waiver of all Events of Default which may have occurred, the duties and obligations of the Trustee shall at all times be determined solely by the express provisions of the Indenture; the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture; and no covenants or obligations shall be implied into the Indenture which are adverse to the Trustee; and

(b) At all times, regardless of whether or not any Event of Default shall exist,

(i) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(ii) the Trustee shall not be personally liable with respect to any action taken, permitted or omitted by it in good faith in accordance with the direction of the Holders of not less than a majority, or such other percentage as may be required under the Indenture, in aggregate principal amount of the Bonds Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture; and

(iii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of the Indenture; but in the case of any such certificate or opinion, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of the Indenture.

(c) The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents or receivers, and shall be entitled to advice of counsel concerning all matters of trust and concerning its duties under the Indenture and the Trustee shall not be responsible for any misconduct or negligence on the part of any attorney or agent appointed with due care by it under the Indenture.

None of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The permissive right of the Trustee to perform acts enumerated in the Indenture or the Agreement shall not be construed as a duty or obligation under the Indenture.

Right of Trustee to Rely upon Documents, Etc. Except as otherwise provided in the provisions of the Indenture:

(a) The Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, direction, demand, election or

other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any notice, request, direction, election, order or demand of the Authority mentioned in the Indenture shall be deemed to be sufficiently evidenced by an instrument signed in the name of the Authority by an Authorized Authority Representative, and any resolution of the Authority shall be evidenced to the Trustee by a Certified Resolution;

(c) The Trustee may consult with counsel of its selection (who may include its own counsel or counsel for the Authority or Bond Counsel) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel; and

(d) Whenever in the administration of the trusts of the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority; and such Certificate of the Authority shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of the Indenture upon the faith thereof.

(e) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(f) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture, under the Agreement or any other document related to the Bonds unless it shall have actual knowledge at its Principal Office.

(g) Before taking any action under the Indenture, the Trustee may require indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur under the Indenture, subject to those provisions of the Indenture requiring the Trustee to take actions without pursuing indemnification.

(h) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

Right of Trustee to Acquire Bonds. The Trustee, and its officers and directors, may acquire and hold, or become the pledgee of, Bonds and otherwise deal with the Authority in the manner and to the same extent and with like effect as though it were not Trustee under the Indenture.

Qualifications of Trustee. There shall at all times be a trustee under the Indenture which shall be a corporation or banking association organized and doing business under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by federal or state authority. If such a corporation or banking association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this caption the combined capital and surplus of such corporation or banking association shall be deemed to be their combined capital and surplus as set forth in its most recent reports of conditions so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture summarized under this caption, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Resignation and Removal of Trustee and Appointment of Successor Trustee.

(a) The Trustee may at any time resign by giving written notice to the Authority and the Borrower and by giving to the Bondholders notice by giving Notice by Mail to such Bondholders. The Trustee shall also mail a copy of any such notice of resignation to the Rating Agency. Upon receiving such notice of resignation, the Authority, with the advice and consent of the Borrower shall promptly appoint a successor trustee by an instrument in writing. If no successor trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation by the resigning Trustee, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Bondholder who has been a bona fide Holder for at least six (6) months may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee.

(b) In case at any time either of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of the Indenture and shall fail to resign after written request therefor by the Authority or any Bondholder who has been a bona fide Holder for at least six (6) months, or

(ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Authority may remove the Trustee and, with the advice and consent of the Borrower, appoint a successor trustee by an instrument in writing, or any Bondholder who has been a bona fide Holder for at least six (6) months may, on behalf of himself and others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee, and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, remove the Trustee, and appoint a successor trustee. Upon any removal of the Trustee, any outstanding fees and expenses of such former Trustee shall be paid in accordance with the Indenture.

(c) The Authority, in the absence of an Event of Default, or the Holders of a majority in aggregate principal amount of the Bonds at the time Outstanding may at any time remove the Trustee and appoint a successor trustee, by an instrument or concurrent instruments in writing signed by the Authority or such Bondholders, as the case may be.

(d) Any resignation or removal of the Trustee, and appointment of a successor trustee, pursuant to any of the provisions of this caption shall become effective only upon acceptance of appointment by the successor trustee as provided in the Indenture.

Acceptance of Trust by Successor Trustee. Any successor trustee appointed as provided in the Indenture shall execute, acknowledge and deliver to the Authority, the Borrower and to its predecessor Trustee an instrument accepting such appointment under the Indenture, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts under the Indenture, with like effect as if originally named as Trustee in the Indenture; but, nevertheless, on the Written Request of the Authority or the request of the successor trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee, upon the trusts expressed in the Indenture, all the rights, powers and trusts of the trustee so ceasing to act. Upon request of any such successor trustee, the Authority shall execute any and all instruments in writing necessary or desirable for more fully and certainly vesting in and confirming to such successor trustee all such rights, powers and duties. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such

Trustee to secure the amounts due it as compensation, reimbursement, expenses and indemnity afforded to it by the Indenture.

No successor trustee shall accept appointment as provided under this caption unless at the time of such acceptance such successor trustee shall be eligible under the provisions of the Indenture.

Upon acceptance of appointment by a successor trustee as provided under this caption, the successor trustee shall give the Bondholders and the Rating Agency notice of the succession of such trustee to the trusts under the Indenture in the manner prescribed in the Indenture for the giving of notice of resignation of the Trustee.

Merger or Consolidation of Trustee. Any corporation or banking association into which the Trustee may be merged or with which it may be consolidated, or any corporation or banking association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or banking association succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor of the Trustee under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding, provided that such successor trustee shall be eligible under the provisions of the Indenture.

Tax Agreement. The Trustee covenants and agrees that it will comply with all written instructions of the Borrower given in accordance with the Tax Agreement and will take any and all action as may be necessary in accordance with such written instructions. With respect to the Tax Agreement, the Trustee is not required to act without direction from the Borrower. The Trustee acknowledges receipt of the Tax Agreement and acknowledges that the provisions in the Tax Agreement are incorporated in the Indenture by reference. The Trustee shall not be accountable for the use by the Borrower of the proceeds of the Bonds.

Modification of Indenture, Agreement

Modification Without Consent of Bondholders. The Authority and the Trustee, without the consent of or notice to any Bondholders from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into a Supplemental Indenture or Supplemental Indentures amending or supplementing the Indenture as theretofore in effect, which Supplemental Indenture or Indentures thereafter shall form a part of the Indenture; and the Trustee, without the consent of or notice to any Bondholders, subject to the conditions and restrictions contained in the Indenture, from time to time and at any time may consent to any Amendment to the Agreement; in each case for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, or of the Borrower contained in the Agreement, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for any of the Bonds, or to surrender any right or power therein reserved to or conferred upon the Authority or the Borrower; provided, that no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture or the Agreement, or in regard to matters or questions arising under the Indenture or the Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Indenture and which shall not materially adversely affect the interests of the Holders of the Bonds;

(c) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

- (d) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds; provided that such Amendment or Supplemental Indenture shall not materially adversely affect the interests of the Holders of the Bonds;
- (e) to modify or eliminate the book-entry registration system for the Bonds;
- (f) to provide for the procedures required to permit any Bondholder to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code;
- (g) to provide for the appointment of a co-trustee or the succession of a new Trustee;
- (h) to change an exhibit to the Agreement in accordance with the provisions thereof and of the Tax Agreement;
- (i) to comply with requirements of the Rating Agency in order to obtain or maintain a rating on any Bonds; or
- (j) in connection with any other change which will not adversely affect the security of the Bonds or the Tax-Exempt status of interest thereon or otherwise materially adversely affect the interests of the Holders of the Bonds (such determination may be based upon an Opinion of Counsel).

Before the Authority or the Trustee enters into a Supplemental Indenture and before the Trustee consents to any Amendment to the Agreement pursuant to the provisions of the Indenture, the Trustee shall cause notice of the proposed execution of the Supplemental Indenture or Amendment to be given by mail to the Rating Agency. A copy of the proposed Supplemental Indenture or Amendment shall accompany such notice. Not less than one week after the date of the first mailing of such notice, the Authority and/or the Trustee may execute and deliver such Supplemental Indenture or Amendment, but only after there shall have been delivered to the Authority and the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture or Amendment is: (i) authorized or permitted by the Indenture, the Act and other applicable law; (ii) complies with their respective terms; (iii) will upon the execution and delivery thereof be valid and binding upon the Authority in accordance with its terms; and (iv) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notwithstanding the foregoing provisions of the Indenture summarized under this caption, the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such Supplemental Indenture, and the Trustee shall not enter into any Supplemental Indenture or consent to any Amendment without first obtaining the written consent of the Borrower.

Modification with Consent of Bondholders. In each case, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, evidenced as provided in the Indenture, subject to the conditions and restrictions contained in the Indenture (i) the Authority and the Trustee may from time to time and at any time enter into a Supplemental Indenture or Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any Supplemental Indenture; or (ii) the Trustee may consent to any Amendment to the Agreement; provided, however, that no such Supplemental Indenture or Amendment will have the effect of extending the time for payment or reducing any amount due and payable by the Borrower pursuant to the Agreement with respect to the Bonds without the consent of the Holders of all of the Bonds then Outstanding; and that no such Supplemental Indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Holders whose consent is required for the execution of such

Supplemental Indenture or Amendment, or permit the creation of any lien on the Revenues and the other funds pledged to the payment of the Bonds under the Indenture, prior to or on a parity with the lien of the Indenture, except as permitted in the Indenture, or permit the creation of any preference of any Bondholder over any other Bondholder, except as permitted in the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture upon the Revenues and the other funds pledged to the payment of the Bonds under the Indenture, without the consent of the Holders of all the Bonds then Outstanding. Nothing in this paragraph shall be construed as making necessary the approval of any Bondholder of any Supplemental Indenture or Amendment permitted by the provisions of the Indenture.

Upon receipt by the Trustee of: (1) if the Authority approves the execution and delivery of such Supplemental Indenture or Amendment by resolution, a Certified Resolution approving the execution of any such Supplemental Indenture or Amendment; (2) an Opinion of Bond Counsel stating that such Supplemental Indenture or Amendment is: (i) authorized or permitted by the Indenture, the Act and other applicable law; (ii) complies with their respective terms; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms; and (iv) will not adversely affect the Tax-Exempt status of interest on the Bonds; and (3) evidence of the consent of the Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such Supplemental Indenture or shall consent to such Amendment; provided, however, that (i) the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its sole discretion, but shall not be obligated to, enter into such Supplemental Indenture; and (ii) the Trustee shall not enter into such Supplemental Indenture or Amendment without first obtaining the Borrower's written consent thereto.

It shall not be necessary for the consent of the Bondholders under this caption to approve the particular form of any proposed Supplemental Indenture or Amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the parties thereto of any Supplemental Indenture or Amendment as provided under this caption, the Trustee shall mail a notice (prepared by the Borrower) setting forth in general terms the substance of such Supplemental Indenture or such Amendment to each Bondholder at the address contained in the Bond Register and to the Rating Agency. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture or such Amendment.

Effect of Supplemental Indenture or Amendment. Upon the execution of any Supplemental Indenture or any Amendment to the Agreement pursuant to the provisions of the Indenture, the Indenture or the Agreement, as the case may be, shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture and the Agreement of the Authority, the Trustee, the Borrower and all Holders of Outstanding Bonds shall thereafter be determined, exercised and enforced under the Indenture and under the Agreement subject in all respects to such Supplemental Indenture and Amendment, and all the terms and conditions of any such Supplemental Indenture or Amendment shall be part of the terms and conditions of the Indenture or the Agreement, as the case may be, for any and all purposes.

Required and Permitted Opinions of Counsel. Subject to the provisions of the Indenture, the Trustee is entitled to receive an Opinion of Counsel and rely on such Opinion of Counsel as conclusive evidence that any Supplemental Indenture or Amendment executed pursuant to the provisions of the Indenture complies with the requirements of the Indenture, that the appropriate consents have been obtained and that such Supplemental Indenture or Amendment has been duly authorized by the Authority.

Defeasance

Discharge of Indenture. If the entire indebtedness on all Bonds shall be paid and discharged in any one or more of the following ways:

- (a) by the payment of the principal of, and premium, if any, and interest on all Bonds, as and when the same become due and payable; or
- (b) by the delivery to the Trustee, for cancellation by it, of all Bonds; or
- (c) by providing for the payment or redemption thereof as provided in the Indenture;

and if all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture) thereupon the Indenture shall cease, terminate and become null and void, all liability of the Authority and the Borrower in respect of the Bonds shall cease, terminate and be completely discharged, except: (i) that the Authority shall remain liable for such payment but only from, and the Bondholders shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date) out of, the money and Government Obligations deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture and (ii) that in the case of Bonds (or portions thereof) for which provision for the payment or redemption thereof has been made in accordance with the Indenture, the provisions of the Indenture relating to the transfer and exchange of such Bonds (or portions thereof) and, if so reserved by the Authority, the right to call the Bonds for optional redemption prior to maturity shall continue to apply to the Bonds (or portions thereof). In such event, upon request of the Authority, the Trustee shall cause an accounting for such period as may be requested by the Authority to be prepared and filed with the Authority. Thereupon the Trustee shall, upon receipt by the Trustee and of an Opinion of Bond Counsel stating that all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Indenture. The Trustee shall mail written notice of such payment and discharge to the applicable Rating Agency. The satisfaction and discharge of the Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Borrower for any expenditures which it may thereafter incur in connection with the Indenture. The Trustee shall pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to the Indenture that are not required for the payment or redemption of Bonds and which are not required for the payment of fees and expenses of the Trustee; provided that prior to the Trustee paying over, transferring, assigning or delivering to the Borrower such moneys, securities or property, all Administrative Fees and Expenses and any indemnification owed the Authority shall have been paid

Discharge of Liability of Particular Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond, whether upon or prior to its maturity or the redemption date of such Bond (provided that, if such Bond is to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice), then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority shall remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment, provided further, however, that the provisions of the following caption shall apply in all events.

The Authority and the Borrower may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered which the Authority and the Borrower lawfully may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Payment of Bonds after Discharge of Indenture. Notwithstanding any provisions of the Indenture to the contrary, and subject to applicable laws of the State, any moneys deposited with the Trustee, in trust for the payment of the principal of, or interest or premium on, any Bond remaining unclaimed for two (2) years after such payment has become due and payable (whether on an Interest Payment Date, at maturity, upon call for redemption or by declaration as provided in the Indenture), then such moneys shall be repaid to the

Borrower upon its written request, and the Holder of such Bond shall thereafter be entitled to look only to the Borrower for payment thereof, and all liability of the Authority and the Trustee with respect to such moneys shall thereupon cease. In the event of the repayment of any such moneys to the Borrower as aforesaid, the Holder of the Bond in respect of which such moneys were deposited shall thereafter be deemed to be an unsecured creditor of the Borrower for amounts equivalent to the respective amounts deposited for the payment of the amount so payable with respect to such Bond and so repaid to the Borrower (without interest thereon).

Miscellaneous

Waiver of Notice. Whenever in the Indenture the giving of Notice by Mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Evidence of Action by Bondholders.

Any request, consent or other instrument required by the Indenture to be executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided under this caption.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him or her the execution thereof. The fact and the date of execution of any request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

The ownership of Bonds shall be proved by the Bond Register.

Any request, consent or vote of the Holder shall bind every future Holder of the same Bond and the Holder issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote.

Except as otherwise provided in the Indenture, in determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned by the Authority, by the Borrower or by any other direct or indirect obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Borrower, or any other direct or indirect obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided that, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall certify to the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Borrower or any other direct or indirect obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bondholders upon such notice and in accordance with such rules and regulations, including the right of the Bondholders to be represented and vote by proxy, as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority, and no officer, official, agent or employee of the State or any department, board or agency of the State shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds; but nothing in the Indenture contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Publication of Notices. Any publication of notice to be made under the provisions of the Indenture may be made in each instance upon any day, and, except as provided in the Indenture as summarized under the caption "Payment of Bonds after Discharge," no such publication shall be required if such notice is given by first class mail to the Holders of all Bonds then Outstanding.

Governing Law; Venue. The laws of the State of California govern all matters arising out of or relating to the Indenture and the Bonds, including, without limitation, their validity, interpretation, construction, performance, and enforcement. Any party bringing a legal action or proceeding against any other party arising out of or relating to the Indenture shall bring the legal action or proceeding in Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party agrees that the exclusive (subject to waiver as set forth in the Indenture) choice of forum set forth in the Indenture does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party waives, to the fullest extent permitted by law, (a) any objection which may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to the Indenture brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

Action Not on Business Day. Except as otherwise specifically provided in the Indenture, if any date specified for the payment of any principal amount of any Bond or the interest on any Bond or the performance of any act falls on a day which is not a Business Day, such payment or performance shall be made on the next succeeding Business Day with the same effect as if made on such date. In the case of the payment of the Principal of any Bond or the interest on any Bond which shall be due on a day which is not a Business Day, and such payment is made on the next succeeding Business Day, no additional interest shall accrue as a result of such delayed payment.

LOAN AGREEMENT

Payment of Bonds.

In repayment of the loan of the proceeds of the Bonds made pursuant to the Agreement, and the payment of interest thereon, the Borrower agrees that it will make payments (the "Base Loan Payments") to the Trustee, for the account of the Authority, in the amounts necessary for the payment when due of the principal, premium and interest on the Outstanding Bonds, as follows:

- (1) No later than 9:00 a.m., Pacific time, on the Business Day prior to each Bond Payment Date (whether at maturity, by redemption or by acceleration as provided in the Indenture) with respect to the Bonds and continuing until the principal of and premium, if any, and interest on the Bonds shall have been fully paid (or provision for the payment thereof shall have been made as provided in the Indenture), the Borrower shall pay in funds which will be immediately available as of such time and date, as an installment in repayment of the loan from the Authority under the Agreement, a sum equal to the aggregate amount payable on such Bond Payment Date as principal of (whether at maturity, by redemption or by acceleration as provided in the Indenture) and premium, if

any, and interest on the Bonds, at the Principal Corporate Trust Office of the Trustee. In accordance with the Indenture, the Trustee shall use its best efforts to provide the Borrower with 7 calendar days' prior written notice of the approximate sum due on each Bond Payment Date; provided, however, failure by the Trustee to give such notice, or the insufficiency of any such notice, shall not affect or diminish the obligations of the Borrower to make payments under this paragraph.

(2) Each payment made pursuant to this paragraph shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Outstanding Bonds on each Bond Payment Date. Any amount held by the Trustee in the Bond Fund on a Bond Payment Date on which a Base Loan Payment is due under the Agreement shall be credited against the installment due on such Bond Payment Date to the extent available for such purpose under the terms of the Indenture; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Bond Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Outstanding Bonds as such payments become due, the Borrower shall be relieved of any obligation to make any further payments under the provisions of this caption. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Bond Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on the Outstanding Bonds as such payments become due, the Borrower shall forthwith pay such deficiency as a Base Loan Payment under the Agreement.

If the Borrower fails to make any payment required under the Agreement by the due date thereof, the Trustee shall promptly notify the Authority, such notice to be given by telephone, telecopy or telegram followed by written notice.

Additional Payments.

In addition to the Base Loan Payments required to be made by the Borrower, the Borrower shall also pay to the Trustee or to the Authority, as the case may be, the following (the "Additional Payments"):

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Agreement or in any way arising due to the transactions contemplated by the 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) but excluding any taxes based upon the capital and/or income of the Trustee or any other person other than the Borrower; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, as the case may be, at the Borrower's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Authority or the Trustee and the Borrower has provided the Authority and the Trustee with security and indemnification reasonably deemed adequate by the Authority and the Trustee in respect of such affected rights or interests;

(b) The reasonable annual (or other regular) fees and expenses of the Trustee and its agents appointed pursuant to the Indenture, and all reasonable fees, charges and expenses of the Trustee for any extraordinary services rendered by the Trustee under the Indenture;

(c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements or opinions or provide such other services as are reasonably required under the Agreement, the Indenture or the Tax Agreement;

(d) The annual fee of the Authority, any and all fees and expenses incurred primarily in connection with the authorization, issuance, sale and delivery of any Bonds and the reasonable fees and expenses of the Authority or any agency of the State selected by the Authority to act on its behalf in connection with the Loan Agreement, the Bonds or the Indenture, including, without limitation, in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Loan Agreement, the Bonds or the Indenture or any of the other documents contemplated, or by the Attorney General of the State or such other counsel as the Authority may select in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration (both before and after the execution of the Loan Agreement) of the Loan Agreement or the Indenture;

(e) All amounts payable to the Authority and the Trustee under the Indenture and the Loan Agreement; and

(f) Such amounts as may be necessary to satisfy the rebate requirements in accordance with the Tax Agreement.

Prepayment.

(a) The Borrower may at any time prepay all or any part of the Base Loan Payments payable under the Agreement by providing written notice to the Trustee and the Authority at least five days prior to the last day by which the Trustee is permitted to give notice pursuant to the Indenture, specifying the date of such prepayment, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the Borrower. All such prepayments shall be deposited in the Optional Redemption Account within the Bond Fund and credited against the Base Loan Payments in the order of their due date or, at the election of the Borrower exercised in a Request of the Borrower, used for the redemption of Outstanding Bonds, in the amounts and on the redemption dates specified in such Request; provided that the redemption date shall be such as to comply with the optional redemption provisions and the notice provisions of the Indenture. Notwithstanding any such prepayment, the Borrower shall not be relieved of its obligations under the Agreement until all of the Bonds have been fully paid and retired (or provision for payment thereof shall have been made as provided in the Indenture).

(b) If the Borrower is not in default in the payment of any Base Loan Payments or Additional Payments, the Authority, at the request of the Borrower, at any time when the aggregate moneys in the Optional Redemption Account within the Bond Fund available for such purpose, including any prepayment deposited therein under the foregoing paragraph, are sufficient to effect redemption of all or part of the then Outstanding Bonds, and if such Bonds are then redeemable under the provisions of the Indenture, shall forthwith take all steps that may be necessary to effect such redemption in accordance with the request of the Borrower. The Authority agrees that it will redeem the Bonds pursuant to the Indenture only if and as requested in writing by the Borrower.

Certain Covenants of the Borrower.

Maintenance of Corporate Existence; Consolidation, Merger, Sale or Transfer Under Certain Conditions.

(a) The Borrower covenants and agrees that, so long as any of the Bonds are Outstanding, it will maintain its existence as a California nonprofit public benefit corporation and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it. Notwithstanding the foregoing, the Borrower may, without violating the covenants contained in this caption, consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, if:

(1) The surviving, resulting or transferee corporation, as the case may be:

(a) qualifies under the Act as a “participating college”;

(b) assumes in writing, if such corporation is not the Borrower, all of the obligations of the Borrower under the Agreement; provided such written instrument shall be executed and delivered to the Trustee, and shall be satisfactory to the Trustee, containing the agreement of such corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all obligations of the Borrower (including, without limitation, the Bonds) according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Agreement to be kept and performed by the Borrower, accompanied by an opinion of counsel as to the validity and enforceability of such assumption; and

(c) is not, after such transaction, otherwise in default under any provisions of the Agreement;

(d) is an organization described in Section 501(c)(3) of the Code or a corresponding provision of the federal income tax laws then in effect; and

(e) demonstrates that the unrestricted net assets of the corporation would not be less than 90% of the unrestricted net assets of the Borrower immediately prior to consolidation, merger, sale, acquisition or transfer.

(2) The Authority and the Trustee shall have received a Certificate of the Borrower to the effect that the covenants under the Agreement will be met after such consolidation, merger, sale or transfer; and

(3) The Trustee and the Authority shall have received an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not cause interest on the Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code.

(b) If a merger, consolidation, sale or other transfer is effected, as provided in this caption, the provisions of this caption shall continue in full force and effect, and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this caption.

(c) Another entity may also agree to become a co-obligor and jointly and severally liable with the Borrower (without the necessity of merger, consolidation or transfer of assets) under the Agreement if the foregoing provisions (other than (a)(1)(a)) are satisfied. In such event, references in the Agreement to indebtedness of the Borrower shall apply to the combined indebtedness of the Borrower and such other entity, references to the financial condition or results of operation of the Borrower shall apply to the combined financial condition and results of operation of the Borrower and such other entity, and the Borrower and such other entity shall be considered to be the Borrower for purposes of all obligations of the Borrower under the Agreement.

Insurance; Condemnation Proceeds.

So long as any Bonds remain Outstanding, the Borrower will maintain or cause to be maintained with respect to the Facilities, with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by private colleges and universities located in the State of a nature similar to that of the Borrower, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance.

The Borrower understands that the insurance required under the Indenture shall include (to the extent commercially available and economically practicable in the Borrower's discretion) earthquake and flood insurance in an amount equal to at least the lesser of the full replacement value of the Facilities or the aggregate principal amount of the Outstanding Bonds, subject to reasonable deductibles. All insurance policies maintained pursuant to the Agreement shall name the Borrower, the Authority and the Trustee as insured parties, beneficiaries and loss payees as their interests may appear.

The Borrower shall at all times also maintain worker's compensation coverage as required by the laws of the State.

If the Authority shall so request in a Request of the Authority, the Borrower shall provide to the Authority summaries or other evidence of its insurance coverage.

Tax Covenants. The Borrower covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Tax-Exempt Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Borrower covenants that it shall comply with the requirements of the Tax Agreement, which are incorporated in the Agreement as if fully set forth therein. This covenant shall survive the payment in full or the defeasance of the Tax-Exempt Bonds.

In the event that at any time the Borrower is of the opinion that for purposes of the Agreement it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Borrower shall so instruct the Authority and the Trustee in a Request of the Borrower accompanied by an Opinion of Bond Counsel.

Notwithstanding any provisions of the Agreement, if the Borrower provides to the Trustee and the Authority an Opinion of Bond Counsel to the effect that any specified action required under the Agreement is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the Agreement and the Tax Agreement, and the covenants hereunder shall be deemed to be modified to that extent.

Compliance with Laws. The Borrower will comply with all material laws, statutes, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Project, the Borrower or the operations thereof, and it will not commit, suffer or permit any act to be done in violation of any law, ordinance or regulation, except, in each case, where such noncompliance or act would not have a material adverse effect upon the Borrower's assets, operations or financial condition.

Maintenance Operation and Use of the Project and the Facilities.

(1) The Borrower will use its best efforts to cause the Project to be maintained in good condition and repair, will maintain, operate and use the Project, during the useful life thereof, as an integral part of the Facilities and will not alienate, sell, convey or transfer the Project unless it provides to the Trustee and the Authority an Opinion of Bond Counsel to the effect that such alienation, sale, conveyance or transfer will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes.

(2) The Borrower will not use the Project, during the useful life thereof (irrespective of whether the Bonds are at the time Outstanding), for sectarian instruction or as a place of religious worship or primarily in connection with any part of the program of any school or department of divinity.

(3) No portion of the Project financed with proceeds of the Tax-Exempt Bonds shall be used by any person in an "unrelated trade or business" (as such term is defined in Section 513 of the

Code), in such manner or to such extent as would result in any of the Tax-Exempt Bonds being treated as an obligation not described in Section 103(a) of the Code.

(4) The Borrower will operate the Facilities as a postsecondary educational institution, maintain the Facilities in good repair, working order and condition to achieve this function and otherwise to meet the covenants and obligations contained in the Agreement and honor all valid restrictions on the uses to which the Facilities may be subject so long as the Facilities are owned by the Borrower or any distributee upon dissolution or any voluntary grantee of the Borrower.

Taxes, Assessments, Other Governmental Charges and Utility Charges. The Borrower will pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Facilities, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Facilities or any part thereof, provided, however, that the Borrower shall not be required to pay any tax, assessment, rate or charge as provided in the Agreement as long as it shall in good faith contest the validity thereof by a proceeding which operates to prevent any forfeiture or sale of the Facilities or any part thereof.

Accreditation. The Borrower will maintain its accreditation by WASC or its successor as a body that accredits schools like the Borrower. The Borrower will maintain the accreditation of its law school by the ABA or its successor as a body that accredits law schools or the Committee of the Bar Examiners of the State Bar. The Borrower covenants to provide to the Authority, within thirty (30) days of receipt thereof, copies of any action letter, sent to the Borrower by either such accrediting body following its review of the report of the team which visited the Borrower's campus, which apprises the Borrower that such accrediting body is issuing a warning to the Borrower or placing the Borrower on probation.

Compliance with the Provisions of the Act and the United States and California Constitutions Relating to Religion. The Borrower covenants and agrees that it will not restrict or grant preference to the admission of a student based on his or her race or ethnicity and that it will not include in any portion of the Project any facility, place or building used or to be used for sectarian instruction or as a place for religious worship or for any class that includes as part of the instruction information or coursework that promotes or opposes a particular religion or religious beliefs, or any facility, place or building used or to be used primarily in connection with any part of the programs of a school or department of theology or divinity, in each case through the useful life of the facility, place or building. The Authority and its designees shall have the right, but shall not be obligated, to inspect the Borrower's educational facilities at all reasonable times for the purpose of verifying the foregoing and due compliance by the Borrower with its annual certificate of compliance delivered as required by the Agreement and with the Constitutions of the United States and of the State. This covenant shall survive the payment in full or defeasance of the Bonds.

ERISA Compliance. The Borrower shall cause any ERISA Plans maintained by the Borrower for its employees to be in compliance, in all material respects, with all applicable provisions contained in ERISA, the Code and the regulations published thereunder, and cause all benefit plans maintained by the Borrower for its employees and not subject to the provisions of ERISA, to be in compliance with all requirements of law (including regulations) applicable thereto.

Without limiting any of the foregoing, the Borrower further agrees as follows:

(1) The Borrower will not, with respect to any ERISA Plan:

(A) incur any "accumulated funding deficiency," as such term is defined in Section 412 of the Code, whether or not waived, if the amount of such accumulated funding deficiency, plus any accumulated funding deficiencies previously incurred with respect to such ERISA Plan and not eliminated, would aggregate more than \$100,000; provided that the incurring of such an accumulated funding deficiency will not be an "event of default" under the Agreement if it is reduced

below \$100,000 or eliminated within 90 days after the date upon which the Borrower becomes aware of such accumulated funding deficiency; or

(B) terminate any such ERISA Plan in a manner which could result in the imposition of a material lien on the property of the Borrower pursuant to Section 4068 of ERISA and which could reasonably be expected to materially adversely affect the business, earnings, properties or financial condition of the Borrower; or

(C) withdraw from a Multiemployer Plan in a “complete withdrawal” or a “partial withdrawal” as defined in Sections 4203(a) and 4205(a), respectively, of ERISA, if such withdrawal could reasonably be expected to materially adversely affect the Borrower’s ability to comply at any time with any of the provisions of the Agreement.

(2) The Borrower will:

(A) fund all current and past service pension liabilities under the provisions of all ERISA Plans subject to Title IV of ERISA such that if all such ERISA Plans were terminated at the same time by the Borrower any liens imposed on the Borrower under Section 4068 of ERISA would not be in an amount in the aggregate which would materially affect the Borrower’s ability to comply at any time with any of the provisions of the Agreement; and

(B) otherwise comply in all respects with the provisions applicable to its ERISA Plans contained in ERISA, the Code and the regulations published thereunder except for any noncompliance that could not reasonably be expected to affect the Borrower’s ability to comply at anytime with any provision of the Agreement; and

(C) notify the Authority promptly after the Borrower knows or has reason to know (i) of the happening of any material Reportable Event with respect to any ERISA Plan and, in any event, at least five days prior to any notification of such material Reportable Event given to the PBGC pursuant to the terms of Section 4043 of ERISA or (ii) of an assessment against the Borrower or any Common Control Entity of any withdrawal liability to a Multiemployer Plan. Notwithstanding anything in the Agreement to the contrary, the Borrower need not notify the Trustee or the Authority of such material Reportable Event or withdrawal liability unless it might materially adversely affect the business, prospects, earnings, properties or condition (financial or otherwise) of the Borrower.

For purposes of this caption and the representations and warranties of the Borrower contained in the Agreement, the following terms shall have the following meanings. The term “Multiemployer Plan” has the meaning set forth in Section 4001(a)(3) of ERISA and all rules and regulations promulgated from time to time thereunder. The term “Common Control Entity” means any entity which is a member of a “controlled group of corporations” with, or is under “common control” with, the Borrower as defined in Section 414(b) or (c) of the Code.

Events of Default.

The following shall be “events of default” under the Agreement:

(a) The Borrower fails to make any Base Loan Payment or Additional Payment by its due date; or

(b) The Borrower fails to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Agreement other than as referred to in paragraph (a) above for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Borrower by the Authority; provided, however, if the failure stated in the notice is correctable but cannot

be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected; or

(c) Any of the representations or warranties of the Borrower made in the Agreement or in any other document, certificate or writing furnished by the Borrower to the Authority in connection with the application for or the negotiation of the Agreement or the issuance of the Bonds was false or incorrect in any material respect when made; or

(d) Default by the Borrower in the payment of debt outstanding in an aggregate principal amount of more than \$500,000; or

(e) The Borrower applies for or consents to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property or admits in writing its inability to pay its debts as they mature; or such a receiver, trustee or similar officer is appointed without the application or consent of the Borrower and such appointment continues undischarged for a period of sixty (60) days; or the Borrower institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against the Borrower and remains undismissed for a period of sixty (60) days; or the Borrower makes a general assignment for the benefit of creditors.

Remedies upon an Event of Default.

In the event any of the Bonds shall at the time be Outstanding and unpaid (and provision for the payment thereof shall not have been made as provided in the Indenture) and any event of default referred to in the Agreement shall have happened and be continuing the Authority or the Trustee may take any one or more of the following remedial steps:

(1) The Authority or the Trustee may, at its option, declare all installments of Base Loan Payments payable for the remainder of the term of the Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(2) The Authority or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under the Agreement, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, condition or covenant of the Borrower under the Agreement.

The term "all installments" shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be and actually are redeemed after giving notice to the Holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) plus any other payments due or to become due under the Agreement, including, without limitation, any unpaid fees and expenses of the Authority, the Trustee and any paying agents of the Bonds which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

No remedy in the Agreement conferred upon or reserved to the Authority or the Trustee 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 Agreement or now or hereafter existing at law or in equity or by statute. No delay in exercising 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 or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the

Authority or the Trustee to exercise any remedy reserved to it by this caption, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Agreement. The Trustee shall be deemed third party beneficiaries of all covenants and conditions contained in the Agreement.

In the event the Borrower should default under any of the provisions of the Agreement and the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained in the Agreement, the Borrower agrees that it will on demand therefor pay to the Trustee the reasonable fee of such attorneys and such other reasonable expenses so incurred by the Trustee.

Miscellaneous.

Continuing Disclosure. So long as any of the Bonds are Outstanding, the Borrower covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Agreement, failure of the Borrower to comply with the requirements of Rule 15c2 12 applicable to the Bonds, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default under the Agreement or under the Indenture and the Trustee shall have no right to accelerate amounts due under the Loan Agreement as a result thereof; however, the Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, may (but only to the extent the Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expenses of its counsel and agents and additional fees and charges of the Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations pursuant to the Agreement.

Governing Law; Venue. The laws of the State of California govern all matters arising out of or relating to the Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to the Agreement shall bring the legal action or proceeding in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party agrees that the exclusive (subject to waiver as set forth in the Agreement) choice of forum set forth in the Agreement does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party waives, to the fullest extent permitted by law, (a) any objection which may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to the Agreement brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum

Severability. In the event any provision of the Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Agreement.

Amounts Remaining in Funds and Accounts. It is agreed that any amounts remaining in the Bond Fund established pursuant to the Indenture, after payment in full of the Bonds (or after provision for payment thereof as provided in the Indenture) shall be subject to the provisions of the Indenture.

Agreement Represents Complete Agreement; Amendments. The Agreement, the Indenture and the Tax Agreement represent the entire contract between the Authority and the Borrower with respect to the Bonds, the loan of the proceeds thereof to the Borrower and related matters. The Agreement may not be effectively amended, changed, modified, altered or terminated except in writing signed by the parties to the Agreement and with the concurring written consent of the Trustee, given in accordance with the provisions of

the Indenture. The Authority agrees that it will not consent to an amendment of the Indenture without the approval of the Borrower.

Term of Agreement. Except as otherwise provided in the Agreement, the Agreement shall remain in full force and effect from the date of execution of the Agreement until no Bonds remain Outstanding under the Indenture.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any trustee, director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any sum under the Agreement or under the Indenture be subject to any personal liability or accountability by reason of the execution and delivery of the Agreement; but nothing contained in the Agreement shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Agreement.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Date of Delivery]

California Educational Facilities Authority
Sacramento, California

California Educational Facilities Authority
Revenue Bonds (Loyola Marymount University)
Taxable Series 2018A

and

California Educational Facilities Authority
Revenue Bonds (Loyola Marymount University)
Series 2018B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Educational Facilities Authority (the “Authority”) in connection with issuance of \$29,210,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Taxable Series 2018A (the “Series 2018A Bonds”) and \$57,330,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Series 2018B (the “Series 2018B Bonds” and, together with the Series 2018A Bonds, the “Bonds”), issued pursuant to the Indenture, dated as of November 1, 2018 (the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Loyola Marymount University (the “Borrower”) pursuant to a Loan Agreement, dated as of November 1, 2018 (the “Loan Agreement”), between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Agreement, opinions of counsel to the Authority, the Trustee and the Borrower, certificates of the Authority, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Bridges & Bridges, Counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). We note that the opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the Borrower regarding the use of the facilities financed with the proceeds of the Series 2018B Bonds in activities that are not considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code. We note that the opinion

of Counsel to the Borrower does not address Section 513 of the Code. Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or the use of the Series 2018B Bond-financed facilities in activities that are considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code, may result in interest on the Series 2018B Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2018B Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public instrumentalities of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. Interest on the Series 2018B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2018B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of November 1, 2018, is executed and delivered by Loyola Marymount University (the “University”) and U.S. Bank National Association, a national banking association, as trustee and as dissemination agent (the “Trustee” and “Dissemination Agent”) in connection with the issuance of \$29,210,000 California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Taxable Series 2018A and \$57,330,000 California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Series 2018B (together, the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of November 1, 2018 (the “Indenture”), between the California Educational Facilities Authority (the “Authority”) and the Trustee. The proceeds of the Bonds are being loaned by the Authority to the University pursuant to a Loan Agreement, dated as of November 1, 2018 (the “Loan Agreement”), between the Authority and the University. The University, the Trustee and the Dissemination Agent covenant and agree as follows:

SECTION I. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University, the Trustee and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below). The University, the Trustee and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION II. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement 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 University pursuant to, and as described in, Sections III. and IV. of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the person designated by the University on the signature page hereof or such person’s designee, or such other person as the University shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section V.A. of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Participating Underwriters” shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” means the MSRB or any other information repository as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule.

“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 III. Provision of Annual Reports.

A. The University shall, or, upon written direction, shall cause the Dissemination Agent to, not later than 180 days after the end of the University’s fiscal year (presently as indicated on the signature page hereof), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section IV. of this Disclosure Agreement. In each case, 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 IV. of this Disclosure Agreement; provided that the audited financial statements of the University 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 University’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section V.C.

B. Not later than fifteen (15) Business Days prior to the date specified in subsection A. for providing the Annual Report to the Repository, the University 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 University and the Dissemination Agent to determine if the University is in compliance with the first sentence of this subsection B.

C. If the Trustee is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection A, the Trustee shall send a notice the Authority and the Repository in substantially the form attached as Exhibit A.

D. The Dissemination Agent shall file a report with the University, the Authority and the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION IV. Content of Annual Reports. The University’s Annual Report shall contain or include by reference the following:

A. The audited financial statements of the University for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the University’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section III.A., the Annual Report shall contain unaudited financial statements in a format similar to the financial statements required for the fiscal year being audited, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

B. The completed form attached hereto as Exhibit B or such other form which contains substantially the same information.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the University is an “obligated person” (as defined by the Rule), which have been filed with 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 Repository. The University shall clearly identify each such other document so included by reference.

SECTION V. Reporting of Listed Events.

A. Pursuant to the provisions of this Section V., the University shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondowners, if material;
8. Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose);
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender offers;
13. Bankruptcy, insolvency, receivership or similar event with respect to an obligated person;
14. The consummation of a merger, consolidation, acquisition or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into an agreement to take such an action or termination of an agreement to undertake any such action, other than pursuant to its terms, if material; and
15. Appointment of a successor or an additional trustee or change in the name of a trustee, if material.

B. The Trustee shall, as soon as reasonably practicable, of a responsible officer's obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the University promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection C below. The Trustee shall have no duty to determine the materiality of any such Listed Events. For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the

corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture.

C. Upon the occurrence of a Listed Event, the Corporation shall, in a timely manner not to exceed ten (10) Business Days, direct the Dissemination Agent to file a notice of such occurrence with the MSRB as provided in Section VI. The Corporation shall provide a copy of each such notice to the Issuer, the Trustee and the Underwriters. The Dissemination Agent, if other than the Corporation, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Corporation, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

R SECTION VI. Electronic Filing. The University, the Trustee and the Dissemination Agent may satisfy its disclosure obligations hereunder to file any notice, document or information by filing the same with the MSRB through its Electronic Municipal Market Access system, in the format and with identifying or other information as may be required by the Securities and Exchange Commission and the MSRB, or any other Repository that may be recognized by the Securities and Exchange Commission, and in such manner as may be specified by the Securities and Exchange Commission and such Repository.

SECTION VII. Termination of Reporting Obligation. The University's, the Trustee's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the University's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the University and the original University shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the University shall give notice of such termination or substitution in the same manner as for a Listed Event under Section V.C.

SECTION VIII. Dissemination Agent. The University 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 shall not be responsible in any manner for the content of any notice or report prepared by the University pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the University shall be the Dissemination Agent. The Dissemination Agent may resign by providing 30 days written notice to the University and the Trustee.

SECTION IX. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the University, Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Trustee and Dissemination Agent shall agree to any amendment so requested by the University provided, the Trustee and Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) 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 Sections III.A, IV. or V.A., 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 Bonds, or the type of business conducted;

B. The undertaking herein, 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the University 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 University. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section V.C., and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION X. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the University 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 of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the University chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION XI. Default. In the event of a failure of the University or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee shall at the written request of any Participating Underwriters or the Holders of at least 25% of the Outstanding Bonds, and upon provision of indemnification satisfactory to the Trustee, or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University 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 or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the University or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION XII. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the University agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities, costs and expenses (including attorneys fees) due to the Dissemination Agent's or Trustee's respective fraud, violation of law, whether willful or negligent, negligence, willful misconduct or breach of this Disclosure Agreement. The Dissemination Agent shall be paid compensation by the University for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the University, the Holders, or any other party. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the University in a timely manner and in a form suitable for filing. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION XIII. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the University: At the address set forth for the University on the signature page hereof.

To the Trustee and Dissemination Agent: U.S. Bank National Association
633 W. Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Services
Telephone: (213) 615-6005
Fax: (213) 615-6196
Ref: CEFA Bonds (Loyola Marymount University)

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION XIV. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the University, the Trustee, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION XV. 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.

LOYOLA MARYMOUNT UNIVERSITY

By: _____
Authorized Signatory

U.S. Bank National Association,
as Trustee and Dissemination Agent

By: _____
Authorized Representative

University's Notice Address: Loyola Marymount University
1 LMU Drive, Suite 4900
Los Angeles, CA 90045
Attention: Chief Financial Officer

University's Disclosure Representative: Chief Financial Officer

University's Fiscal Year: May 31

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: California Educational Facilities Authority

Name of Bond Issue: California Educational Facilities Authority Refunding Revenue Bonds (Loyola Marymount University) Taxable Series 2018A
California Educational Facilities Authority Refunding Revenue Bonds (Loyola Marymount University) Series 2018B

Name of Corporation: Loyola Marymount University

Date of Issuance: November 7, 2018

NOTICE IS HEREBY GIVEN that Loyola Marymount University (the "University") has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.09 of the Indenture, dated as of November 1, 2018, between the Authority and Trustee and by Section 17 of the Loan Agreement, dated as of November 1, 2018, between the Authority and the University. The University anticipates that the Annual Report will be filed by _____.

Dated: _____

U.S. Bank National Association, as Trustee

By: _____

cc: Loyola Marymount University

EXHIBIT B

**LOYOLA MARYMOUNT UNIVERSITY
CONTINUING DISCLOSURE ANNUAL REPORT**

Operating Data

Non-Financial

Please answer each of the following questions:

- a) Has there been a change in the name and titles of officers since the last annual report?
(Check one)

Yes No If yes, please indicate name and title.

- b) Please describe any new material litigation, or a material result in a material litigation since the date of the last report.

- c) Please describe any changes in the accreditation of the University since the date of the last report.

- d) Please describe any significant sale, destruction or loss of real property or other material assets relating to the University, since the date of the last report. In addition, please describe any sale or loss of any collateral since the date of the last report.

Please update the following information for the most recent or fiscal year. Only the data for the most recent fiscal year needs to be included in your annual report:

Financial

- a) Please attach a copy of your most recent financial statements.
- b) Updates to the following information in APPENDIX A – “INFORMATION CONCERNING THE UNIVERSITY,” to the extent such information is not included in the University’s audited financial statements:
- 1) The number of full-time, tenured and part-time instructional faculty members at both campuses of the University;
 - 2) The table under the subheading “Tuition & Fees”;

- 3) The table under the subheading “Applications and Admissions”;
- 4) The table under the subheading “Enrollments”;
- 5) The table under the subheading “Financial Aid”;
- 6) The Statement of Unrestricted Activities;
- 7) Information under the subheading “Grants, Contributions and Pledges”; and
- 8) The tables and financial information under the subheading “Endowment and Similar Funds.”

Listed Events

a) Please review Section V of the Continuing Disclosure Agreement and confirm that no Listed Event has occurred. Please describe any Listed Event that has occurred since the date of the last report.

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